Annual Report
2006

CAIFOR

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Introduction to the CaiFor Group

Companies that make up the CaiFor Group

Holding Company	**CaiFor, S.A.** NIF A 60196946 General Almirante, 2-4-6 08014 Barcelona Tel. 93 227 87 00 Fax 93 298 90 05 www.caifor.es
Insurance Companies	**VidaCaixa, S.A. de Seguros y Reaseguros** NIF A 58333261 www.vidacaixa.es **SegurCaixa, S.A. de Seguros y Reaseguros** NIF A 28011864 www.segurcaixa.es
Branch organisation and other	**AgenCaixa, S.A., Agencia de Seguros Grupo CaiFor** NIF A 78662319 www.agencaixa.es **SegurVida Consulting, S.A.** NIF A 58482100
Shared Services	**Grupo Asegurador de ”la Caixa”, Agrupación de Interés Económico** NIF G 58263831
Headquarters	General Almirante, 2-4-6 08014 Barcelona Tel. 93 227 87 00 Fax 93 298 90 05
Customer Telephone Service	**Customer information and assistance** 902 10 15 15 **”la Caixa” branch office information and assistance** 902 20 11 11

Territorial Organisation

AgenCaixa Business Offices

Andalucía Occidental
Av. Reino Unido, s/n
Edificio Adytec, Euroficinas,
plta. 1ª, puerta G
41012 Sevilla
Tel. 95 429 81 95

Andalucía Oriental
Salitre, 1, 3º
29002 Málaga
Tel. 95 236 11 29

Aragón - Navarra - La Rioja
Pº Independencia, 24-26,
pta. 5ª, of. 1
50004 Zaragoza
Tel. 976 22 59 91

Badalona Cinturón Norte
Av. President Companys, 6, 1º 1ª
08911 Badalona
Tel. 93 464 10 48

Baix Llobregat Sur
Fructuós Gelabert, 2-4, 4º 7ª
08970 Sant Joan Despí
Tel. 93 480 83 89

Baleares
Av. Alexandre Roselló, 21,
puerta A y B
07002 Palma
Tel. 971 21 44 21

Barcelona I, II y III
Roger de Llúria, 5, 2º
08010 Barcelona
Tel. 93 317 69 42 (I)
93 317 13 33 (II)
93 317 14 15 (III)

Girona - Maresme
Pl. Josep Pla, 4, 1º 7ª
17001 Girona
Tel. 972 41 28 17

Lleida
Av. Blondel, 5, 4º B
25002 Lleida
Tel. 973 26 98 11

Madrid Este, Oeste y Provincia
Pº de la Castellana, 51, 6º
28046 Madrid
Tel. 91 432 62 09 (E.)
91 432 62 10 (O.)
91 432 62 11 (P.)

País Vasco
Autonomía, 26, 4º D
48010 Bilbao
Tel. 94 444 11 49

Tarragona
Av. Marquès de Montoliu, 4,
esc. B, 1º 5ª
43001 Tarragona
Tel. 977 25 24 36

Valencia
Profesor Beltran Baguena, 4,
desp. 412 D
46009 Valencia
Tel. 96 340 29 00

Vallès - Penedès
Av. Tarragona, 37-41, 4º A
08720 Vilafranca del Penedès
Tel. 93 817 21 60

VidaCaixa Previsión Social Offices

Bilbao
Autonomía, 26, 4º D
48010 Bilbao
Tel. 94 444 12 19

Madrid
Pº de la Castellana, 51, 6º
28046 Madrid
Tel. 91 432 68 00

Valencia
Profesor Beltran Baguena, 4, desp. 412 D
46009 Valencia
Tel. 96 317 39 82

Milestones in the history of the CaiFor Group

92	Signature of the Joint Venture agreement between "la Caixa" and Fortis. CaiFor's foundation and celebration of SegurCaixa's 50th anniversary.
93	Setting up SegurCaixa Hogar, the multi-risk insurance that today covers more than 640,000 Spanish homes. VidaCaixa tops the Spanish life-insurance ranking based on its mathematical provisions.
94	AgenCaixa, the advisor network of the CaiFor Group, initiates its now widely developed activity.
95	VidaCaixa launches Seviam Abierto, the life-risk insurance linked to loans that today has more than 990,000 policy holders.
96	CaiFor sets up its insurance Call Center, a department that unified all the then existing telephone assistance platforms in VidaCaixa and SegurCaixa.
98	SegurCaixa rolls outs its accident insurance that today has more than 115,000 policy holders with SegurCaixa Personal.
99	CaiFor moves to its present ultra-modern Headquarters in Plaza Cerdà, Barcelona.
00	The Balanced Scorecard, the management tool of the Group, gets under way.
01	CaiFor goes into the health insurance business with VidaCaixa Salud. At present there are 44,000 policy holders.
02	VidaCaixa is a major player in the externalisation of the Spanish enterprises' pension plan commitments.
03	VidaCaixa acquires Swiss Life (España) and launches VidaCaixa Previsión Social, its division specialising in company social welfare.
04	VidaCaixa acquires SCH Previsión and integrates all the group and company business.
05	CaiFor awarded with the prestigious "Balanced Scorecard Hall of Fame" award for its excellent management model based on the Balanced Scorecard.

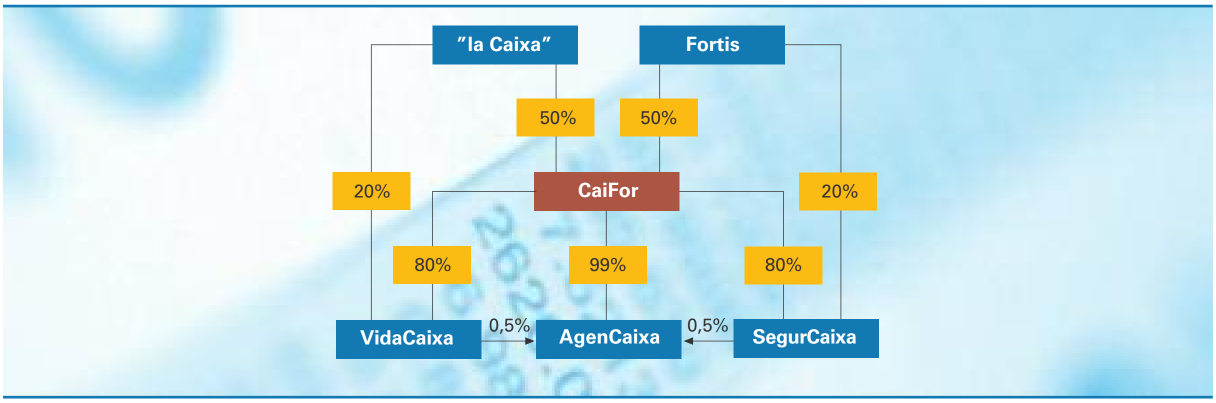
Shareholder structure of the CaiFor Group and Governing Bodies

Shareholder structure

The CaiFor Group was set up in December 1992, following the signature of a Joint Venture agreement between "la Caixa", the savings bank Caja de Ahorros y Pensiones de Barcelona, and Fortis, the Belgian-Dutch bank-assurance group.

CaiFor, S.A. is the principal company in the CaiFor Group and both "la Caixa" and Fortis hold a 50% share in it. The company comprises the three operating insurance companies in the Group: VidaCaixa, SegurCaixa and AgenCaixa with the owners having different stakes in each. Therefore, CaiFor controls 80% of VidaCaixa and SegurCaixa with the other 20% belonging to "la Caixa" in the case of VidaCaixa and Fortis in the case of SegurCaixa. In turn, CaiFor S.A. holds 99% of the shares in AgenCaixa with VidaCaixa and SegurCaixa each holding 0.5%.

Composition of the CaiFor Group



VidaCaixa's job is to design, manage and market life insurance, health insurance and pension plans for both individuals and corporate customers. It manages more than 26,500 million euros.

SegurCaixa, is a company devoted to the design, management and marketing of non-life insurance. It specialises in household insurance with over 700,000 homes covered. It also has a growing activity in accident and unemployment insurances. SegurCaixa received in 2006 the authorization to operate in the motor insurance branch, a business that the company will start in the first semester of 2007.

AgenCaixa is the company that has more than 300 sales advisors of the CaiFor Group who collaborate with the branch offices of "la Caixa". They advise customers and market all the products and services of the Group.

Governing Bodies

CaiFor has a twelve-member Board: six represent "la Caixa" and six represent Fortis. CaiFor also has a six-member Board-Delegated Commission, a Retributions Commission and an Audit Committee.

At the same time, VidaCaixa has a five-member Board, three members representing "la Caixa" and two representing Fortis. SegurCaixa also has a five-member Board, three of whom are appointed by Fortis and two by "la Caixa". All the Board members of VidaCaixa and SegurCaixa are members of the CaiFor Board.

Boards of Directors

CaiFor, S.A.
Board of Directors

Chairman
Ricardo Fornesa Ribó

Deputy-Chairman
Peer van Harten (*)

Chief Executive Officer
Tomás Muniesa Arantegui (**)

Board Members
Olav Cuiper
Gilbert Mittler (*)
Manuel Raventós Negra
Juan Antonio Samaranch
Jean-Paul Votron
Herman Verwilst
Jacob Westerlaken (*)
Caixa Holding, S.A.U. (*)
  Representative:
  Julio Lage González
Caixa Corp, S.A. (*)
  Representative:
  Antonio Vila Bertrán

Secretary (***)
Carlos Ginebreda Martí

Management

Managing Director of CaiFor, S.A.
Mario Berenguer Albiac

VidaCaixa, S.A.
Board of Directors

Chairman
Tomás Muniesa Arantegui

Board Members
Peer van Harten
Jacob Westerlaken
Caixa Holding, S.A.U.
  Representative:
  Julio Lage González
Caixa Corp, S.A.
  Representative:
  Antonio Vila Bertrán

Secretary (***)
Carlos Ginebreda Martí

SegurCaixa, S.A.
Board of Directors

Chairman
Peer van Harten

Board Members
Gilbert Mittler
Jacob Westerlaken
Caixa Holding, S.A.U.
  Representative:
  Tomás Muniesa Arantegui
Caixa Corp, S.A.
  Representative:
  Antonio Vila Bertrán

Secretary (***)
Carlos Ginebreda Martí

AgenCaixa, S.A.

Sole Administrator
CaiFor, S.A.

Representative
Mario Berenguer Albiac

SegurVida Consulting, S.A.

Sole Administrator
CaiFor, S.A.

Representative
Fernando J. Izquierdo Gabaldón

(*) Members of the Executive Commission of the Board of Directors of CaiFor.
(**) President of the Executive Commission of the Board of Directors of CaiFor.
(***) Not a Member of the Board.

Management

Management Committee — Chief Executive Officer / Managing Director | Subdirectors | **Area Directors**

- **T. Muniesa** – CEO
  - **M. Berenguer** – Managing Director
    - Area Director: **M. Castellot** – Solvency II
    - **F. Izquierdo** – Sub. General (Technical-actuarial, Legal-fiscal and Information Systems)
      - **M. Donoso** – Information Systems
      - **J. Montañés** – Technical-actuarial
      - **M. Plana** – Legal and Fiscal
    - **J. Arenillas** – Subdirector Finances
    - **J. Mª. García** – Subdirector Organisation and Human Resources
    - **J. A. Iglesias** – Subdirector Marketing and Sales
      - **T. Cunillera** – AgenCaixa
    - **M. Marrón** – Subdirector Customer Service
    - **E. Moreno** – Subdirector Investment Management
    - **A. Trueba** – Subdirector Business Group & Company
      - **C. Lorenzo** – Agent Business South & Centre Area
      - **C. Quero** – Direct Business South & Centre Area
      - **R. Roig** – Direct Business North Area
      - **A. Sentías** – Agent Business North Area
    - **E. Condie** – Subdirector Motor Insurance Business
      - **A. Pérez** – Motor Insurance Claims

Chairman of the Board of the CaiFor Group
RICARDO FORNESA

The CaiFor Group in 2006

For the CaiFor Group, 2006 was a year full of milestones reached that have consolidated its corporate strategy and business model. Half way through the year the Group was given the prestigious "Balanced Scorecard Hall of Fame" award for its excellent management model based on the application of the Balanced Scorecard (BSC) system. CaiFor is a pioneer company in the application of the BSC management system, which has been in place since 2000 and is at present at such a highly developed stage that it permits constant monitoring of the Group's degree of achievement of its strategic objectives.

At the same time, in a study carried out by ICEA, an independent research and analysis institution from the insurance sector, on 16 of the top ranking companies in home insurance, SegurCaixa, – the company that markets CaiFor's non-life insurance –, received top marks for the quality of service in attending insurance claims. For the Group, this result was an important recognition of their constant efforts to implement policies in service quality improvement and customer care.

Finally, there is another significant achievement that should be highlighted in the area of on-going training, another of CaiFor's strategic pillars. Last October the AgenCaixa Training Plan, begun in 2003, received the qualification of "Insurance Sales Technician Training Program" from the Universitat Oberta de Catalunya (UOC), granting it the same formal validity and placing it on an equal academic level as a postgraduate qualification. This is a three-year program dealing with all the specific areas of the insurance sector as well as the products and services offered by CaiFor.

The economic and social environment of the sector in 2006 was basically marked by the gradual increase in interest rates by the Central European Bank as well as a good year for the stock market. Nevertheless, these improvements have not had much of an impact on voluntary retirement savings products, given that Spanish households still continue to invest heavily in the property market and this in turn has significantly reduced their overall savings capacity. Regarding legislation, apart from the projected reforms in the Income Tax Law, other important changes in the sector include: the creation of a registry for life insurance contracts, which will undoubtedly provide the sector with greater transparency and is therefore a much welcomed prospect; the new law governing dependant care which represents a significant step in this area of ever increasing importance for our society; and also the new mediation law.

The CaiFor Group focuses its business on the design, marketing and management of savings and welfare products aimed at individual customers and companies, basing the distribution of its product to individual customers through the more than 5,000 branches of "la Caixa" and the AgenCaixa advisors, and for corporate clients on the compatibility between direct and mediated banking channels.

2006 was a very positive year for the Group in terms of risk products and pension plans, and to a somewhat lesser degree, in the case of individual life-savings insurance offered by VidaCaixa, mainly due to the "wait and see effect" created during the year by the processing of the new Income Tax Law.

More specifically, individual life-risk insurance and health insurance repeated the customary growth of previous years and at the same time, life-risk, accident and health insurance for groups and companies also enjoyed positive evolution, especially in those products aimed at the SME sector, which showed noticeable growth and by the end of the year there were more than 70,000 insured.

In non-life insurance, the volume of contracts for home insurance continued to increase, and at present the company insures more than 700,000 Spanish homes. In accident insurance, with SegurCaixa Repatriacion and the SegurIngreso – two products aimed at new residents – driving growth, there are more than 115,000 people insured.

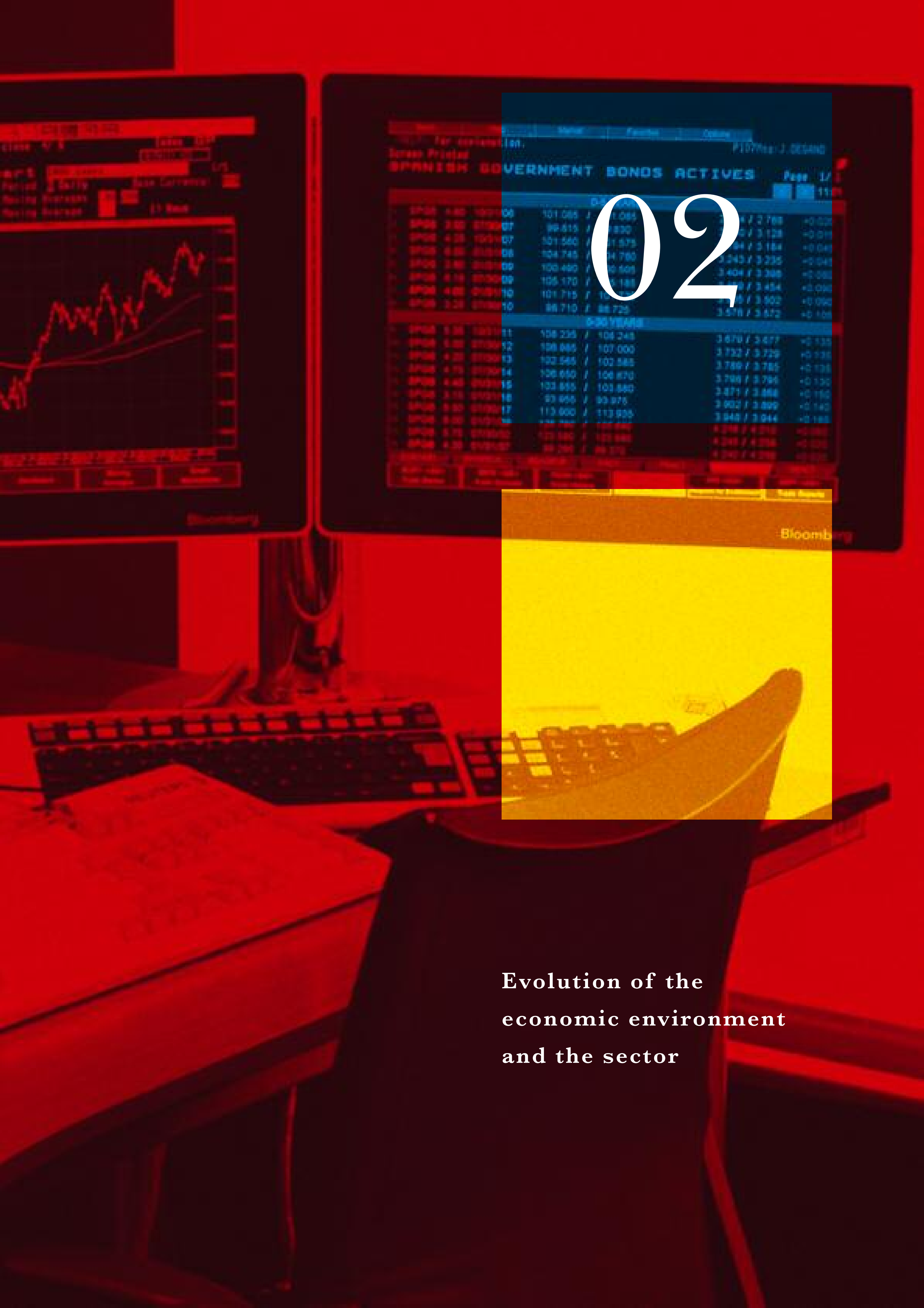
Regarding individual pension plans, VidaCaixa managed to maintain a high degree of activity, launching new products during the course of the year with a 15% increase in funds managed. On the other hand, there was a 1% decrease in funds managed in life-savings insurance, as a result of the developments in this type of insurance for individual customers. However, overall there was a 3% increase in the CaiFor Group funds compared to 2005 and these amounted to 26,570 million euros.

The number of individual customers stood at 2,914,812. This figure is 190,000 more than in 2005, and the number of corporate clients rose to 16,000, of which there were notably 20 IBEX 35 companies, more than 300 multinational groups and 80 public institutions. The consolidated net profit amounted to 129.9 million euros, 8% more than the previous year.

The Group faces a very significant challenge in 2007. In the first half of the year it plans to launch a new car insurance product, traditionally a very competitive area and one that until now the Group had never carried. This is a project of considerable scope for CaiFor and 2006 saw the allocation of a substantial volume of the group's resources to this area, having developed and put together the management team for this business under a new Subdirection. Progress was also made in the configuration of IT management applications, customer care and product design systems. The product will be marketed in three insurance categories: Third Party, Third Party Fire and Theft and Full Comprehensive (with or without excess). The characteristics of the new insurance product can be summed up in three key terms: broad spectrum and innovative cover, optimal service quality and competitive prices.

Further objectives of the Group are those dealt with in the Strategic Plan 2007-2010, which specifically refer to the promotion of quality of service, innovation, and the development of people as priority strategic elements for CaiFor. At a business level, the plan foresees the maintenance of the current development of products for individuals and groups while strengthening the sector of the small and medium sized enterprises.

Finally, it should be pointed out that the Group continues to develop its policy of responsible management. Moreover, this year CaiFor increased the level of information regarding the Group's commitment to society in the issue of this Annual Report, reporting it in accordance with criteria established under the Global Reporting Initiative (GRI) using the CaiFor Values as a reference point: Confidence, Quality and Dynamism.



02

Evolution of the economic environment and the sector

02 Evolution of the economic environment and the sector

In 2006 the economic environment within which the insurance and pensions sector operates was defined by the continued expansion and development of the financial markets, with notable growth in the principal stock market indexes, and the Central European Bank's continuing policy of raising interest rates and, to a lesser degree, increasing interest rates in the United States and the United Kingdom. Of particular interest in the Spanish insurance and pensions environment is the development of the property market and its effect on household saving capacity as well as the tax reforms introduced by the Spanish government.

In 2006, the Spanish life insurance sector grew at a slower rate than it had been doing over previous years, just 5% as against 7% in 2005. Savings managed in pension plans also grew at a slower rate than in 2005, despite positive revaluation of the stock markets, with a growth rate of 11% that was down from 15% in 2005.

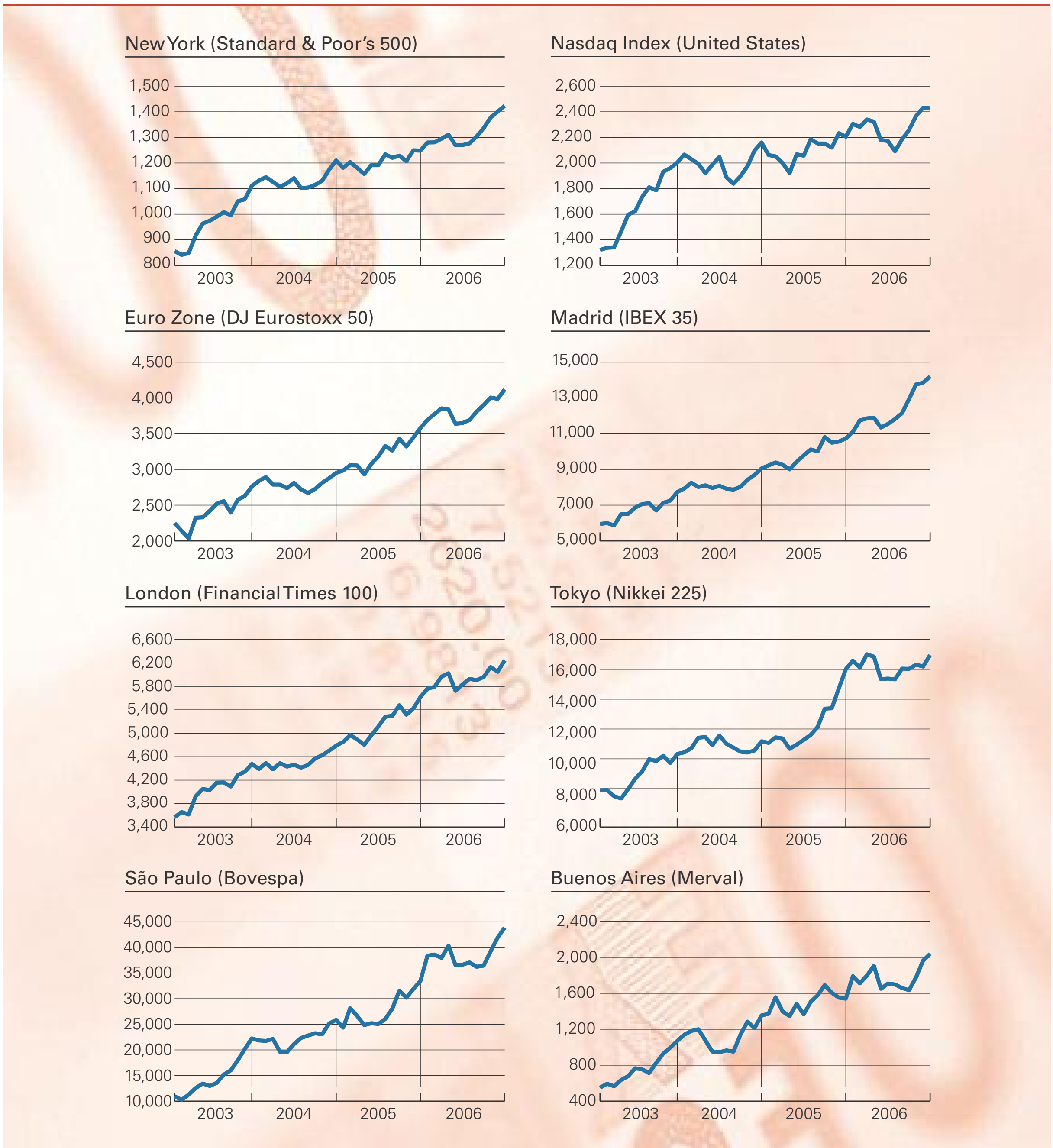
Another factor to highlight is the new laws introduced into the Spanish insurance and pensions market in 2006, together with the previously mentioned personal income tax reform. In particular, the most relevant of these are the implementation of a registry of insurance contracts with death benefit cover, the introduction of a new law to regulate insurance mediation and the law promoting personal autonomy and dependant care for those who need it.

Economic situation and household savings

Capital Markets

2006 was an excellent year from the stock market point of view with numerous indexes reaching record levels. So, in the United States with the Standard & Poor's index as well as in the Euro Zone with the DJ Eurostoxx 50 index as references, stock markets reported maximum highs in the last six years with annual revaluations of 14% and 15% respectively. At

International stock exchanges



Source: Studies Service of "la Caixa".

the same time, in Tokyo the Nikkei 225 index also recovered adding a more modest 7% revaluation.

As far as the IBEX 35 was concerned, at the end of the 2006 financial year it had reported seven straight months of consecutive gains, well exceeding the 14,000 points mark and thus reaching an all time record high. The total revaluation of the index in 2006 was 32%, a figure that certifies its excellent development.

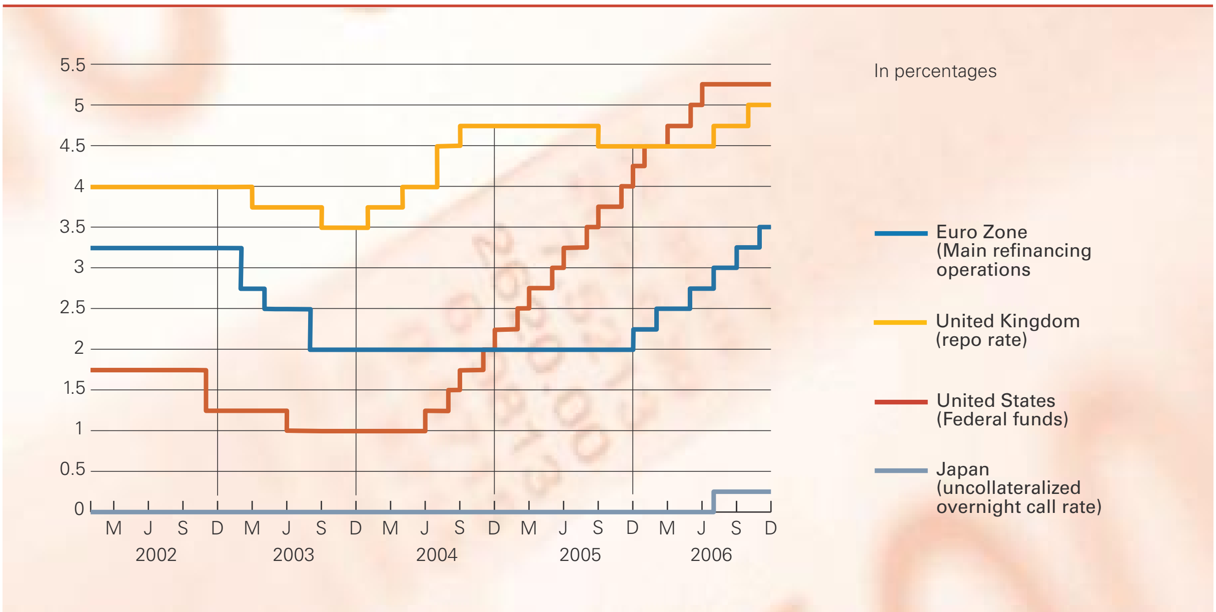
These revaluations have been especially beneficial for insurance products that invest in such markets as unit-linked life insurance or pension plans with investment in variable income.

Interest rates

Over the 2006 financial year and since December 2005, there has been no shift in the Central European Bank's trend to introduce a 25 basic point periodical increase in interest rates and at the end of the year the interest rate had accumulated 5 increases to close the financial year at 3.5%, 1.25 percentage points above the closing value in December 2005.

This already consolidated change in trend has entailed greater opportunities for insurance and pension products invested over the long term, such as life insurance annuities, complementary individual pension plans or some other products.

European Central Bank raises official interest rate



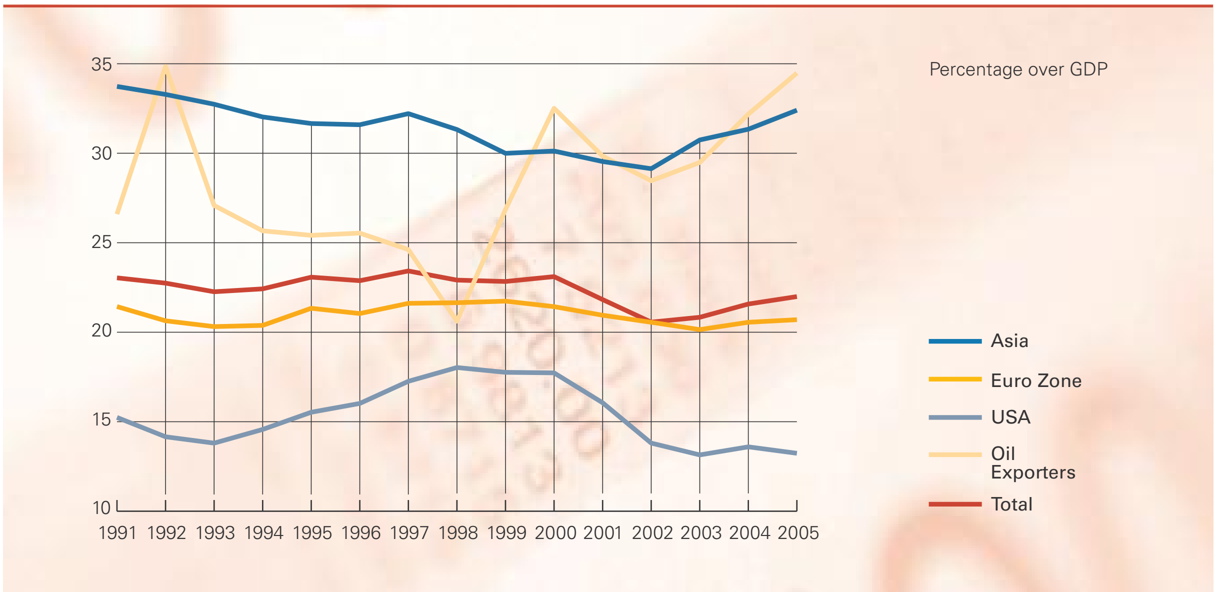
Source: Studies Service of "la Caixa".

Spanish household savings

In 2006 Spanish families continued to increase their stock of fixed assets, which by the end of 2006 accounted for 83% of overall household assets, a substantial increase of 11% compared to the figure for 1998. This figure, together with the fact that around 15% of all gross available income goes toward debt repayment, means that, as was the case in 2005, the general margin for Spanish household saving in 2006 was really narrow.

Despite this fact, Spanish household financial savings at the end of 2006 came to €1,700 billion, almost €200,000 million more than 2005, an increase of 12%. This figure is equal to 179% of Spain's Gross Domestic Product, a figure that places Spanish households at a level similar to saving and investment standards in countries with a greater degree of development. Thus, the National Gross Savings over GDP in Spain was 21.4% in 2006, in average with the Euro Zone.

Trend in savings rate



Source: Studies Service of "la Caixa".

Regarding the distribution of Spanish household financial savings, at the end of 2006 and according to estimates, 12% of overall savings were allocated to life insurance and pension plans, with 7% in the former and 5% in the latter. This is a 1% decrease on the figures for 2005 and stems from savings in pension plans. Despite this slight decrease, the notable development of these two private welfare instruments over the past sixteen years should not be forgotten, with an average inter-annual growth of 19% and 16% respectively. The remaining household financial savings are distributed in the following way: 39% in deposits, 24% in variable income, 13% in investment funds, 3% in fixed interest securities and the remaining 9% in other savings instruments.

Family financial savings in Spain

	1990		2006 (e)		% Average annual growth
	Millions of euros	%	Millions of euros	%	
Deposits	217,891	61%	680,000	39%	7%
Variable Income	44,021	12%	415,000	24%	15%
Investment Funds	7,941	2%	232,000	13%	23%
Life Insurance	**7,095**	**2%**	**115,000**	**7%**	**19%**
Pension Plans	**8,318**	**2%**	**90,493**	**5%**	**16%**
Fixed Income	25,523	7%	52,000	3%	5%
Others	44,959	14%	153,500	9%	8%
Total	**355,748**	**100%**	**1,737,993**	**100%**	**10%**

Source: INVERCO and Banco de España. (e) Estimate.

Development of the insurance and pensions sector

Life Insurance

Savings deposited in life insurance in 2006, reached €130,695 million, an increase of 5%, two percentage points lower than the increase in 2005. The two main businesses in this sector witnessed positive growth, with individual business growing at a faster rate, 7%, compared to a 2% growth in group and company business. Individual business with €84,973 million in managed savings accounts for 65% of the total for the sector, compared to 35% for group and company business with €45,722 million.

Finally, the total number of people insured in December 2006 was 30,978,764, an increase of 9% on the 2005 figure.

Life Insurance in 2006: managed funds

	2006	
Business	Millions of euros	% increase
Individual Life	84,973	7%
Group Life	45,722	2%
Total	**130,695**	**5%**

Source: ICEA.

With respect to average savings managed in individual insurance, this grew by 8% compared to the figure in 2005, reaching an average of €11,596 per person insured, while the average savings deposited in group and company insurance policies rose to €29,468 per person insured at the end of 2006, which is 3% more than the previous year.

The overall variation of mathematical reserves in life insurance was €5,863 million, a 5% increase on 2005. Here the most important increases were the growth of other asset linked insurance which rose by 11%, compared to 3% for annuity insurance or 5% for products with interest rate guarantees.

On the other hand, risk insurance grew at a rate of 17%, reaching €3,403 million in premiums, a more significant development than in 2005, which was 14%. The evolution, however, varied between individual insurance and group and company insurance. While individual risk insurance, which accounts for 69% of overall premiums grew by 22% compared to 2005, group and company risk insurance grew at a more moderate rate of 8%. In terms of claims, unlike the previous year, there was a 2% decrease in 2006 over the figure in 2005.

Finally, on analysing the marketing of these products through the different distribution channels, the situation remains stable with respect to 2005, with 54% of overall savings and 60% of policyholders being managed by bank-assurance operators, the most used distribution channel of the CaiFor Group. There was a 5% growth in managed savings in both the bank-assurance and mediation channels, while direct sales decreased by 1%.

Pension plans

Pension plans in Spain at the end of 2006 amounted to €81,193 million in deposited savings, which means an increase of 11% with respect to 2005; this percentage is slightly lower than the 15% growth rate in 2005. The positive development of the financial markets during 2006 contributed to the growth in the volume of managed savings.

Pension plans in 2006: funds managed

	2006	
Business	Millions of euros	% increase
Individual	49,903	14%
Group and Company	31,290	7%
Total	**81,193**	**11%**

Source: INVERCO.

Of the overall figure for savings in pension plans, 61% represented individual pension plans, whose managed funds at the end of 2006 amounted to €49,903 million, while the remaining 39%, that is the remaining €31,290 million corresponded to group and company pension plans. The growth in volume of assets in individual pension plans was 14%, a figure that is 5% lower than that of 2005. On the other hand, the savings deposited in group and company funds continued to grow as has been the case over the past few years, although this growth compared to last year's was a more moderate 7%.

In terms of contributions and claims, the data for 2006 show a more dynamic situation than in 2005, when interannual growth for both was negative. Contributions rose by 10% compared to 2005, showing, above all, a marked growth of 11% in contributions to individual pension plans, which was so unlike the previous year when there was no change. These contributions to private pension funds accounted for 80% of all contributions to pension plans, which came to a total of €7,819 million. Similarly the volume of claims, also rose notably at a rate of 25% reaching €3,432 million, possibly as a result of the maturing portfolio of contributors to the different pension plans. 71% of all claims paid corresponded to individual pension plans, and this amount rose by 27% compared to 2005 when these amounts remained unchanged.

The pension fund investment portfolios have undergone a substantial variation over the past decade, shifting savings from a tendency of investment in the domestic market to one of investment in foreign markets. So, in 2006 domestic investment accounted for 40% of overall investment whereas in 1995 this figure was 78%. Likewise, the investments associated with pension funds have also moved from fixed interest securities to variable yield assets, which now account for 23% of the portfolio compared to 4% in 1995.

Finally, the number of contributor accounts increased by 6% in 2006, reaching the figure of 9,869,947, with an estimated seven and a half million contributors. This fact means that approximately 49% of the Spanish working population have set up a pension plan. Despite this positive figure, it should not however cloud the reality that pension plans in Spain are in fact situated at the lower end of the scale among neighbouring countries in the same economic environment, leaving a lot of ground to make up in the field of complementary social welfare.

New legislation

New Income Tax Law

On 29th November 2006, the new Income Tax Law was published in the Spanish Government's Official Gazette (B.O.E.).

The new Income Tax Law has some notable changes regarding life insurance and complementary social welfare, given that substantial modifications have been introduced that affect the fiscal policy covering pension plans and life insurance, the most important being the following: the introduction of a new savings product called PIAS, Plan Individual de Ahorro Sistemático (Individual Systematic Savings Plan), exclusively an insurance product and available from 1st January 2007; the modifications introduced regarding the current fiscal treatment of pension plans; the levelling of the tax rate for dividends on life insurance, bank deposits and investment funds; the introduction of specific considerations for long-term care insurance, with a similar fiscal treatment applied to pension plans or insured retirement plans; and the improvement in taxation on annuity insurance.

New Law for the Creation of a Register of Insurance Contracts with Death Cover

In May 2006, the new Law on the Creation of a Register of Insurance Contracts came into force and is applicable to all insurance contracts that offer death cover subscribed to in Spain. It aims to provide information to all interested parties regarding the existence of such a contract with death cover, as well as the entity the insurance is taken out with. The new register is available to the public and the information it contains is deemed to be true for all informative purposes.

New Mediation Law for Private Insurance and Reinsurance

The main objective of the new Mediation Law, July 2006, is to define specific new regulation for insurance mediation, setting out the differences between the mediation figures: insurance agent, insurance broker and, for the first time, bank-assurance operators. External assistants who do not have the category of mediators are also regulated. Some of the more notable aspects are: the possibility that insurance agents can be linked or exclusive to one company; the figure of the insurance broker remains, although it is not compatible with the figure of insurance agent or bank-assurance operator; or the maintenance of the possibility for insurance companies to establish distribution agreements for their products using other distribution networks.

New Law governing the Promotion of Personal Autonomy and Dependant Care

The Dependant Care Law, approved in December 2006 and in force as of 1st January 2007, aims to address the needs of some socially disadvantaged groups, who, due to their especially vulnerable situation require care and support to carry out essential day-to-day activities so that they can achieve greater personal autonomy and be able to fully exercise their rights as citizens. The new law also plans to regulate a system for promoting personal autonomy and dependant care with the collaboration and participation of all Public Administrations, by way of implementing the new public Autonomy and Dependant Care system. This law is inspired by, among others, the following principles: the public nature of the services, participation of private initiative in those services, the participation of the third sector in those services, understanding the third sector as private non-profit organisations that promote the recognition and practise of social rights and finally preference to people who are heavily dependant on care.


5%

03

Development of the CaiFor Group's Companies

03 Development of the CaiFor Group's Companies

CaiFor

In 2006, the CaiFor Group achieved a net profit of 130 million euros, an 8% increase on the previous year. This positive development was made possible thanks to the excellent performance shown by the Group's various risk-insurance products and by the increase in managed resources for pension plans and group endowment-life insurance products.

In all, CaiFor has over 2.9 million individual clients with contracts for VidaCaixa and SegurCaixa products, 190,000 more than in the previous year. In addition, the Group provides services to 16,000 corporate clients, including large business companies, such as the 20 client companies making up part of the IBEX 35, up to over 80 official bodies, 300 multi-national groups and over 11,000 small and medium-sized enterprises and micro-enterprises.

In analysing the development of the Group's various businesses activities over the year, mention should be made of the growth shown in personal and group risk-life and health-insurance products and in non-life insurance products. Regarding personal life-risk and health-insurance products, premiums increased by 24%, owing to the successful development shown by the products that make up the VidaCaixa choice of life insurance, as well as the growth maintained by the health-insurance products year after year.

Financial highlights of the CaiFor Group

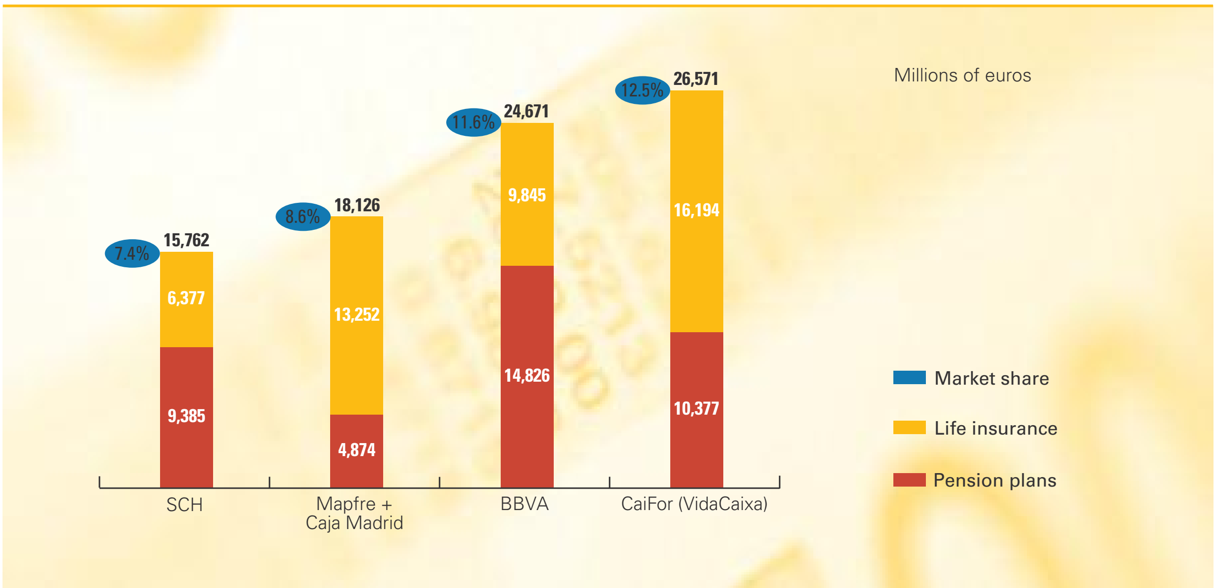
In millions of euros	2005	2006	% var.
Non-life premiums insurance	127	151	19%
Individual life-risk and health premiums insurance	153	190	24%
Group & company life-risk, accidents and health premiums insurance	118	130	10%
Total risk premiums insurance	**398**	**471**	**18%**
Individual life insurance funds managed	8,036	7,678	–4%
Group life insurance funds managed	8,348	8,516	2%
Total life insurance funds managed	16,384	16,194	–1%
Individual pension plans & EPSV funds managed	4,931	5,684	15%
Group pension plans funds managed	4,415	4,693	6%
Total pension plans and EPSV funds managed	9,346	10,377	11%
Total funds managed life insurance and pension plans	**25,730**	**26,571**	**3%**
Net Profit	**120.7**	**129.9**	**8%**
Number of individual customers	**2,722,938**	**2,914,812**	**7%**

As for the risk-life, accident and health-insurance products for groups and companies sold by VidaCaixa's business division, VidaCaixa Previsión Social, there was a notably-good reception in the market during the financial year for products aimed at small and medium-sized enterprises and independent professionals. To this end, the company launched VidaCaixa Convenios, a novel product especially designed both for small and medium-sized enterprises and for independent professionals with their own employees, which enables them to meet the legal obligations laid down by their sectors' collective agreements, where they are subject to them. The good reception enjoyed by this and other products on offer led to a 10% total growth in premium income from products intended for companies and groups.

Non-life insurance premiums sold by SegurCaixa went up to 151 million euros, a 19% growth, a major part in this having been played by home-insurance products, which already provide coverage for over 700,000 Spanish households. It should be mentioned at this point that SegurCaixa has been found by an independent study on household-insurance claims management to be the company providing better quality of service to policy holders. The company also sells accident insurance, an area where the number of clients has increased by 21,000 persons, and received authorisation in 2006 by Spain's Directorate General for Insurance and Pension Funds to commence activities in the area of motor insurance, which, it is hoped, will be carried out during the first half of 2007.

On the other hand, as for the savings products marketed and managed by VidaCaixa, there has been a very positive development in individual pension plans, showing an increase of 15% in managed funds and 6% in group and company pension plans. In all, the consolidated managed funds for pension plans rose to over 10,300 million euros, an amount which puts the company in second place in sectorial ranking. As for life insurance products, the "wait and see" effect resulting from the announced change in the Spanish Personal Income Tax Act,

Ranking Supplementary Social Welfare in Spain



Prepared in-house. Source: ICEA and INVERCO.

finally approved around the end of the year, led to a 4% decrease in mathematical reserves for individual products, although this was compensated by a 2% increase in group and company life insurance products. The total figure for life insurance managed resources rose to over 16,190 million euros, a volume which confirms VidaCaixa's first-place ranking for life insurance in Spain.

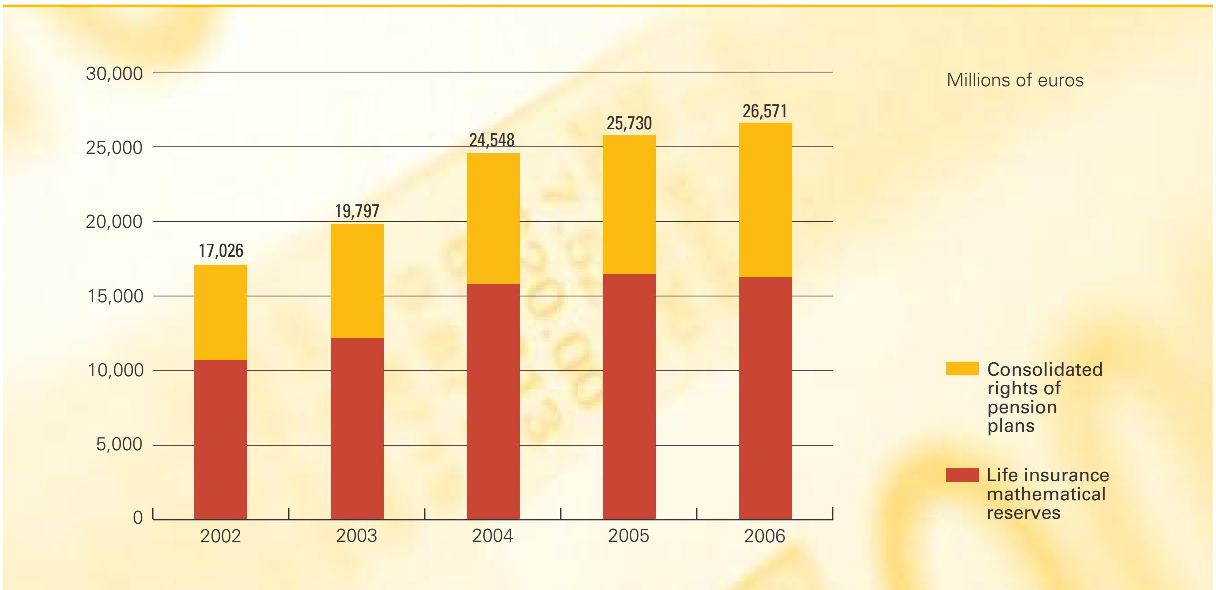
If we add the above-mentioned, managed resources for individual and group and company life insurance and pension plans, CaiFor manages over 26,500 million euros, a 3% increase from the previous year and a figure which ranks the Group as the leader in the Spanish market for supplementary social welfare. Finally, it should be mentioned that in 2006 the Group received the prestigious "Balanced Scorecard Hall of Fame" award from Doctors David P. Norton and Robert N. Kaplan in person, in recognition for its excellent management model based on the Balanced Scorecard.

VidaCaixa

VidaCaixa is a CaiFor Group company dedicated to designing, managing and selling life insurance, health insurance and pension plans. The company offers a broad range of products and services within the three lines of activity mentioned above, differentiated on the basis of two client sectors: personal and corporate clients. For these purposes, the company has a business division at its disposal, called VidaCaixa Previsión Social, that specialises entirely in managing products intended for company clients, which is currently providing services for 20 client companies that make up part of the IBEX 35 index, 300 multi-national groups, 80 official bodies and over 11,000 small and medium-sized enterprises and micro-enterprises.

In 2006, VidaCaixa increased its managed resources in life insurance and pension plans by 3%, reaching the total figure of 26,571 million euros, a volume putting the company in first place for Spain’s supplementary social-welfare market. Based on its managed resources, the company is also Spain’s life insurance industry leader and holds second place in the pension plan market.

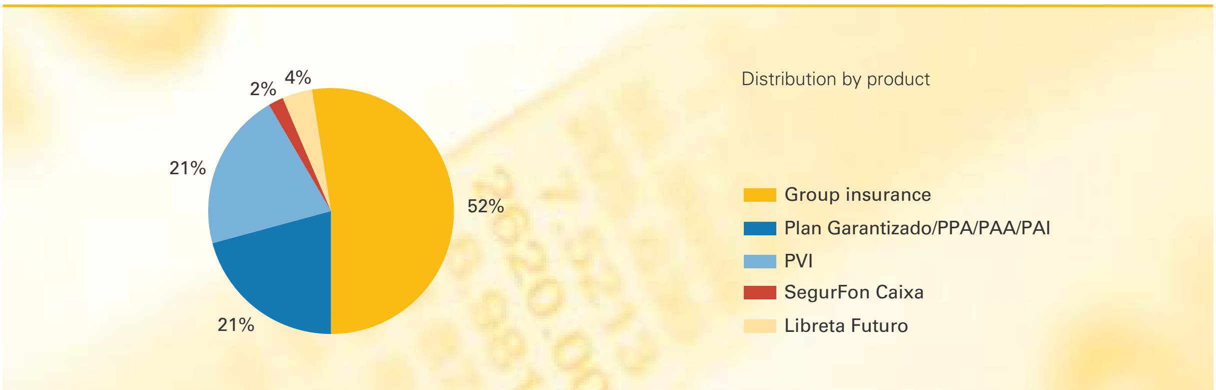
Development of VidaCaixa’s managed resources



Looking at life insurance products in more detail, the company was managing 16,194 million euros by the end of 2006, a smaller amount than what it had managed for the previous year owing to the “wait and see” effect caused by the Spanish Personal Income Tax Act’s amendment and its effect on personal endowment-life insurance. Accordingly, the managed resources for personal life insurance came to 7,678 million euros, 4% less than the amount for the previous year, while those for group life insurance rose to 8,516 million euros, 2% more than the amount for the previous year.

For pension funds, the total for managed resources rose to 10,377 million euros, an 11% increase from the previous year. This growth was largely due to the increase shown for personal pension plans, which raised managed resources by 15%, thanks to the market success enjoyed by the new pensions plans launched during the year and the healthy development of the stock markets. There was a 6% growth in group and company pension plans.

VidaCaixa: insurance mathematical reserves



There was another excellent year of growth for personal life-risk and health insurance, with a 24% increase in premium income compared to the previous year. In this respect, health insurance products had enjoyed a notable year-on-year increase among the client base, an example being the 240,000 medical-care benefits managed in 2006 and the 41% increase in premium income during this financial year. Life-risk insurance products grew by 24%.

Regarding group life-risk, accident and health insurance, attention should be drawn to the outstanding development maintained by the new VidaCaixa Convenios, a life-risk and accidents insurance product especially designed for small and medium-sized enterprises and independent professionals with employees relying on pension-scheme obligations arising from their collective employment agreements.

Mention should be made at this point of the great development being maintained by VidaCaixa Previsión Social in the small and medium-sized enterprise and freelance sectors thanks to the large number of special products provided for these clients, emphasising, besides life-risk and accident insurance, health insurance and joint promotion pension plans. In all, VidaCaixa has over 77,000 clients from this sector who are either insured by or stakeholders in the company's products.

On the other hand, the company's net profit in 2006 was 107 million euros, a 7% increase on the previous year.

VidaCaixa: development of profit and loss account

Millions of euros	2005	2006
Net financial income	**864**	**840**
Technical-financial margin	**224**	**247**
Pension-fund management earnings	71	78
Marketing costs	–88	–106
Administrative expenses	–41	–40
Extra provision based on mortality statistics	–15	–15
Profit before tax	**151**	**164**
Net result	**100**	**107**

VidaCaixa Previsión Social shows an excellent development in products designed for the small and medium-size enterprise and freelance sectors

VidaCaixa Previsión Social is the CaiFor Group's business division specialising in marketing and managing savings and pension products intended for groups, institutions and companies of all sizes. To that effect, the broad selection of the division's products on offer range from life-savings insurance and pension plans to life-risk, accident and health insurance.

VidaCaixa Previsión Social came about after the acquisition of group and company-focused, life insurance and pension plans product businesses from Swiss Life (Spain) and SCH Previsión in 2003 and 2004 respectively. Throughout 2005, the management team concentrated its efforts on consolidating its organisational structure and in 2006 this division, with its 135 professionals, implemented the ambitious Group Business' Management Plan, which started to bear fruit in such areas as quality of service provided to clients and the release of new products and services, etc.

The division is organised into five business units structured to enable coverage of Spain's entire business park. For this purpose, the divisions are arranged as Northern-Area Direct Business, Southern-Central-Area Direct Business, Northern-Area Agent Business, Southern-Central-Area Agent Business and Small and Medium-Sized Enterprise Business.

VidaCaixa Previsión Social's objective is to provide companies having pension obligations with their workers, or wishing to offer attractive, supplementary remuneration schemes, "an easy working method" which allows them to convert the most complex issues relating to company social security into simple solutions that are adapted to their specific needs.

VidaCaixa Previsión Social: organisational structure

Throughout 2006, the division expanded the product and service business for the small and medium-sized-enterprise, micro-enterprise and independent-professional sector. To do that, outstanding efforts were made to present new products and services, such as, for example, the VidaCaixa Convenios whose marketing began in October 2006 and which joins up with the Vida Colectivo and Accidentes Colectivo products also specifically designed for this sector and launched the previous year.

VidaCaixa Convenios provides a simplified and practical form of life and accident insurance coverage for employer companies and business people who are subject to collective employment agreements relying on pension-scheme obligations. In only 3 months of marketing, this product attained a figure in excess of 600 policy holders. On the other hand, the company also notably raised its level of activities in the area of health insurance specifically aimed at this sector, with an attractive range of offers including VidaCaixa Salud Colectivo and VidaCaixa Previsión Profesional.

VidaCaixa Previsión Profesional is an insurance product providing its policy-holders with a certain amount of financial assistance, fixed at the time of the contract's signing, in the event that they cannot perform their professional activities owing to accident or illness, and is particularly suitable for freelance workers, self-employed professionals and small-scale business persons, given that it becomes the ideal supplement to the benefits provided by Social Security. An innovative feature of the product is its adoption of a scale to help speed up receipt of the benefit by the beneficiary, as the latter is only required to provide a medical certificate and sick leave form, without any need for subsequent follow-ups, so avoiding any bureaucratic problems.

As for **VidaCaixa Salud Colectivo**, this is a health insurance especially designed for companies and groups, providing the same benefits as VidaCaixa does for personal clients to policy holders belonging to companies that have taken out group policies. These products had over 21,500 policy holders at the end of 2006.

Also notable, among the products aimed at this sector, is the new **Joint-Promotion Pension Scheme for Flower and Plant-Industry Workers**, aimed specifically at this sector, its characteristic feature being that it is principally made up by small and medium-size businesses. At the financial year's end, VidaCaixa Previsión Social had over 77,000 policy holders of or stake holders in its supplementary social-benefit products specifically aimed at this sector.

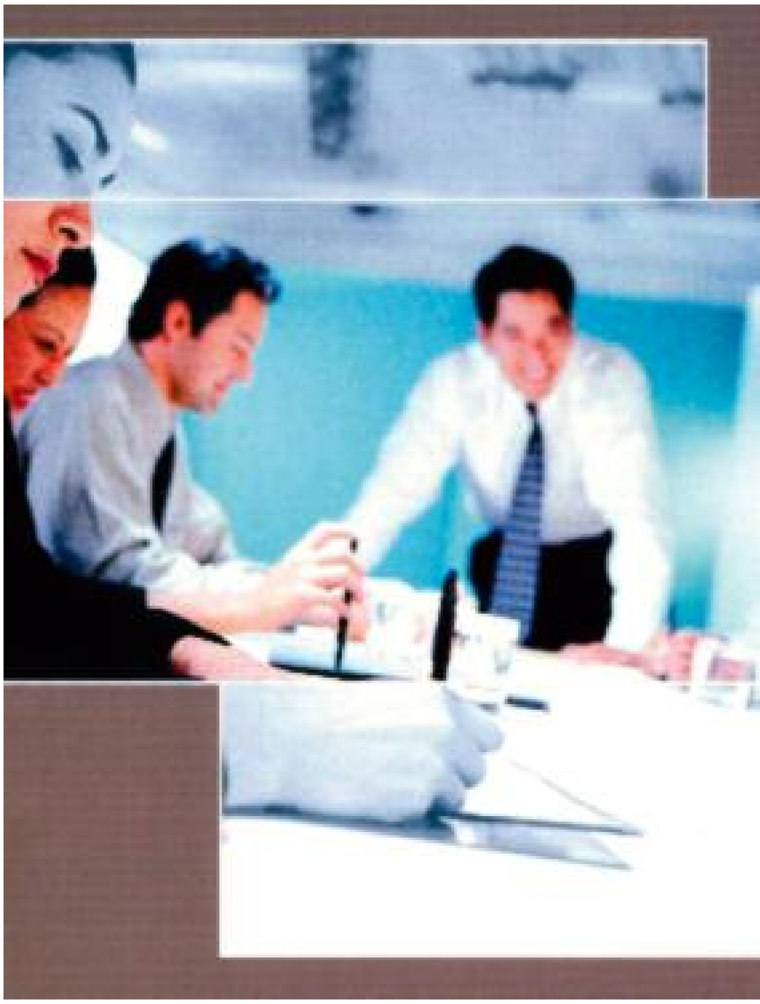
In all, the endowment resources deriving from company and group life insurance and pension-scheme products managed by VidaCaixa Previsión Social climbed to 13,209 million euros in 2006, a 3% increase on the previous year. Of this volume, life insurance products contributed 8,516 million euros, a 2% increase on the previous year, while group and company pension plans provided 4,693 million euros, a 6% increase from the amount for 2005.

As for the added premiums from life-risk, accident and health insurance products, these rose to 130 million euros, a 10% increase on the previous year.

VidaCaixa Previsión Social: business forecast in round numbers

Millions of euros	2005	2006	% var.
VidaCaixa Previsión Social's group risk premiums	118	130	10%
Managed resources			
Group life insurance	8,348	8,516	2%
Group and company pension plans	4,415	4,693	6%
Total resources managed for VidaCaixa Previsión Social	12,763	13,209	3%

VidaCaixa Previsión Social has over 16,000 corporate clients, among which the more notable are 20 IBEX 35 companies, 300 multinational groups, 11,000 small and medium-size enterprises, micro-enterprises and individual business persons and 80 official bodies.



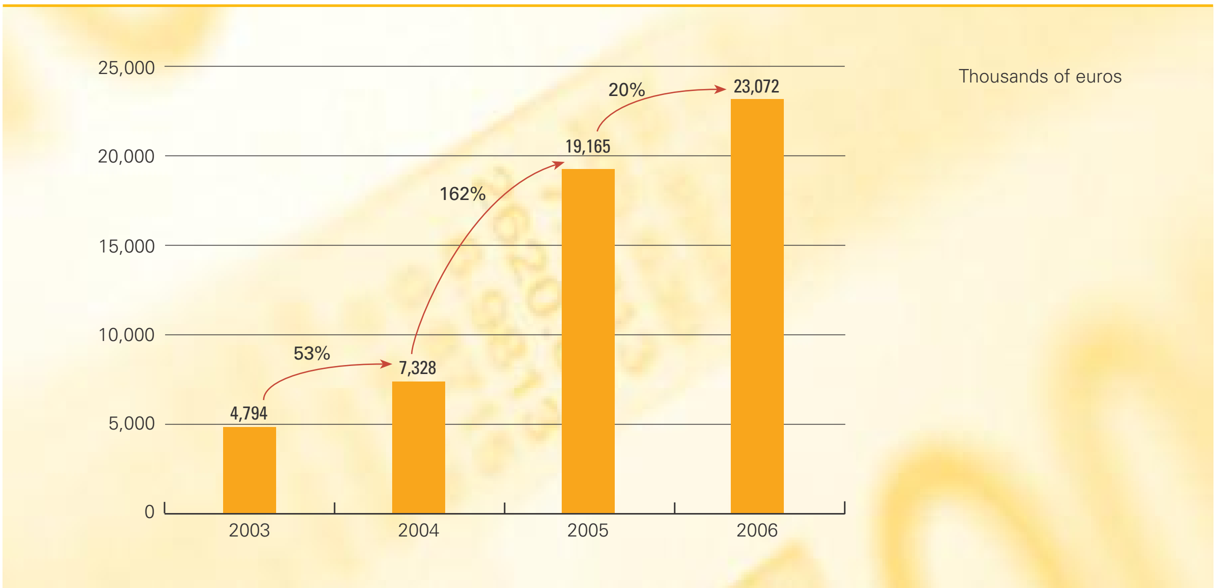
VidaCaixa continues to increase its market share in individual pension plans

VidaCaixa was the only company among the market's 5 largest in individual pension plans to have increased its market share throughout 2006, for the ninth consecutive year. This is due largely to the successful reception its new marketed pension plans had in the market during the year, which increased to a total of 335 million euros in contributions and transfers.

For this reason, it is worth emphasising the volume earned from the end-of-year marketing campaign's star pension plan, the PlanCaixa Triple 5, which led the year's production with 140 million euros. This pension plan provided an opportunity to obtain both an earning capacity, linked to the development of the stock markets, and a minimum rate of profit guarantee. Furthermore, in line with all the pension schemes launched in the end-of-year marketing campaign, clients could choose, on paying their contributions, between receiving a 5% APR paid into their current accounts on 1 July 2007, or investing, with an amount up to double the contribution made to the scheme, in a one-year deposit account at 5% interest.

It should also be pointed out that, once again, the increase achieved by the sale of these products through the internet, which showed an exceptional development, with a 20% growth on the previous year in the contributions made and a 57% growth in the number of transactions undertaken. In all, VidaCaixa earned over 23 million euros from the 13,900 transactions carried out by selling pension schemes through this medium. Anecdotally, it is notable that the last

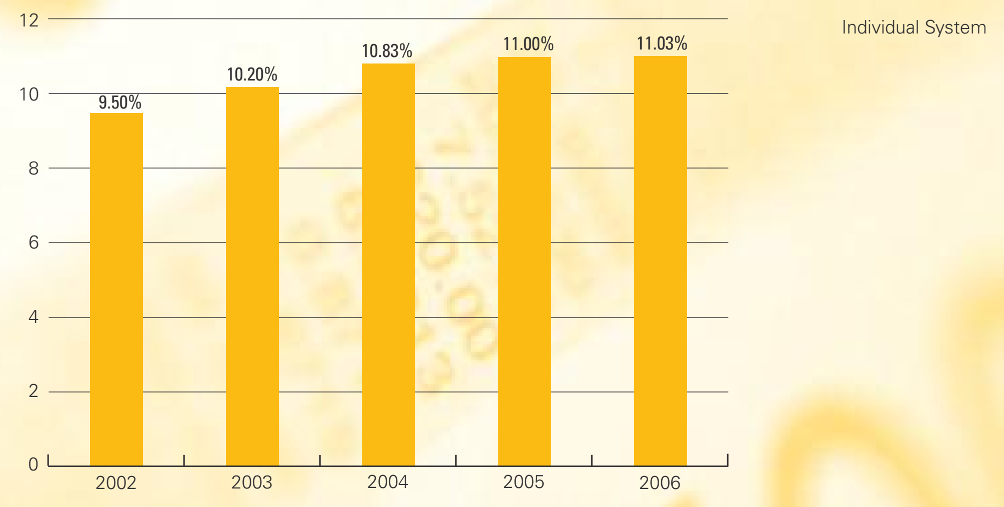
Contributions and transfers to individual pension plans contracted through Internet



contribution of the year was made on Sunday 31 December at 23:56 hours.

The added volume of managed resources for individual pension plans and Voluntary Pension Entities (known by the Spanish acronym EPSV) at the end of 2006 was 5,684 million euros, a 15% increase on the previous year. This volume corresponds to over 785,000 individual clients, 66,000 more than in 2005. On the other hand, the company's market share is placed at 11.03%.

Development of VidaCaixa's market share in pension plans



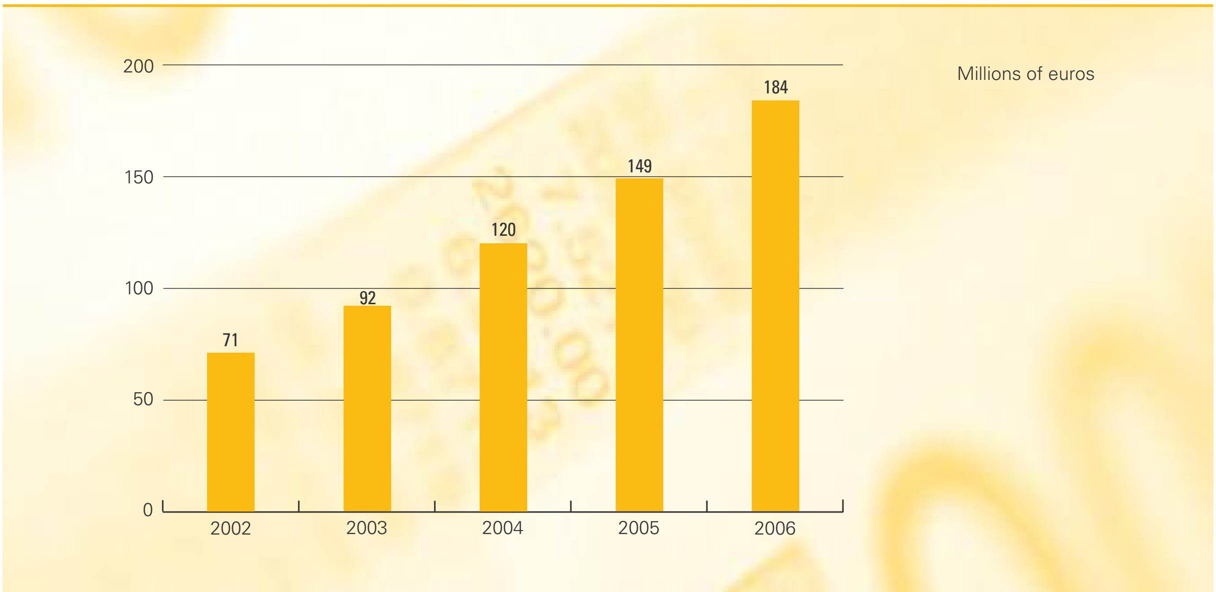
Once again, the individual life-risk insurance products have maintained a growth in excess of 20%

VidaCaixa provides a consolidated range of individual life-risk insurance products, consisting of Vida Familiar and Seviam, with which the company insures over 1,280,000 clients, an increase of 138,000 clients on the previous year, and has earned 184 million euros in premiums.

Vida Familiar is a product guaranteeing a capital sum in the event of death or disability and has over 290,000 policy holders. Using this insurance product, people with family responsibilities can ensure that, in the event of their death, their nearest and dearest are sufficiently provided with the financial means to deal with their future needs and plans. Similarly, Vida Familiar can be supplemented with additional forms of coverage such as for serious illness, total and permanent disability or death by accident. As an innovation, the company added two further services to this product in 2006, Atención Médica Telefónica (Telephone Medical Assistance) and Segunda Opinión Médica (Second Medical Opinion) provided by the best doctors in the world, which have been very well received by clients.

As for **Seviam**, this is a life insurance which takes charge of the outstanding capital sum on a personal loan or mortgage in the event of death or invalidity of the insured party. Through this product, therefore, clients can be assured that shall any disaster befall them, the debts insured will be covered by the product. In addition, in 2006, VidaCaixa provided the market with the means to buy this product over the Internet, through "la Caixa" Open Line Website, if the client takes out a personal loan there. At the end of 2006, VidaCaixa had over 990,000 clients for this product.

VidaCaixa: Individual life-risk insurance premiums



Managed resources for personal life-savings insurance dropped by 5%

VidaCaixa manages 7,678 million euros of individual clients' life insurance products, a 4% decrease on the previous year. Of these, over 7,460 million euros correspond to life-savings insurance, a 5% drop from the previous year, due in part to the "wait and see" effect created by the implementation of the new Spanish Personal Income Tax Act during the year. Of this total, 340 million euros correspond to insurance products without guaranteed interest rates, while the rest, over 7,300 million euros, belong to life-savings insurance products with guaranteed interest rates.

Within this category of products, **Pensión Vitalicia Inmediata** is the insurance product that has the most resources managed by VidaCaixa, a single premium insurance principally aimed at persons over the age of 65 who wish to receive a monthly income for the rest of their lives, to supplement their public old-age pensions, and reap the benefits of favourable tax treatment.

This product enjoys a long tradition within the institution, being the direct descendant of the first Libreta Pensión (Pension Book) sold by "la Caixa" more than 100 years ago, and has over 85,000 clients and over 3,300 million euros of their managed resources.

VidaCaixa also provides life-savings insurance aimed at an entirely different sector of clients from that above. This is the **Libreta Futuro**, a life-savings insurance with an even larger number of individual clients, exactly 209,000 at the end of 2006.

Libreta Futuro is a very suitable insurance product for people who wish to make savings for a minor, so that when the latter comes of age he or she can go to university, buy a car etc. Furthermore, throughout the year the company launched a new form for this product, **Libreta Futuro Inversión**, which invests resources in international investment-fund portfolios managed by expert managers in financial and stock markets.

Throughout 2006 this product's premium income increased by 20% on the previous financial year to 120 million euros. On the other hand, managed resources came to 641 million euros, 5% increase on the previous year.

Individual health insurance have been taken out by over 20,000 policy holders

As a supplement to insurance products for groups and companies, such as VidaCaixa Salud Colectivo and VidaCaixa Previsión Profesional, VidaCaixa sells two insurance products in this area aimed at individual clients: VidaCaixa Salud, with and without co-payment, and VidaCaixa Salud Seguro Dental.

VidaCaixa Salud was VidaCaixa's first medical-assistance insurance, sold from the middle of 2001. This provides clients with the opportunity to take advantage of a broad range of benefits, which include multiple medical services, the more notable being unlimited period of hospitalisation, bone-marrow and corneal transplants, etc., as well as access to over 30,000 professionals and 250 clinics forming part of the Adeslas medical team, thanks to the co-insurance that VidaCaixa maintains with that institution. The product can be bought with

medical-team or expenses-reimbursement coverage, while the company provides a method for co-payment and another for minimum excess.

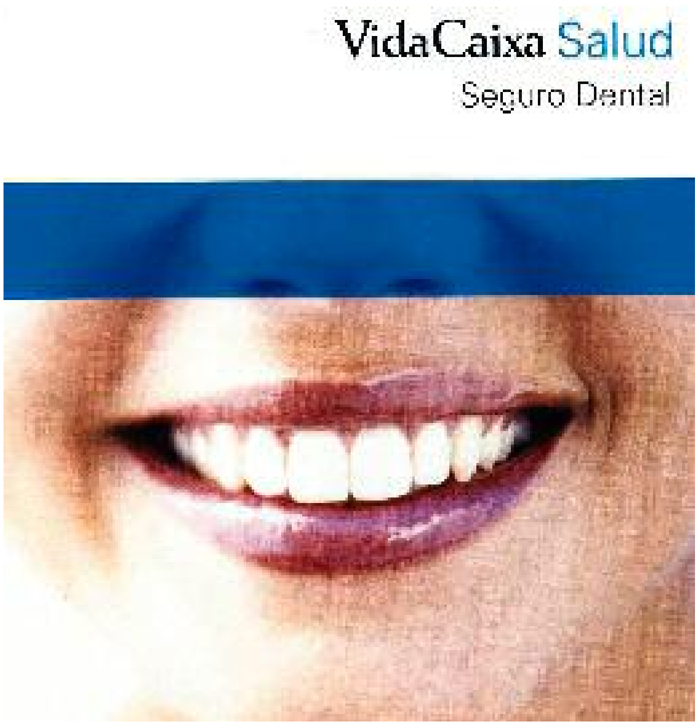
On the other hand, in 2004, the company marketed **VidaCaixa Salud Seguro Dental**, a dental-assistance insurance that perfectly supplements VidaCaixa Salud, since it extends medical assistance to dental problems.

The number of individual clients for these products rose to over 22,000 and in all, if we add to these the clients of products for groups and companies, VidaCaixa provides health-insurance coverage for over 44,000 people. In this regard, it should be pointed out that throughout 2006 the company managed over 240,000 health-assistance services.

VidaCaixa remains the market leader in Spain for supplementary social welfare

With over 26,500 million euros in managed resources, VidaCaixa takes first place in Spain's supplementary social-security market, with a share of 12.5%.

At the same time, for the thirteenth consecutive year, the company takes first place in the life insurance sector, based on its managed resources, with a 12.5% share while VidaCaixa comes in second place for pension plans, with 12.6% share.



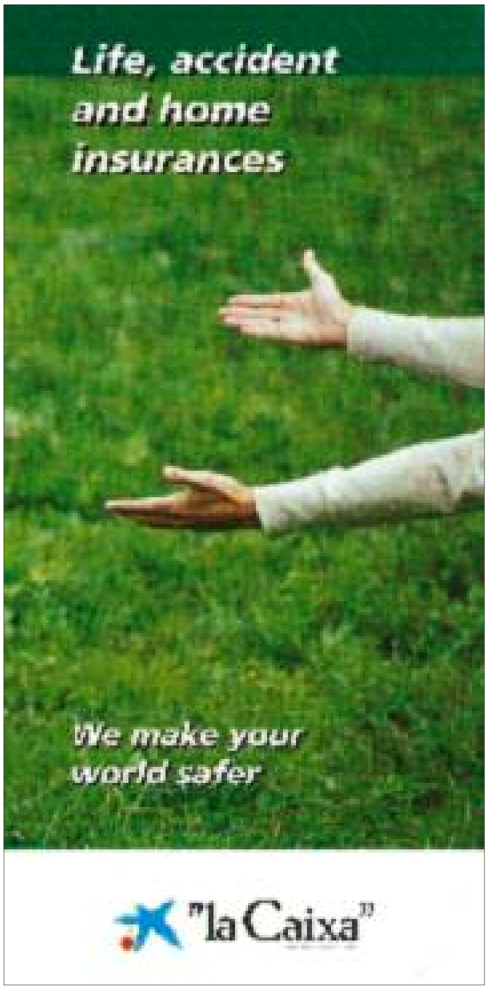
For pension plans, the company takes third place both in the individual system ranking, with an 11.03% market share, and in the group and company system, with a 15.0% market share.

SegurCaixa

SegurCaixa is the CaiFor Group company dedicated to designing and selling non-life insurance, with a special emphasis on household and accident insurance products. During the 2006 financial year, besides concentrating its efforts on designing, managing and selling the company's traditional insurance products, SegurCaixa invested a considerable volume of its resources in planning the marketing of a new motor insurance and received authorisation from Spain's Directorate General for Insurance and Pensions Funds to operate in the said area, so that it could begin selling this product in 2007.

In production terms, the company earned 151 million euros from premiums in 2006, which meant a 19% increase on the previous financial year. By the same token, the company's net profit grew by 20%, amounting to 22 million euros.

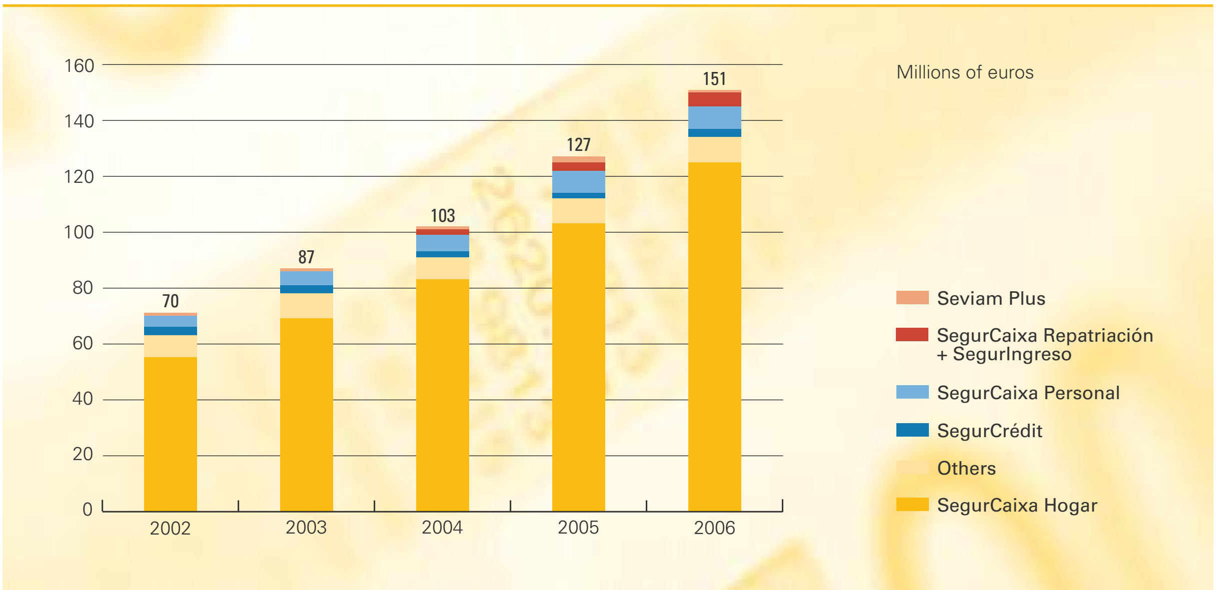
SegurCaixa has various insurance products within its range of household insurance, although its most popular product is SegurCaixa Hogar, its multi-risk household insurance. As for accident insurance, SegurCaixa Personal is the more popular, although the company has developed products over the last years that are specifically aimed at the new-resident sector, such as SegurCaixa Repatriación and SegurIngreso, which have been very well received in the market.



SegurCaixa: development of profit and loss account

In thousands of euros	2005	2006
Financial earnings activity and assets	4,235	5,069
Technical-financial margin	47,045	57,667
Marketing costs	10,887	14,885
Administrative expenses	9,111	13,485
Profit before tax	28,287	35,019
Net result	18,652	22,317

SegurCaixa: premiums by product



Over 640,000 households are covered by SegurCaixa Hogar

During the 2006 financial year, over 640,000 households were insured by **SegurCaixa Hogar.** This product was created to cover any damage and loss that may arise in a home, both in the building and its contents, and provides household assistance and legal protection as its main additional forms of coverage. It is one of the products providing the broadest coverage in its category on the market, insuring against every type of accident and disaster, from the least significant, such as broken glass, to the most serious, such as flooding or fire. During the 2006 financial year, sales of SegurCaixa Hogar premiums reached 125 million euros, which means a 21% increase on the previous year and confirms the positive commercial development of this product on the market. Furthermore, SegurCaixa takes fifth place in the multi-risk household insurance ranking for 2006, with a 4.8% market share, meaning a sixth consecutive year of share increase and a jump of nine places in the said classification system from the company's position in 2000, which was fourteenth.

Apart from SegurCaixa Hogar, SegurCaixa also sells **SegurCrédit** in the sphere of household insurance, a product that insures only the contents of a building, so that on taking out this policy clients may satisfy the necessary legal requirements for mortgaged buildings. The insurance policy lasts as long as the mortgage, up to a maximum of 10 years. The sale of premiums for this product came to over 3 million euros in 2006, a 29% increase on the previous year.

In addition to the two products stated above, SegurCaixa sells construction or ten-yearly building insurance. All together, during the 2006 financial year, more than 700,000 households or buildings were covered throughout Spain with products sold by SegurCaixa, an increase of 65,000 on the previous year.

SegurCaixa: leader in service quality

Providing the highest level of quality is a priority for all products and services offered by the CaiFor Group and, to this end, efforts were maintained in the sphere of household insurance, and especially with SegurCaixa Hogar, to improve the level of service provided to the product's clients during the 2006 financial year. As a result of these efforts, SegurCaixa was found to be the best company on the market for service quality in an independent study undertaken by the ICEA for clients whose insured households had been subject to accidents or disasters, and this included 16 of the top 32 ranking companies in the Spanish sector.

Throughout 2006, SegurCaixa attended to over 124,000 claims, the principal cause of these being water leakage, broken glass and power failures.

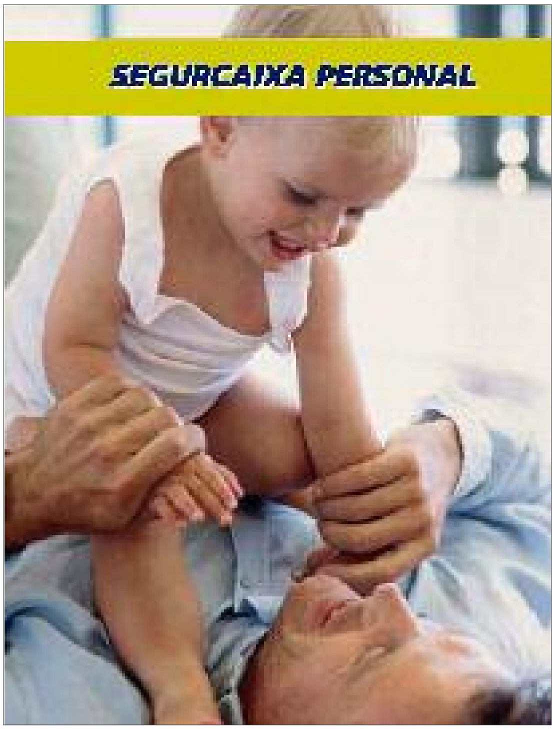
All SegurCaixa household-insured clients had household-assistance service available to them 24 hours a day, every day of the year. The said service, provided continuously, was offered through a telephone service, available at all times, to request the necessary assistance.

SegurCaixa is committed to attending to all disasters and accidents within a maximum period of 24 hours, whereas, for any accidents considered urgent, such as power failure or where a building may loose its protection, the commitment is to attend to such within a maximum period of 3 hours.

The company has an established set of procedures for checking the level of service quality received by each and every client attended to and, by asking for the opinion of those affected at first hand it can ensure that the target level of quality is being provided. The information obtained from these surveys is extremely useful for adapting the service to the needs of clients at any time and maintaining a continuous improvement in the level of quality provided.

Accident insurance

Accident insurance becomes more and more important every year in SegurCaixa's products portfolio, as evidenced by the fact the total number of clients for these products in 2006 passed the 100,000 mark, reaching 116,000, a 23% increase on the previous year. The product with the largest sales volume is **SegurCaixa Personal**, which earned over 8 million euros from premiums, an increase of 6% on the previous year, 2005. This is a traditional accident insurance which is notable for its sales flexibility, since no previous medical test is required, and which provides a capital sum in the event of death or permanent and total disability of the insured party that is caused by accident. Over 56,000 clients have taken out policies on this product, which makes it one of the larger volume accident-insurance products in the company's portfolio.



Very close, in terms of client numbers, is **SegurCaixa Repatriación**, a product specifically designed for the new-resident sector which, at the end of the 2006 financial year, had over 50,000 policy holders, a 35% increase on the previous year. This insurance guarantees the return of the insured party's remains to his or her country of origin should that party die anywhere in the European Union, providing additional coverage for any expenses incurred where the party's remains are escorted by one person. In addition, the product provides a capital sum on death of €30,000 where the death occurred as a result of an accident and settles, in all cases, the outstanding balances of credit cards taken out by the insured party with "la Caixa" up to a maximum of €3,000.

Another product designed to cover requirements specific to the new-resident group is **SegurIngreso**, a young product introduced to the market in 2005 and which, at the end of the 2006 financial year, had around 10,000 policy holders. This is an accident insurance guaranteeing the insured party, in the event of death by accident, a capital sum of 6,000 euros and a monthly income for 5 years. The amount of this income may be 600, 1,000 or 2,000 euros per month and the product can be bought at the starting price of 7 euros per month, without any need for medical tests, so that the contract is very flexible and simple. It is an especially attractive product for clients who periodically send money back to their countries of origin and wish to ensure that their nearest and dearest are provided for in the event that they should die.

Both SegurIngreso and SegurCaixa Repatriación have been very well received by the market since their release, and the numbers of clients taking out their policies has been continually growing. Therefore, at the end of 2006, over 60,000 clients had taken out one of these products, an increase of 17,000 clients compared to the corresponding volume at the close of the previous financial year, an example of both products' solid, commercial development.

Finally, another of the products sold by SegurCaixa is **Seviam Plus**, an insurance guaranteeing to the insured party the payment of instalments for a loan taken out by the party, for a specified period of time, in the event that the party becomes unemployed, where he or she is a salaried worker, or temporarily disabled by illness or accident, where he or she is self-employed. It is a suitable supplement to Seviam from VidaCaixa. Over 22,000 persons had taken out the product at the end of 2006.

AgenCaixa

AgenCaixa is the CaiFor Group's company which integrates the commercial advisory network specialising in the Group's products and services for individual clients and small and medium-sized businesses.

It is tasked with actively collaborating in the marketing of the CaiFor Group's insurance and pension schemes through the network of "la Caixa" offices. At the same time, its staff carry out important strategic work such as passing on the opinions, assessments and preferences of clients and the departments themselves regarding new products, services, procedures, etc.

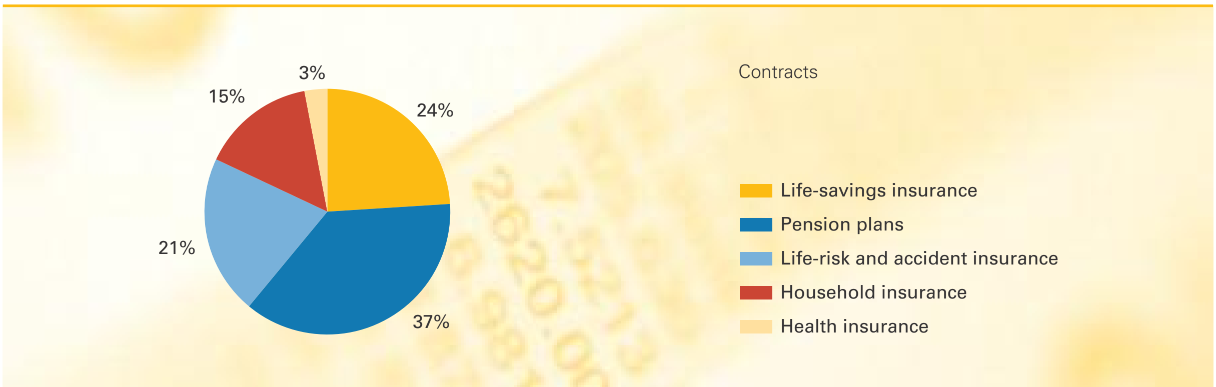
It should also be mentioned that through this experience AgenCaixa's advisors develop a broad knowledge of "la Caixa" office network in their area and CaiFor's products, which is an indispensable source of information for the Group, given that it allows different departments to implement procedures for continual improvement of performance.

The advisors also perform a coordinating role between "la Caixa" offices and CaiFor's Central Services in important areas such as the implementation of specific training for new changes in the law, the development of new marketing campaigns or the testing out of new products, etc.

Finally, it needs to be pointed out that training is a priority for the advisors of AgenCaixa. Thus, the Training Plan initiated in 2003 received in 2006 a certificate from the UOC (Universitat Oberta de Catalunya) as an "Insurance Commercial Technician Training Plan", with the level of a postgraduate qualification.

At the end of 2006 AgenCaixa consisted of 314 advisors and 18 delegates, allocated according to the various trade delegations that CaiFor has throughout Spanish territory, with a special emphasis in Catalonia, the Balearic Islands and Madrid.

AgenCaixa: sales distribution by product type



"Balanced Scorecard Hall of Fame" award presentation to the management team leading the development of the BSC in CaiFor, by doctors David P. Norton and Robert N. Kaplan, together with the Managing Director and the General Subdirector of CaiFor.

04

Principal facts and projects of the year

04 Principal facts and projects of the year

Training: AgenCaixa's UOC degree

In training and education what stood out most was the Training Plan for AgenCaixa's advisors who received the diploma from the Universitat Oberta de Catalunya (UOC or Catalonia's Open University) as "Insurance Sales Technician Training Program", which was made equivalent to post graduate studies. For CaiFor this diploma is indeed recognition of the importance given to training and education within the Group and within AgenCaixa.

This ambitious plan, which started in 2003, involves all AgenCaixa's advisors and lasts for three years. It includes the study of specific subjects from the insurance sector as well as in-depth work on CaiFor's products. Moreover, it takes into account other subjects related to the business such as tax law, financial mathematics, the financial markets, etc.

So far 18 AgenCaixa advisors have finished the Training Plan and have successfully obtained their diploma. It is expected that all of them will have it by 2008.

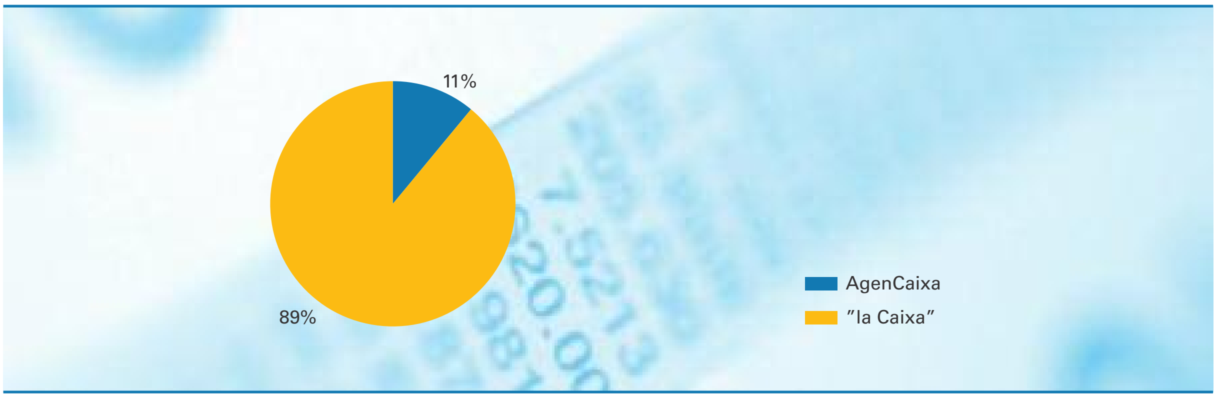
Part of the training and education plan is taught by e-learning through the Aul@forum platform that CaiFor has created especially for that purpose. This is a tool that the AgenCaixa advisors access on-line. It gives them availability and flexibility when they are required to follow any of the different training courses.

However, the constant training and education policy in CaiFor does not stop with the AgenCaixa advisors. All the "la Caixa" branches also participate in the training policy of the Group. This approach is to guarantee the quality of service as well as to make sure that all the staff have the required aptitude and knowledge to correctly advise our customers and to properly manage the products and services of the Group.

To achieve this, CaiFor has set up a department composed of six people who exclusively provide all the required training for the "la Caixa" branch staff and the AgenCaixa advisors.

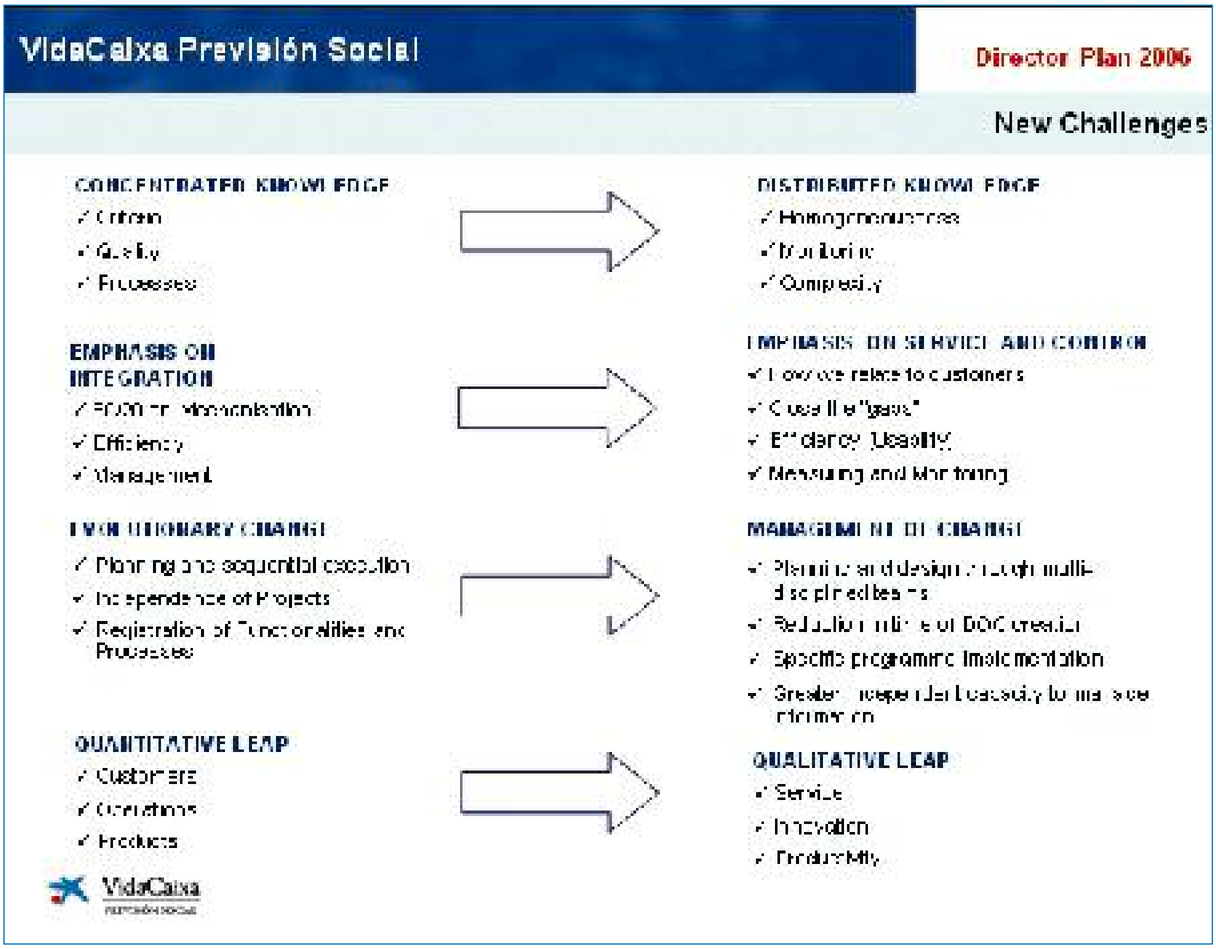
Throughout 2006, more than 600 courses were given to over 9,000 attendees in 2,400 hours of training.

Training directed at



Director Plan for Group and Company Business

In 2006, the personnel of VidaCaixa Previsión Social, together with most departments in the Group, underwent several stages of the Director Plan for Group and Company Business and implemented several important projects related with this business division.



This plan comprises a set of projects aimed at improving the processes and management systems of the group and company business of CaiFor as well as increasing the quality and degree of service offered to the client companies of this division. So, it includes the development of new tools for data management, commercial planning and the optimisation of work methods.

At the end of 2006, more than 70% of the stages of the plan had been carried out with half of the projects successfully implemented. It is expected to finish the projects under way in 2007.

CaiFor received the award "Balanced Scorecard Hall of Fame" for its management model based on the Balanced Scorecard

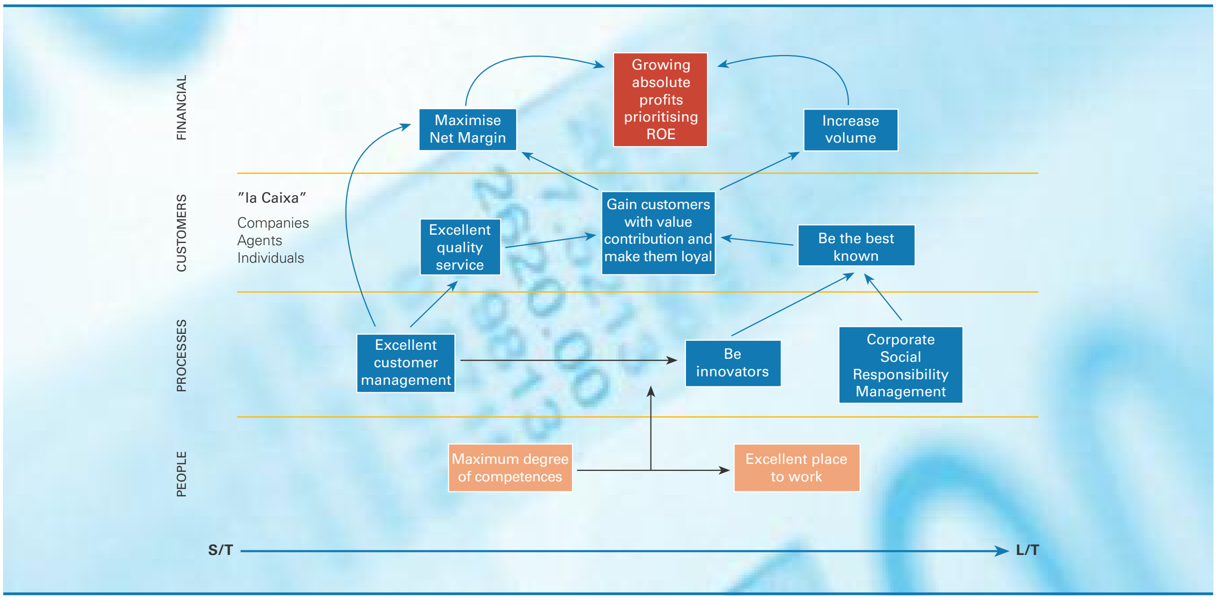
In 2006, CaiFor received the prestigious award "Balanced Scorecard Hall of Fame" for its excellent strategic management model based on the implementation of the Balanced Scorecard.

The award was presented in Barcelona by Doctors Robert N. Kaplan and David P. Norton, creators of this management model, within a programme of a series of European conferences organised by this body, where CaiFor was invited to explain its business model to more than 300 business leaders from all over the world.

CaiFor's Balanced Scorecard has been in place for the last seven years and has consolidated itself as an essential tool for the monitoring of the Group's strategy, which is structured on four main pillars that cover all the objectives of the Group: Customers, Processes, Finances and People.

The objectives of each department are set from the same perspective and are complemented by the individual goals of each employee. In all, the general objectives of the Group and those of each department are monitored by more than 300 indicators, which are analysed quarterly by the Management Committee to evaluate their degree of achievement. So, thanks to this management model, information is available at all times to assess the evolution of the company and to be in a position to take decisions based on the Strategic Map of the Group.

Strategic Map of the CaiFor Group



The Balanced Scorecard is also a communications tool between the management of the Group and all the employees, given that the results gathered on the achievement of objectives are passed on to the staff on a quarterly basis. This means that the evolution of the company is shared by everyone and is conducive to the alignment of the efforts of the employees to achieve the objectives set by the Management.

Call Center

CaiFor has a Call Center made up of over 40 highly-trained people specialised in providing attention to the branch offices of "la Caixa" and the customers of the Group.

All the members of the team have a high degree of professionalism and in-depth knowledge of the products and services of the Group, as well as the computer applications used. They have the latest specialised management tools to help them in their task.

In 2006, the Call Center attended to over 517,000 incoming calls, which means a daily average of 2,055 calls.

There was a drop of 2% in incoming calls in comparison to the previous year in spite of the increase in the sales activity of the Group. This is a result of the improvements in the applications

Number of calls to Call Center

and processes that positively affected the quality offered to customers while eliminating some of the main reasons for calls from branch offices.

Internet

As part of CaiFor's multi-channel commercial strategy, the Internet is one of the distribution channels that over the last few years has shown greater relative growth thanks to the Group's commitment to it.

CaiFor maintains the strategy of gradually increasing the number of products one can subscribe to or consult over the Internet, through the Línea Abierta Web, the Internet portal of "la Caixa". The main improvements undertaken throughout 2006 were:

- Improvement of the consulting functionalities for risk insurance.

- Automation of the application system for external transfers of pension plans.

- Inclusion of information available for consultation on four new pension plans and four complementary social welfare entities.

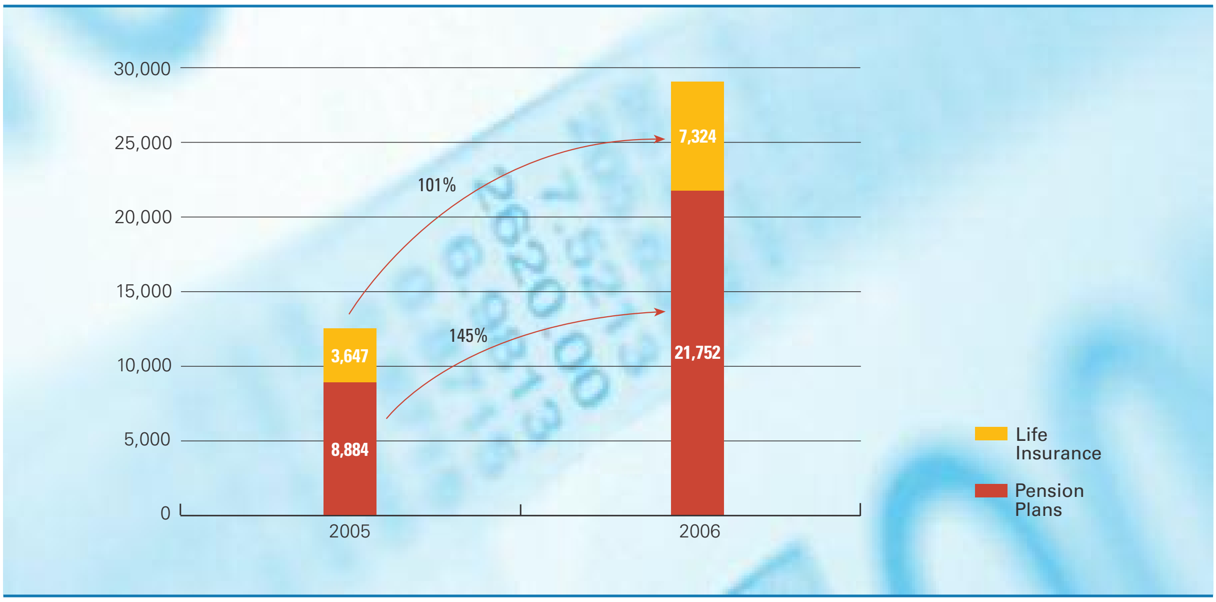
- The sale of Seviams (insurance for personal loans and mortgages), through the Línea Abierta Web, that cover the balance of the Préstamos de Abono Inmediato (Immediate Loans) of "la Caixa" subscribed to through this portal.

- Inclusion of a new functionality to enable voluntary contributions to group and company pension plans as well as joint pension plans.

On the other hand, CaiFor introduced new applications to improve the attention and service to customers in its own corporate webpage, **www.caifor.es**. One example of these is the form whereby customers can communicate any matter to CaiFor's Customer Service department through e-mail; another is a new dictionary with special insurance terms to better understand the policies, conditions, forms, etc., of the Group's products.

These improvements have helped to increase the volume of operations carried out through this channel; 21,700 operations in pension plans, 145% more than in 2005, and over 7,000 insurance operations or 101% more than the previous year.

Evolution of the total number of operations in CaiFor's product range made using the Internet channel



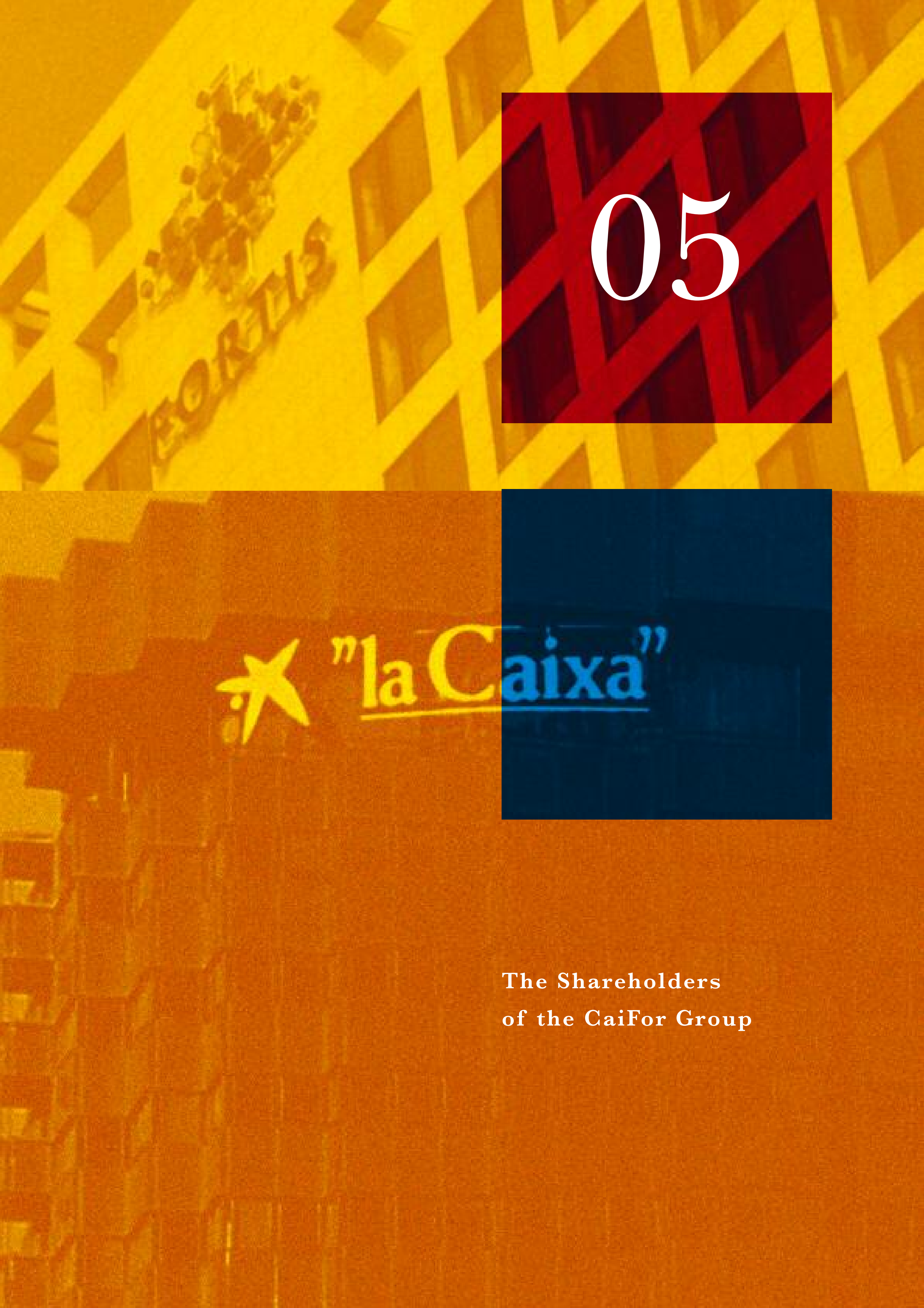
Strategic Plan 2007-2010

At the end of 2006 the Management of CaiFor drew up a Strategic Plan for the Group for the period 2007-2010. In it they set the main objectives and the future lines of action of the Group for the different branches of business as well as for the internal management factors involved.

Over the next few years the business lines of the Group will be strengthened with the development of the VidaCaixa Previsión Social products aimed at the Spanish business market. Special attention will be given to insurance directed at the small and medium sized enterprises (SMEs). Strong growth is expected in risk products for private individuals such as health insurance, given that the Strategic Plan envisages the sale of health insurance in the whole branch network of "la Caixa", and motor insurance.

At an internal management level, strategic priorities continue to put Quality of Service to customers first, maintain the importance given to the People who make up CaiFor's personnel and develop Innovation to a greater degree and at all levels.


FORTIS
"la Caixa"



05

The Shareholders of the CaiFor Group

05

The Shareholders of the CaiFor Group

In 2006, the two shareholders of the CaiFor Group, "la Caixa" and Fortis, achieved historic results. On the one hand, **"la Caixa"**, the number one savings bank in Spain and the third most important financial institution in the country obtained overall net profits of 3,025 million euros, an increase of 102% on 2005.

On the other hand, **Fortis**, a leading bankinsurance group in Europe and with a strong and ever growing international presence achieved a net result of 4,351 million euros in 2006, 10% more than in the previous year.

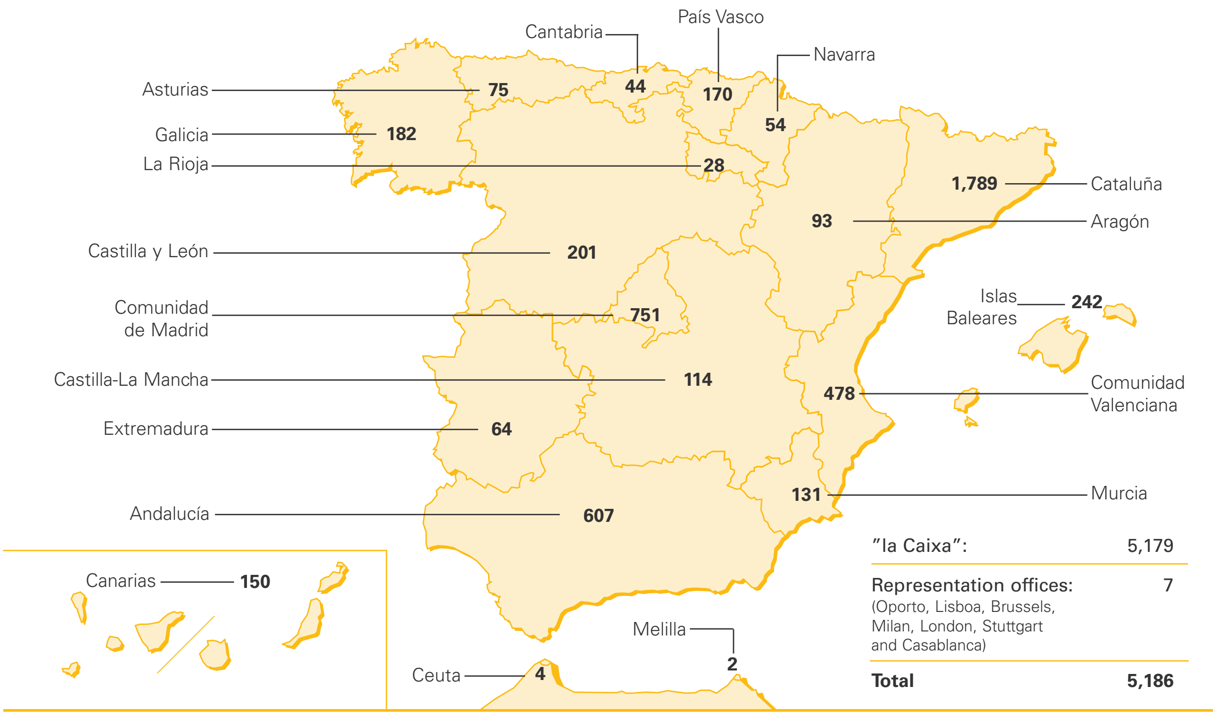
"la Caixa" in 2006

The "la Caixa" Group continued its excellent business performance in an environment of low interest rates albeit with a rising tendency, with strong competition from within the banking sector and pressure on sources of income. The group's sales capacity allowed it to offset these effects with strong and balanced growth of its activity in Spain, improving efficiency, profitability and solvency.

The customer base of "la Caixa" stands at 10,084,000, which means 477,000 clients more than in 2006. The intensive sales activity carried out using the branches as the focal point for operations enabled the group to maintain significant growth in "la Caixa" client base, while at the same time, reinforcing a close and understanding relationship, and thus achieving ever greater confidence in the Group, which is the basic pillar for its growth.

"la Caixa" has the most extensive banking network in Spain with 5,186 offices, 212 more than last year and with a workforce of 23,229 people, 896 more than in 2005. The overall number of employees in the "la Caixa" Group, including those in subsidiary companies, is 25,241.

Number of branches



"la Caixa":	5,179
Representation offices: (Oporto, Lisboa, Brussels, Milan, London, Stuttgart and Casablanca)	7
Total	**5,186**

To complement branch operations, the "la Caixa" Group has 7,493 automatic teller machines (ATM) and is at the forefront of on-line banking through its "Línea Abierta" service with 1.9 million users, an increase of 21% on last year. These customers carried out over 864 million operations, 35% more than the previous year.

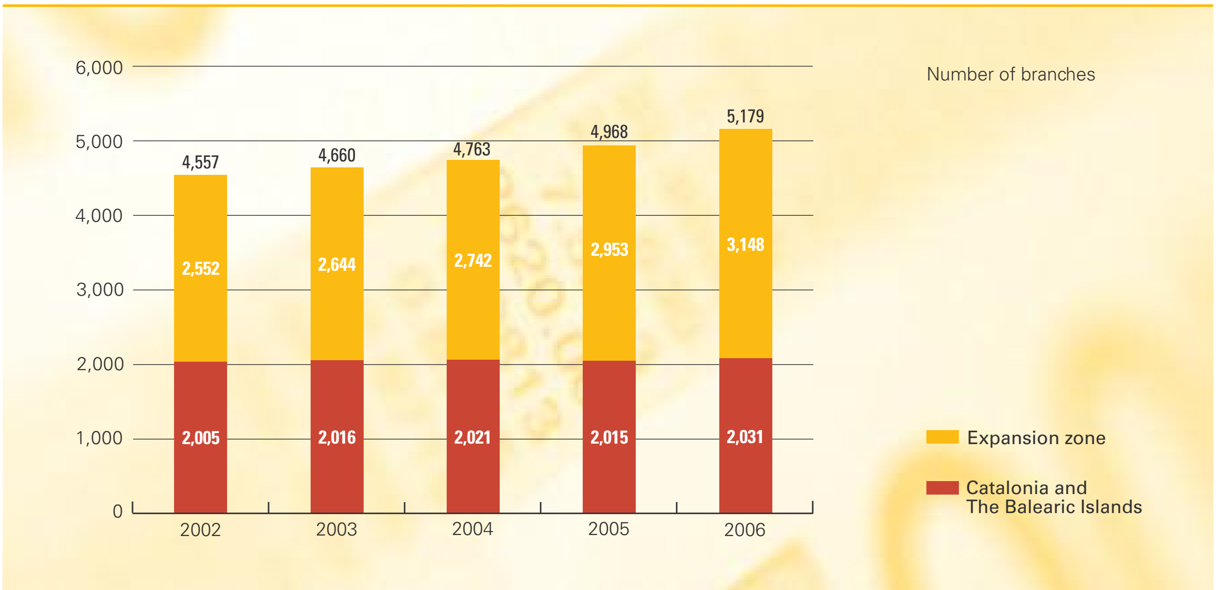
The volume of the Group's financial business amounted to 337,260 million euros with growth over last year of 53,933 million euros, an increase of 19%. The growth in Spain was 66,727 million euros, an increase of 25%.

Loans increased by 23% to 139,765 million euros, which for mortgages was a 24% increase. Growth in Spain was 30,013 million euros, 27% more than the previous year.

The intensive growth in individual and company loans and credits amounts to a reflection of the Group's contribution to the country's economic development. The number of companies and developers who are clients is 343,347, with an increase of 35% in total volume of investment reaching 50,497 million euros. Financing small and medium sized businesses accounts for 73.5% of the Group's overall credit investment in businesses resulting from the ongoing development of new products and services aimed at this strategic sector.

Overall customer resources rose to 197,495 million euros, 17% more than the previous year. Growth in 2006 in Spain totalled 36,714 million euros, with a solid increase in retail activity (with 16% in deposit accounts and 25% in term deposits) and institutional activity.

Evolution of the number of "la Caixa" branch offices in Spain



On the other hand, it is noteworthy that there are over 9 million "la Caixa" credit cards in circulation, 598,000 more than in 2006, with a 15% increase in billing and thus maintaining the leadership role in market share of 17.6%.

In the area of the overall equity portfolio of the "la Caixa" Group, the market value at the end of 2006 was 21,200 million euros, of which the value of listed interests was 18,480 million euros, with unrealised capital gains of 9,976 million euros. In the course of 2006, taking advantage of the favourable performance of the market, the "la Caixa" Group undertook a significant divestment process and supplemented this with selective investment. Therefore, the effective price of sales of the equity portfolio rose to 4,420 million euros, making net consolidated capital gains of 2,077 million euros.

The "la Caixa" Group's attributed recurring profit rose to 1,505 million euros, an increase of 24% on last year with a 19% growth in the volume of financial business, of which in Spain alone, this activity accounted for 25%. The total profit attributed to the "la Caixa" Group for 2006 amounted to 3,025 million euros, more than double the results achieved in 2005, which were 1,495 million euros. These figures reflect the effects of the strong growth of recurring business as well as the dynamic management of assets and application of more conservative criteria.

Solvency management, with the generation of elevated results and stringent risk controls after considering the strong growth of the activity, raised the Group's Core Capital (maximum category own resources) to a solid 6.2% (+0.3). Tier 1 capital rose to 8.3% and the solvency ratio increased to 11.5% (+0.3).

In 2006, "la Caixa" consolidated its commitment to the needs of society. Therefore, the "Obra Social" (Social Welfare Work) promoted 31,194 activities, with more than 18.6 million participants all around Spain. For 2007, the "Obra Social" budget is 400 million euros, 32% more than the previous year, with 256 million allocated to social programs, an increase of 60%. The contribution of "la Caixa" is 376 million euros, 25% of the Group's recurring profit in 2006.

Over the next few years the "la Caixa" Group's "Obra Social" will consolidate its shift towards social projects, which implies strongly reinforcing social activities as well as those offering assistance with up to 70% of the budget in 2010 and focusing especially on eradicating child poverty (with a budget of 300 million euros over the next 4 years). All of this is to be combined with a significant increase in the size of the "Obra Social" through contributions of 25% of the Group's recurring profit, reaching a budget of 2,000 million euros in the period 2007-2010 while exceeding the number of 25 million beneficiaries. These resources will be managed by the "Obra Social" in an efficient manner with flexible programs adapted to the reality on the ground and with a sense of anticipating the needs of society.

Finally, it is noteworthy that throughout 2006 "la Caixa" continued to be ranked as the financial institution with the best brand reputation according to the IRMA (Brand Reputation Index) study. Those aspects most valued are know-how, leadership perception and communication. In another area, according to FRS Inmark, "la Caixa" is the number one financial institution in services for private customers with a 20% market penetration.

Fortis in 2006

Fortis achieved record high profits in 2006, with a net profit before divestment of 4,351 million euros, 24% greater than in 2005. Profits increased in the bank and insurance business while there was a decrease in general business. Total net profit was up 10% compared to 2005, a year in which the group achieved extraordinary profits of 443 million euros due to the sale of Assurant, its insurance subsidiary for North America.

Net profits from banking business were 3,149 million euros, a 29% increase on the figure for 2005. This excellent profit was achieved due to a buoyant sales activity, improved profits from treasury and financial markets and lower tax rates. Expenses increased principally as a result of accelerated growth in investments, new contracts and consolidation of acquisitions.

In the insurance business, Fortis Insurance generated another excellent year in 2006, reinforcing its position in the majority of markets. As well as being market leader in several European countries, the group reinforced its strong position in Asia. Strategic associations with local operators, a key factor in both European and Asian markets, are generating high income for premiums beyond the region of the Netherlands and Belgium and recently, operations have been set up in Germany, Russia, the Ukraine, and Turkey through new businesses and acquisitions while operations in India are set to begin in 2007. Net profit in 2006 reached 1,420 million euros, an increase of 16%. Life insurance jumped by 24% to 924 million euros and non-life insurance also went up by 4% to 496 million euros.

Financial highlights of Fortis

Milions of euros	2005	2006	% var.
Fortis			
Net profit	3,941	4,351	10%
Employees (FTEs)	54,245	56,886	5%
Insurance			
Life insurance premiums	11,481	12,125	6%
Non-life insurance premiums	4,775	5,033	5%
Net profit	1,225	1,420	16%
Banking			
Net profit	2,434	3,149	29%
Ratio costs/income	62.3%	61.2%	–

In life insurance, increased income and capital gains, partly offset by variable commissions based on profits paid to retail banking business in Belgium, helped to increase pre-tax profits. In non-life insurance, technical profits rose by 7%, principally due to greater technical profits in the Dutch health and accidents market together with increased results in car insurance more than offsetting somewhat lower returns in fire insurance. The net profit in non-life increased by 4%, in line with the increase in technical profits.

Insurance operating costs increased by 7% in 2006, due to business expansion, expenses derived from distribution and integration expenses. Operating costs in Holland remained practically unchanged while, the volume of business managed increased. In Belgium, operating costs rose as a result of the integration of Fortis AG and FB Insurance. Operating costs for international activities also increased, given that Fortis Insurance continued its strategy of international growth and also because Outright (a company acquired by Fortis UK) was included permanently for the entire year.

In 2006, insurance activity in Belgium, Holland and International were merged under the authority of one Chief Executive Officer. The new organization will allow Fortis Insurance to better align its skills and resources so as to achieve cross border synergy. It is hoped that full advantage is taken of the benefits of sharing first-rate business practice, while optimising the local traits of each business to support its growth. Fortis Insurance is formulating a strategy focused on product and market innovation, multi-channel distribution, operational excellence, international expansion and an organisation equipped to anticipate development in the insurance sector.

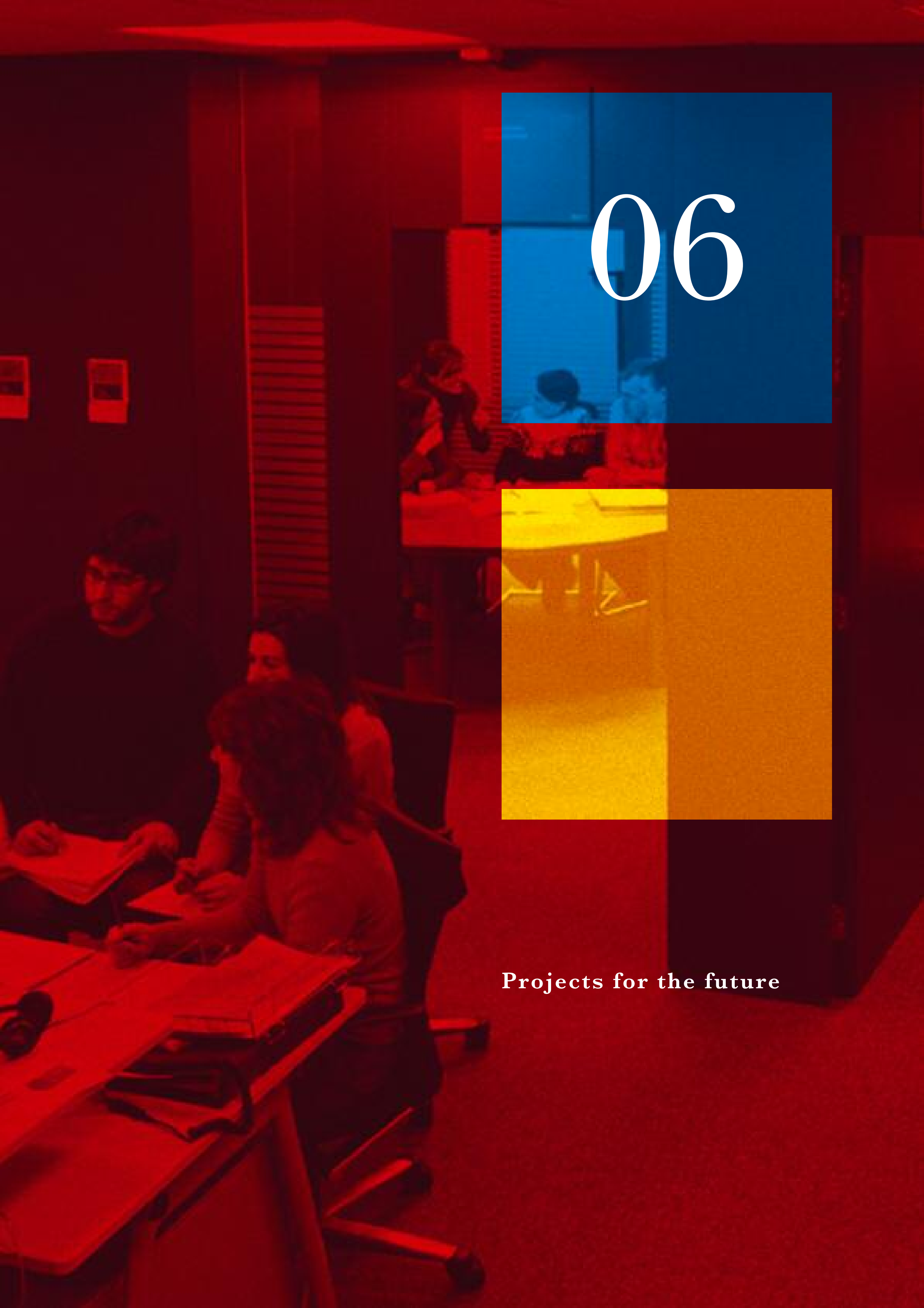
In general business, losses amounted to 218 million euros, 57 million euros more than in the previous year, due to the extraordinary profits achieved in 2005 from the sale of Assurant.

The net Core Capital of Fortis was 27.1 billion euros, a figure equivalent to 126% of the minimum amount required internally. The Tier 1 ratio of Fortis Bank decreased from 7.4% at the end of 2005 (calculated according to Belgian accounting principals) to 7.1% by the end of December 2006 (in accordance with international financial reporting standards - IFRS).

The proposed dividend was fixed at 1.40 euros per share in cash, 21% more than the 1.16 euros per share in 2005. As dividends of 0.58 euros per share were paid in September 2006, the final proposed dividend amounted to 0.82 euros per share.

Fortis continued to increase its workforce throughout 2006, with 2,641 employees more, leaving a 56,886 strong workforce by 31st December, 43,575 of whom were employed in banking business, 13,106 in insurance and 205 at general business. Overall, 38,169 employees worked in the Benelux and 18,717 worked outside.

Fortis is a group that truly highlights the importance of Corporate Social Responsibility, focused on – with the aim of increasing the impact of its efforts – the development of its policies on sustainability of the supply chain, climate change and social inclusion, bearing in mind that by understanding the dynamics of these areas and providing the necessary solutions, Fortis will improve its position in the market and maximize the potential value of the company in the future.



06

Projects for the future

06 Projects for the future

Undoubtedly the CaiFor Group's main project for 2007 is the launch of its car insurance business. This project will represent a significant challenge for the Group given that it means CaiFor will become a global insurance operator in the family sector.

Throughout 2006, CaiFor prepared all the essential elements in order to begin marketing the product in the first half of 2007. The Group has already put the team in place to manage the project, which will be structured as a new area of Management within the CaiFor organisational chart. The most important projects carried out to date have been in new IT applications for marketing and managing policies and filing claims, drawing up agreements with service suppliers for assistance and car repair services, and setting up a call center to deal with customers' calls.

In as far as the product itself is concerned, it will be marketed in three different forms: Full Comprehensive (with or without excess), Third Party, and Third Party Fire and Theft. The principal characteristics of the product are associated with three basic ideas: an excellent quality of service, broad spectrum and innovative cover, and competitive prices for the services on offer.

At the same time, within the business lines aimed at individual customers of the Group, CaiFor expects to continue launching new products and models in health insurance, life-risk and accident insurance and home insurance, with the view to tailoring its product offer to the needs of its customers.

In health insurance, CaiFor hopes to significantly increase the number of contracts

SegurCaixa

in this area of business, partly as a result of the extension of marketing VidaCaixa Salud Individual through the entire "la Caixa" branch network. In home insurance, it is planned to continue developing services so as to incorporate the best possible cover and guarantees. In life-risk and accident insurance the aim is to reinforce the existing range of products on offer.

Regarding life-savings insurance for individual customers, CaiFor, through VidaCaixa, intends to promote the development of Individual Systematic Savings Plans by way of launching products included under the scheme outlined in this product, anticipating that the modifications recently introduced by the Income Tax Law will not cause much of a drop-off in contributions to products generating voluntary retirement savings. It is also expected that individual pension plans continue to grow, as has been the case over the last few years.

CaiFor also plans to continue its sales activity of products for groups and companies marketed through its business division of VidaCaixa Previsión Social and to reinforce life-savings and risk insurance for large enterprises and public institutions, while making a special effort in the area of all products aimed at the small and medium-sized enterprises, a sector that the **CaiFor Strategic Plan 2007-2010** intends to pay particular attention to. It is also expected that the Director Plan for Group Business, of the utmost importance to this division, will be completed in the course of the coming year.

All of these objectives will be complemented by the application of internal management policies aimed at the ongoing improvement in the quality of service to customers, innovation in processes, products and services, and the comprehensive development of the personnel in the Group through the use of new technologies and management models. All this, under the umbrella of maintaining as guidelines of the Group the existing policies of responsible management, in line with the proven experience, in this area, of the Group's shareholders, "la Caixa" and Fortis, and following the CaiFor Group's own values: Confidence, Quality and Dynamism.

07

Report on Corporative Governance and Internal Control

07 Report on Corporative Governance and Internal Control

Report on the Corporative Governance

This report has been voluntarily drawn up by the company CaiFor, S.A.

A. Structure of the property

A.1. Breakdown of the most important shareholders in the company at the close of the fiscal year:

Name or legal name of shareholder	% of equity
Caixa Holding, S.A.U.	50%
Fortis AG España Invest, S.L.	50%

A.2. Indicate, where necessary, the relationship between the shareholders or significant holdings whether it be through family, commercial, contractual or corporate ties, insofar as it is known to the company, unless it is of little relevance or it is derived from the ordinary commercial activity:

Name or related legal name	Type of relationship	Brief description
Caixa Holding, S.A.U.	Corporate	Caixa Holding is a 50% shareholder of CaiFor and a member of the Board.

A.3. Indicate, where necessary, the relationship between the shareholders or significant holdings whether it be through family, commercial, contractual or corporate ties, insofar as it is known to the company, unless it is of little relevance or it is derived from the ordinary commercial activity:

Name or related legal name	Type of relationship	Brief description
Caixa Holding, S.A.U.	Corporate	Caixa Holding is a shareholder of VidaCaixa; it is the majority shareholder of Caixa Corp, S.A.; it is a Board Member of the VidaCaixa Board; it is a Board Member of the SegurCaixa Board and it is a Board Member of the CaiFor Board.
Caixa Corp, S.A.	Corporate	The company is a Board Member of the VidaCaixa Board and it is a Board Member of the SegurCaixa Board.

La Caixa d'Estalvis i Pensions de Barcelona, "la Caixa"	Corporate	The company is the sole shareholder of Caixa Holding, S.A.U., who, in turn, is a shareholder of VidaCaixa. Mr. Tomás Muniesa is Assistant Executive General Manager of "la Caixa" and at the same time, Chairman of the VidaCaixa Board.
VidaCaixa, S.A. de Seguros y Reaseguros	Corporate	CaiFor, S.A. has an 80% share of VidaCaixa.
SegurCaixa, S.A. de Seguros y Reaseguros	Corporate	CaiFor, S.A., has a 79.87% share of SegurCaixa.

Non-Statutory agreements

The CaiFor Group, an insurance group equally owned by "la Caixa" and Fortis is made up from three companies: VidaCaixa de Seguros y Reaseguros, a company that markets life insurance, pension plans and health insurance; SegurCaixa, S.A. de Seguros y Reaseguros, a company that markets non-life insurance, and AgenCaixa, S.A., Agencia de Seguros del Grupo CaiFor.

The CaiFor Group was founded at the end of 1992 with the firm conviction to become the leading insurance company in Spain. It was created as a result of a joint venture strategic agreement between "la Caixa" and Fortis with the aim of combining the experience of "la Caixa" in the financial sector, its solid corporative image and its widespread distribution network in Spain with the experience of Fortis in the insurance sector. Fortis is one of the foremost financial enterprises in Europe that has thrived over the last few years on its strong growth.

The joint venture agreement was signed by both parties on 25th September 1992 and it contains the regulation for internal relationship between the partners to that joint venture and their filial and external companies with third parties.

Percentage of own shares

There are no own shares

B. Structure of the Company's Board

B.1. Board or Administrative Body

B.1.1. List of the maximum and minimum number of Board Members or Members of the Administrative Body envisaged by the Bylaws:

Maximum number of Board Members / Members of the Administrative Body	12
Minimum number of Board Members / Members of the Administrative Body	4

B.1.2. Complete the following table on Members of the Board or Administrative body and their respective condition:

Name or legal name of Member of Board or Administrative Body	Representative	Date of appointment	Condition
Mr. Ricardo Fornesa Ribó		05.06.2003	Owner Director
Mr. Peer van Harten		15.06.2005	Owner Director
Mr. Tomás Muniesa Arantegui		05.12.2002	Owner Director & Executive
Mr. Juan Antonio Samaranch Torelló		05.12.2002	Owner Director
Mr. Gilbert Mittler		28.05.2004	Owner Director
Mr. Manuel Raventós Negra		05.06.2003	Owner Director
Mr. Herman Verwilst		22.11.2006	Owner Director
Caixa Corp, S.A.	Mr. Antonio Vila Bertrán	05.06.2003	Owner Director
Caixa Holding, S.A.U.	Mr. Julio Lage González	05.06.2003	Owner Director
Mr. Jean-Paul Votron		13.10.2004	Owner Director
Mr. Jacob Westerlaken		15.09.2005	Owner Director
Mr. Olav Cuiper		22.03.2006	Owner Director

B.1.3. Identify, where necessary, the Members of the Board or Administrative Body that undertake positions of Administrator or Director in other companies that form part of the Group:

Name or legal name of Member of Board or Administrative Body	Legal Name of the company in the Group	Position
Mr. Peer van Harten	SegurCaixa, S.A. de Seguros y Reaseguros	Chairman
Mr. Peer van Harten	VidaCaixa, S.A. de Seguros y Reaseguros	Board Member
Mr. Jacob Westerlaken	SegurCaixa, S.A. de Seguros y Reaseguros	Board Member
Mr. Jacob Westerlaken	VidaCaixa, S.A. de Seguros y Reaseguros	Board Member
Mr. Gilbert Mittler	SegurCaixa, S.A. de Seguros y Reaseguros	Board Member
Mr. Tomás Muniesa Arantegui	VidaCaixa, S.A. de Seguros y Reaseguros	Chairman
Caixa Holding, S.A.U.	SegurCaixa, S.A. de Seguros y Reaseguros	Board Member
Caixa Holding, S.A.U.	VidaCaixa, S.A. de Seguros y Reaseguros	Board Member
Caixa Corp, S.A.	SegurCaixa, S.A. de Seguros y Reaseguros	Board Member
Caixa Corp, S.A.	VidaCaixa, S.A. de Seguros y Reaseguros	Board Member

B.1.4. Indicate whether the Bylaws or the Rules of the Board set out a limited mandate for Board Members or Members of the Administrative Body:

YES [X] NO [ ]

Maximum years of mandate, with possibility of re-election	6

B.1.5. Indicate whether the individual and consolidated annual accounts presented for approval by the Board or Administrative Body are previously certified.

YES [X] NO [ ]

Identify, where necessary, the person/s that has/have certified the individual and consolidated annual accounts to be presented for approval by the Board or Administrative Body.

Name or Legal Name	Position
Mr. Carlos Ginebreda Martí	Secretary non Member of the Board

B.1.6. Explain the mechanisms, if any, set up by the Board or Administrative Body to prevent the individual and consolidated annual accounts drawn up by him from being presented at the Annual Shareholders Meeting or equivalent body with notes in the auditor's report.

To avoid this situation there is an Audit Committee that supervises the drawing up process of the accounts so that there are no notes.

B.1.7. Does the Secretary of the Board or Administrative Body have the rank of Board Member?

YES [ ] NO [X]

B.1.8. Indicate, where necessary, the mechanisms set up to safeguard the independence of the auditors, financial analysts, investment banks and qualification agencies.

1) Auditor: the rule of temporary rotation of the audit team is observed.
2) Financial Analysts: we work with the most relevant companies in the world.
   Most times we work with several at the same time.
3) Investment banks: we work with the most relevant companies in the world.
   Most times we work with several at the same time.

B.2. Commission of the Board or Administrative Body.

B.2.1. List the Commissions of the Board or Administrative Committees:

	No. of Members
Executive Commission	6
Audit Committee	4
Retributions Commission	2

B.2.2. List of all the Commissions of the Board or Administrative Body and their Members:

EXECUTIVE COMMISSION

Name or Legal Name	Position
Mr. Tomás Muniesa Arantegui	Chairman
Caixa Holding, S.A.U.	Member
Caixa Corp, S.A.	Member
Mr. Peer van Harten	Member
Mr. Gilbert Mittler	Member
Mr. Jacob Westerlaken	Member

AUDIT COMMITTEE

Name or Legal Name	Position
Caixa Corp, S.A.	Chairman
Caixa Holding, S.A.U.	Member
Mr. Jacob Westerlaken	Member
Mr. Olav Cuiper	Member

RETRIBUTIONS COMMISSION

Name or Legal Name	Position
Mr. Tomás Muniesa Arantegui	Member
Mr. Peer van Harten	Member

B.2.3. Write a description of the rules of organisation and how they work, as well as the responsibilities attributed to each of the Commissions of the Board or Administration Body. If need be, describe the powers of the Chief Executive Officer.

B.2.3.1. The Board

The powers of the Board are set out in article 19 of the Corporate Bylaws, which are:

a) Adopt all the agreements and functions required to carry out the company objective.

b) Carry out and formalize the agreements of the Annual Shareholders Meeting.

c) Draw up and put into practice all the Regulations deemed necessary to run the business, offices, buildings and administrations of the company and reform them whenever they think fit.

d) Accept or reject business and operations.

e) Hold, organise and authorise all types of acts, duties and contracts, including those related to the acquisition, disposal and taxing of fixed and intangible assets, and grant leases that can be registered.

f) Avail of the equity of the company to apply it to the running, administration and management of the business and operations of the Company.

g) Provide all sorts of comfort letters and guarantees and give its assets as a surety and mortgage, all of this as a guarantee for the obligations of the Company itself and for third parties.

h) Authorize all manner of activities in the Company, especially the Annual Shareholders Meetings and Management Meetings.

i) Appoint and dismiss personnel, fixing their conditions and attributions, salaries, commissions, bonuses and extraordinary rewards, even appointing and revoking powers of attorney, correspondents, advisors, attorneys, agents and all the rest, agreeing to their retributions, obligations and powers.

j) Represent the Company in the face of all types of authority, bodies and tribunals, undertaking whatever actions within its power or abandoning them at any time, as well as submitting the matters the Company is interested in to settlement, conciliation, and arbitrators.

k) Set up and withdraw deposits, compete, intervene and bid in all sorts of auctions and tenders, and open and close accounts in any type of credit establishment, including the *Banco de España* and the *Caja General de Depósitos*.

l) Sign, issue, endorse and accept, discount and guarantee letters of exchange or promissory notes, letters of payment and other commercial documents or mercantile bills.

ll) Approve inventories, balance sheets and accounts that have to be submitted to the Annual Shareholders Meeting and annually present the Annual Report to the Annual Shareholders Meeting, proposing, if that be the case, the distribution of profit, amortisations and the setting up of whatever reserve funds it deems necessary.

m) Propose to the Annual Shareholders Meeting the payment of passive dividends, should there be any, on the shares in circulation, until they are fully paid out and the distribution of interim dividends against profits during the course of the year.

n) Delegate its powers to a person or persons it deems fit, through a power of attorney.

ñ) Propose to the Extraordinary Shareholders Meeting the transformation, modification, merge or dissolution of the company.

o) Propose to the Annual Shareholders Meeting any other powers not reserved by law or by the Bylaws.

B.2.3.2. Chief Executive Officer

There is a Chief Executive Officer, Mr. Tomás Muniesa Arantegui.

In accordance to article 141.1 of the Royal Legislative Decree 1564/1989 that approves the Ley de Sociedades Anónimas, the Board of Directors may appoint among the Directors a Chief Executive Officer delegating him all the legal functions according to the Corporate Law, and these have been delegated in favour of Mr. Muniesa.

B.2.3.3. Executive Commission

The Board of Directors appoints an Executive Commission integrated by six (6) Directors among members of the Board of Directors. The Commission appoints a Chairman among its members.

Its functions are the ones delegated by the Board of Directors under the limits of the Law and the Bylaws, and among other functions the Commission prepares the meetings of the Board of Directors, submits all kind of proposals, recommendations and reports to it, and prior to the approval to the Board of Directors, states and enforces the general strategy of the CaiFor Group.

The decisions are adopted by majority of votes unless otherwise agreed. The absent members are considered represented by the members that are present and are appointed by the absent members.

The Secretary of the Executive Commission is the same as the Secretary of the Board of Directors.

B.2.3.4. Audit Committee

The Board appoints an Audit Committee from among its members.

The Audit Committee will be formed by a minimum of three and a maximum of five Board Members. The non-executive Members must always be the majority.

The Audit Committee will appoint its Chairman from among the non-executive Members. The Chairman must change every four years but can be re-elected Chairman after one year from the time of his resignation. The Committee will also appoint the Secretary, who may not be a Member of the Committee, and lacking that appointment or in the case of his absence the Secretary of the Board may act as such.

The Audit Committee meets as often as is necessary to perform its functions well and it is summoned by order of its Chairman, on his own initiative or by request from the Chairman of the Board, or by two Members of the Committee. The Audit Committee is validly constituted when those participating or their representatives form the majority of its Members.

The agreements are adopted by majority of the participating Members, either present or represented.

The Audit Committee has the following competences:

1) Report to the Annual Shareholders Meeting on questions raised by the shareholders on matters of their competence.

2) Propose to the Board, for its submission to the Annual Shareholders Meeting, the appointment of external auditors.

3) Supervise the internal audit services.

4) Be fully aware of the financial information process and the systems of internal compliance when they are set up.

5) Be in contact with the external auditors to receive information on those questions that may put their independence at risk and whatever other question related to the development process of the audit, as well as those other communications foreseen in the legislation on account auditing and on the technical regulations of auditing.

B.2.3.5. Retributions Commission

The Retributions Commission is integrated by two (2) Directors members of the Board of Directors.

Without prejudice of other functions conferred by the Board of Directors, the Remunerations Commission has the main task to distribute and allocate the remunerations for the members of the Board of Directors stated by the General Meeting of Shareholders.

The Retributions Commission is convened at any time when the Board of Directors or its Chairman ask for the issue of a report or to agree on the proposals of the Board or its Chairman, and in any case can be convened by the application of any of its members and when it is convenient for the development of its functions.

B.2.4. Indicate the number of meetings held by Board of Directors during the year.

Number of meetings	4

B.2.5. In the case there is a Nominations Commission, indicate whether all its members are Board Members or members of the external Administrative Body.

YES [ ] NO [X]

C. Conflicts of interest

C.1. Identify, when necessary, the situation of conflicts of interest in which the Board Members or Members of the Administrative Body of the company find themselves, according to article 127 of the LSA (Law on *Sociedades Anónimas*).

There are no situations of conflict of interest.

C.2. Explain the mechanisms set up to detect, determine and solve the possible conflicts of interest between the company or its Group and its Board Members or Members of the Administrative Body or Directors.

The documents required by article 127 of the LSA (Law on *Sociedades Anónimas*) are filled in and this information is included in the Annual Report.

D. Systems of risk control

D.1. A general description of the risk control policy of the company and/or its group, listing and evaluating the risks covered by the system, together with the explanation of the adequacy of the said systems to the profile of each type of risk.

See the following section "Internal control systems of the CaiFor Group" in this chapter of the CaiFor Annual Report.

D.2. Indicate the control systems in place to evaluate, mitigate or reduce the main risks of the company and its group.

See D.1.

D.3. In the event of some of the risks that affect the company and /or group taking place, indicate the circumstances that caused them and whether the control systems worked.

There have been no risks.

D.4. Indicate if there is a committee or other governing body ordered to set up and supervise those control systems and explain what their functions are.

An Audit Committee designated by the Board of Directors supervises the internal control systems of the company.

E. Shareholders meeting or equivalent organism

E.1. State the quorums to constitute the Annual General Meting or equivalent organism set out in the Bylaws. Describe how it differs from the minimum rule envisaged in the Law on *Sociedades Anónimas* (LSA), or in the regulation applied to it.

Article 13 of the Bylaws sets out that the quorum to constitute the Annual Shareholders Meeting of Shareholders on the first call is 25% of the issued capital with a right to vote, while on the second call any amount of shareholders with a right to vote is valid to constitute the Meeting.

For certain types of agreements (debenture issues, increase or reduction in capital, transformation, merger or separation, or any modification of the equity) 50% of issued capital with a right to vote is required on the first call, and 25% on the second call.

E.2. Explain the rules to adopt company agreements. Describe how this differs from the rules set out in the Law on *Sociedades Anónimas*, or in the regulation applied to it.

For agreements on matters referred to in section E.1. above, a favourable vote of 2/3 of the present or represented capital is required.

E.3. List the rights of the shareholders in relation to the Shareholders Meeting or equivalent body.

The rights of the shareholders in relation to the Shareholders Meeting are those set out in the Royal Decree 1564/1989, of 22nd December, by which the adapted text on the Law on *Sociedades Anónimas* is approved.

The Bylaws of CaiFor, S.A. and the Law on *Sociedades Anónimas* specify the following rights:

- The right to decide by majority vote the matters that belong to their competence.
- The rights to separate and challenge in the terms set out in the Law.
- The shareholders present or represented, when they own at least 25% of the issued capital with a right to vote, can validly summon a Shareholders Meeting, either ordinary or extraordinary, at the first call. At the second call any amount of issued capital with a right to vote is valid.
- The right of the shareholder to obtain from the Company, immediately and freely, the documents that have to be submitted for their approval and, if appropriate, the report from the auditors.
- The shareholders, whose shares are registered in the Shares Register five days prior to the date the General Shareholders Meeting is to take place, have a right to attend.
- The shareholders with a right to attend have a right to be represented.
- The shareholders that hold 5% of the equity of the company can summon an Extraordinary Shareholders Meeting listing the matters to be discussed at it.
- The right to one vote per share.

E.4. Indicate briefly the agreements adopted at the Annual Shareholders Meetings or equivalent bodies held in the same year as this report refers to and the percentage of votes with which the agreements were adopted.

Attendances at the Shareholders Meetings held this year:

All the Shareholders Meetings were complete with all the shareholders in attendance.

A list of the agreements adopted by the Shareholders Meetings this year:

Extraordinary General Meeting of 22nd March 2006. Resignation of the Vice-President of the Board Mr. Josef De Mey and appointment of Mr. Olav Cuiper as Director. Appointment of the Director Mr. Peer van Harten as Vice-President of the Board. Modification of article 20 of the corporate bylaws to create an Audit Committee.

Ordinary and Extraordinary General Meeting of 16th June 2006. Examination and approval of the annual accounts for the fiscal year 2006 and distribution of results, as well as the consolidated accounts. Re-election of Auditor for the individual and consolidated accounts of the Group. Modification of articles 11 and 16 of the corporate bylaws.

Extraordinary General Meeting of 22nd November 2006. Re-election of the Director Mr. Herman Verwilst.

E.5. Indicate the address and way of accessing the content of corporate governance in your web page.

The access to the Report on Corporate Governance of the company can be had through the following URL address: http://www.caifor.es/1-20-20-00000003.htm

F. Extent to which the recommendations of Corporate Governance are followed

Indicate to what extent the enterprise fulfils the recommendations of the existing corporate governance, or in the event, the non-acceptance of those recommendations.

In the event of not fulfilling some of them, explain the recommendations, norms, practices or criteria the enterprise applies.

Recommendation 1

"That the Board expressly assumes the general function of supervision as its core mission, exercises without delegation all the responsibilities that entails and sets up a formal catalogue of the matters reserved for its own knowledge."

This recommendation is followed. The powers of the Board are set out in the Bylaws.

Recommendation 2

"That a reasonable number of Independent Board Members join the Board, whose profile corresponds to people with a prestigious professional background while not having any connections with the executive team and the major shareholders."

The shareholders hold 100% of the equity, so this recommendation is not followed.

Recommendation 3

"That in the composition of the Board, the external Board Members (both owner director and independent) make up the majority over the executive Members and that the proportion between owner director and independent is fixed taking into account the existing relationship between the capital integrated in packages of shares and the rest".

This recommendation has been updated by the Aldama Report in this sense: "That there is a large enough majority of external Board Members on the Board and, within those, a significant participation of independent Board Members, taking into account the share structure of the company and the capital represented on the Board."

All the Board Members are owner directors and the recommendation is not applicable as the share capital is fully represented.

Recommendation 4

"That the Board limits its size to achieve a more efficient and participative running of same. In principle, the most suitable size could be between five and fifteen members."

This recommendation is followed. The Board is formed by 12 members.

Recommendation 5

"That the Board, in the event that it opts for the formula of concentrating the executive power of the company in the Chairman, adopts the necessary precautions to reduce the risks of the concentration of power in a single person."

This recommendation is followed. The Chairman does not have the position of Chief Executive of the company.

Recommendation 6

"That the Secretary of the Board is given a relevant role, strengthening his independence and stability and emphasising his responsibility to safeguard the formal and material legality of the actions of the Board."

This recommendation is followed.

Recommendation 7

"That the composition of the Executive Commission, when there is one, reflects the same balance kept by the Board between the different types of Member, and that the relationship between both bodies is inspired in the principle of transparency, in such a way that the Board is fully aware of the matters dealt with and the decisions adopted by the Commission."

There is an Executive Commission with the above-mentioned balance, so the recommendation is followed.

Recommendation 8

"That the Board sets up delegated Commissions of control composed exclusively by external Board Members, in matters of information and accounting control (Audit); selection of Board Members and top Directors (Appointments), determination and revision of the retributions policy (Retributions), and evaluation of the governance system (Compliance)."

This recommendation is partially followed. There is an Audit Committee composed by external Members and a Retributions Commission composed partially by external Members.

Recommendation 9

"That the required measures are adopted to ensure that the Board Members have, at their disposal with enough notice, sufficient information, specifically prepared and focussed on preparing the Board sessions, without being relieved from applying the importance or reserved nature of the information, except in exceptional circumstances."

This recommendation is followed.

Recommendation 10

"That, to ensure the smooth running of the Board, the meetings are held with the required frequency to comply with its mission; the Chairman encourages the intervention and free positioning of all Board Members; special attention must be given to writing the minutes, and at least once a year the quality and efficiency of their work must be evaluated."

This recommendation is followed.

Recommendation 11

"That the intervention of the Board in the selection and re-election of its members must comply with formal and transparent proceedings, starting with a reasoned proposal from the Nominations Commission."

This recommendation is not followed, as there is no Nominations Commission.

Recommendation 12

"That the companies include in their rules and regulations the obligation of the Members to resign in the event they could negatively affect the smooth running of the Board or the credit and reputation of the company."

The company does not have any specific regulation on this point, so the general regulation on companies is followed.

Recommendation 13

"That an age limit is set to act as a Board Member, which could be between sixty five and seventy years old for executive Members and the Chairman, and somewhat more flexible for the other Board Members."

This recommendation has been modified by the Aldama Report in the sense that there is no age limit set for Board Members, but it does say that the company that adopts a policy on this point must include it in the Bylaws.

No policy related to age limit for Board Members has been adopted.

Recommendation 14

"That a formal recognition be made about the right of all Board Members to gather and obtain information and the necessary counselling to carry out their supervisory functions, and that suitable channels are set up to exercise this right, including consulting external experts in special circumstances."

There is no formal or written recognition of the right of Board Members to gather and obtain information and counselling, but in practice all the Board Members enjoy this right.

Recommendation 15

"That the remuneration policy of the Board Members, whose proposal, evaluation and revision must come from the Retributions Commission, adapts to the criteria of moderation, related to the profits of the company and with individualised and detailed information."

Article 16 of the bylaws and the Retributions Commission regulate the remuneration of the Board.

Recommendation 16

"That the internal regulation of the company list the obligations that stem from the general duties of diligence and loyalty of the Board Members, in particular contemplating the situation of conflict of interests, the duty of confidentiality, the exploitation of business opportunities and the use of company assets."

The company does not have any specific regulation on this point, so the general regulation on companies is followed.

Recommendation 17

"That the Board encourages the adoption of opportune measures to extend the duties of loyalty to the most significant shareholders, setting up, in particular, precautionary restraints for transactions made between those and the company."

There are no specific precautions for this, given that the company has only two shareholders, both of which are represented on the Board.

Recommendation 18

"That measures are introduced directed at making the delegation of votes mechanism more transparent and foster the company's communication with its shareholders, especially with the institutional investors."

This is not necessary, given the composition of the shareholders.

Recommendation 19

"That the Board, beyond the demands imposed by the regulation in force, takes upon itself the responsibility to provide the markets with fast, precise and reliable information, especially when this refers to the shareholder structure, major modifications of the governing rules or operations linked to the equity of the company."

This recommendation is partially followed.

Access to the notifications is available through the Internet and can be reached at the following URL address: http://www.caifor.es/1-20-20-00000003.htm, or accessing the website of CaiFor, S.A. (www.caifor.es), section "El Grupo" followed by the subsection "CaiFor, Informe de Gobierno Corporativo".

Recommendation 20

"That all the periodic financial information, in addition to the annual information, that is offered to the markets is drawn up in accordance with the professional principles and practices of the annual accounts, and before being diffused, is verified by the Audit Committee."

This recommendation is followed in the sense that the annual accounts are verified by the Audit Committee, although periodic financial information is not given to the markets, except for the quarterly publishing of the CaiFor Group's results, through the communications media, where reference is made to CaiFor, S.A.

Recommendation 21

"That the Board and the Audit Committee guard against situations that could involve a risk to the independence of the external auditors of the company and, more particularly, that they verify the percentage of the fees paid out for all concepts over the total income of the auditing firm, and that they be made public to professional services other than auditing services."

This recommendation is followed.

Income paid out to Deloitte, the auditing company of the CaiFor Group, S.A.

Concept invoiced in 2006:	Amount in euros
1. Audit of CaiFor, S.A.	10,600.00
2. Special report	1,995.00

Recommendation 22

"That the Board endeavours to avoid that the accounts made up by it are presented to the Annual Shareholders Meeting with reserves and notes in the auditor's report, and that, when this is not possible, both the Board and the auditors clearly explain to the shareholders and the markets the content and scope of the discrepancies."

This recommendation is followed.

G. Other information of interest

This Report on Corporative Governance has been approved by the Board of Directors of the company on the 25th of May 2007.

Internal Control Systems of the CaiFor Group

Introduction

Through its filial companies, the CaiFor Group develops its insurance and social welfare activity in a regulated market in which, as a result, the updating of regulations is frequent. This is true for insurance and pension plans as well as for other matters that are applicable, such as the regulations concerning labour, tax or finance.

The notable growth of the CaiFor Group, as well as the technical sophistication of the products it manages, create the need to operate through a highly mechanised integrated system of processes and procedures that are updated constantly.

Taking these circumstances into considerations, and with the aim of guaranteeing the achievement of the objectives approved by the Board, and proper and punctual information for the markets, the CaiFor Group defined an internal control system that is rigorous and is spread over the whole structure of the company.

Covered risks

The first step on the way to developing an effective and suitable internal control system for the organisation is to identify, classify and evaluate the risks of the Group.

In this sense, CaiFor considers the following risk categories:

Operational Risk: The Group works on the constant identification of direct and indirect risks of having losses due to mistakes in internal processes, systems, human resources, environmental changes or fraud.

Within this category of risk, special attention is given to the inherent risks in investments, given that it is the area that supports the business of the Group.

Credit Risk: There is a systematic control of the risk that the counterparty of the investments made does not comply with his obligation of payment, and the possible losses in value due to variations in his creditworthiness.

Market Risk: There is a control of the risk of suffering losses from variations in the interest rate, the exchange rate or the value of variable income.

Technical or Subscription Risk: There is quite an exhaustive control of the technical-actuarial risk, given that the technical reserves are the most significant item of the liabilities of the Group.

System of internal control

The Board of Administration, as the maximum decision-making and representation body of the CaiFor Group, is responsible for the definition of the internal control policy of the Group, through the functions carried out by the different Delegated Commissions. The management, who is responsible for carrying out the implementation of that policy, has all the necessary tools and qualified personnel to do so.

Generally speaking, the most relevant mechanisms and internal control systems implemented by the CaiFor Group to guarantee the proper control and management of the identified risks are as follows:

a. Operational Risk

The development and constant updating of an operational risk map enables the different identified risks to be listed, categorised and prioritised, as well as assigned to the key processes of the Group.

Preparation and continuous adaptation of the regulations and the internal procedures for the different companies in the Group, with the aim of homogenising and unifying criteria, and guaranteeing a suitable degree of Internal Control in all the developed processes.

Implementation and follow-up of automated control systems, designed to control the risks of data registration.

Implementation and follow-up of management control systems, with the aim of maintaining a continuous supervision of the economic-financial highlights, as well as the evolution of the strategic objectives and approved budgets, which can detect, and so correct, significant deviations that affect the fulfilment of the plan.

Analysis of the impact on the profits and the assets of the investments in new products or new lines of business.

Maintenance of a strict segregation of functions between the management of the investment portfolios or front office and the back office, whose main function is to confirm the operations.

Implementation and follow-up of control systems of investment risks and liquidity, which cover the process of the investment operation as a whole.

Development of control systems of asset and liability matching and fulfilment of the specific regulating rule.

b. Credit Risk

Definition and follow-up of a credit risk framework for the investment portfolio, that is, of the credit qualification of the investments in portfolio, considering the long-term and short-term associated risks, based on better quality ratings.

c. Market Risk

Periodic calculation of the market risk –"Value at risk", VaR–, for the portfolio subject to the calculation of the liquidation value of the participation, defined as the maximum expected loss with a temporary horizon of one day and with a 95% degree of confidence, for variations in the rate of interest, the exchange rate or the value of variable income.

The analysis of the contribution to the VaR –marginal VaR– of certain assets that could contribute to controlling it or strengthening it.

d. Technical or Subscription Risk

The preparation and follow-up of a Technical Score Card, with the aim of keeping the synthetic vision of the technical evolution of the products of the Group up to date.

Definition and follow-up of the Subscription Policy.

Definition and follow-up of the Tariff Policy.

Definition and follow-up of the Reinsurance Policy.

08

Consolidated annual accounts and management report of the CaiFor Group

AUDITOR'S REPORT

Deloitte.

Avda. Diagonal, 654
08034 Barcelona
España

Tel: +34 [illegible]
Fax: +34 [illegible]
www.deloitte.es

Translation of a report originally issued in Spanish based on our work performed in accordance with generally accepted auditing standards in Spain. In the event of a discrepancy, the Spanish-language version prevails.

AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of
Caifor, S.A.:

We have audited the consolidated financial statements of Caifor, S.A. and Subsidiaries comprising the consolidated balance sheet as of December 31, 2006, and the related consolidated statement of income and notes to consolidated financial statements for the year then ended. The preparation of these consolidated financial statements is the responsibility of the Parent Company's directors. Our responsibility is to express an opinion on the consolidated financial statements taken as a whole based on our audit work performed in accordance with generally accepted auditing standards in Spain, which require examination, by means of selective tests, of the evidence supporting the consolidated financial statements and evaluation of their presentation, of the accounting principles applied and of the estimates made.

As required by Spanish corporate and commercial law, for comparative purposes the directors present, in addition to the 2006 figures for each item in the consolidated balance sheet and consolidated statements of income, of coverage of technical reserves and of solvency margin, the figures for 2005. Our opinion refers only to the 2006 consolidated financial statements. On March 23, 2006, we issued our auditors' report on the 2005 consolidated financial statements, in which we expressed an unqualified opinion.

In our opinion, the accompanying consolidated financial statements for 2006 present, in all material respects, a true and fair view of the net worth and financial position of Caifor, S.A. and Subsidiaries as of December 31, 2006, and of the results of their operations and of the cash flows in the year then ended, and contain the required information, sufficient for their proper interpretation and comprehension, in conformity with generally accepted accounting principles and standards applied on a basis consistent with that of the preceding year.

The accompanying management report for 2006 contains the explanations which the directors consider appropriate about the Group's situation, the evolution of its business and other matters, but is not an integral part of the consolidated financial statements. We have checked that the accounting information in the management report is consistent with that contained in the consolidated financial statements for 2006. Our work as auditors was confined to checking the management report with the aforementioned scope, and did not include a review of any information other than that drawn from the Companies' accounting records.

DELOITTE, S.L.
Registered in ROAC under no. S0692

Miguel Antonio Pérez

March 21, 2007

Member of
Deloitte Touche Tohmatsu

CAIFOR, S.A. AND SUBSIDIARIES

Consolidated balance sheets at December 31, 2006 and 2005 (Notes 1 to 3)

ASSETS (Thousands of euros)	**2006**	**2005 (*)**
SHAREHOLDERS, UNCALLED SHARE CAPITAL (Note 4.9)	**67,500**	**67,500**
NON-TANGIBLE ASSETS, START-UP EXPENSES AND DEFERRED EXPENSES	**30,021**	**25,990**
Start-up expenses (Note 4.1)	1,220	1,795
Capital increase expenses	1,220	1,795
Intangible assets (Note 4.2)	617	579
Other intangible assets	17,959	17,718
Accumulated depreciation (to be deducted)	(17,342)	(17,139)
Deferred expenses (Note 4.3)	28,184	23,616
INVESTMENTS	**18,250,163**	**18,801,565**
Real property (Note 4.4)	9,817	9,944
Land and buildings	10,861	10,861
Accumulated depreciation (to be deducted)	(1,044)	(917)
Other financial investments (Note 4.5)	18,240,345	18,791,620
Financial investments in capital	42,582	49,264
Fixed-income securities	9,026,301	8,770,878
Indexed securities	275,273	370,246
Mortgage loans	1,377	1,527
Other loans and advances on policies	229,869	301,424
Holdings in investment funds	71,473	46,468
Deposits in credit entities	1,630,043	2,671,407
Other financial investments	6,963,460	6,580,441
Provisions (to be deducted)	(33)	(35)
Deposits constituted for accepted re-insurance	1	1
INVESTMENTS ON BEHALF OF POLICYHOLDERS ASSUMING THE LIFE INSURANCE RISK ON THE INVESTMENT (Note 4.6)	**330,056**	**487,774**
SHARE OF RE-INSURANCE IN TECHNICAL RESERVES (Note 4.12)	**36,905**	**34,621**
Unconsumed premium reserves	6,730	7,019
Life insurance	2,112	1,749
Claim reserves	27,679	25,853
Other technical provisions	384	0
CREDITS (Note 4.7)	**199,275**	**215,302**
Direct insurance operations	72,245	77,072
Insurance policyholders	72,245	77,072
Accounts receivable for reinsurance operations	1,608	367
Accounts receivable for joint insurance operations	24,395	20,348
Tax, social security and others	101,478	118,136
Group and associated companies	152	168
Others	101,326	117,968
Provisions (to be deducted)	(451)	(621)
OTHER ASSETS	**157,307**	**217,007**
Tangible assets (Note 4.4)	3,437	3,868
Fixed assets	12,228	11,877
Cumulative amortisation (to be deducted)	(8,791)	(8,009)
Cash in credit entities, cheques and cash box (Note 4.8)	153,870	213,139
PREPAYMENTS AND ACCRUED INCOME	**240,731**	**240,230**
Accrued interest receivable (Note 4.5)	228,336	228,976
Other accounts	0	30
Commissions and other acquisition expenses	12,395	11,224
TOTAL ASSETS	**19,311,958**	**20,089,989**

(*) Presented for the purposes of comparison only.

Notes 1 to 14 in the attached report form an integral part of the consolidated balance sheet at December 31, 2006.

LIABILITIES (Thousands of euros)	**2006**	**2005 (*)**
CAPITAL AND RESERVES (Note 4.9)	**405,775**	**389,394**
Subscribed capital	256,267	256,267
Reserves	132,334	97,807
Reserves	41,619	34,766
Reserves in fully consolidated companies	90,715	63,041
Losses and Profits attributable to the dominant company	17,174	35,320
Consolidated Losses and Profits	129,949	120,683
Losses and Profits attributable to minority interests	(25,775)	(24,363)
Interim dividend paid out in the year (to be deducted)	(87,000)	(61,000)
MINORITY INTERESTS (Note 4.10)	**76,135**	**74,953**
DEFERRED EXPENSES (Notes 3.e and 4.11)	**88,904**	**97,787**
SUBORDINATED LIABILITIES (Note 4.11)	**296,000**	**296,000**
TECHNICAL RESERVES (Notes 4.12 and 5)	**16,276,790**	**16,234,904**
Unconsumed premium reserves and unearned premium reserves and ongoing risks	91,063	79,302
Life insurance reserve	15,913,234	15,917,081
Unconsumed premium reserves	69,750	66,198
Mathematical reserves	15,843,484	15,850,883
Claims reserves	230,444	196,966
Reserves for shares in profits and for returns	41,597	40,836
Stabilisation reserves	452	378
Others	0	341
TECHNICAL RESERVES RELATED TO LIFE INSURANCE WHERE THE INVESTMENT RISK IS ASSUMED BY THE POLICYHOLDERS (Note 4.12)	**343,739**	**507,762**
RESERVES FOR RISKS AND EXPENSES	**86**	**237**
Provisions for pensions and similar commitments	14	14
Taxes	72	223
DEPOSITS RECEIVED FOR CEDED REINSURANCE	**8,261**	**8,754**
DEBTS	**1,789,747**	**2,463,893**
Direct insurance operations	9,427	4,887
Insurers	167	60
Insuree Agents	4,455	3,144
Conditioned debts	4,805	1,683
Debts through reinsurance operations	2,597	4,685
Debts through joint insurance operations	4,880	682
Debts through preparatory operations for insurance contracts	4,324	4,362
Debts through temporary repurchase arrangements for assets (Note 4.13)	1,622,797	2,310,932
Other debts (Note 4.13)	145,722	138,345
Group and associated companies	100,341	84,990
Tax, social security and others	45,381	53,355
PREPAYMENTS AND ACCRUED INCOME	**26,521**	**16,305**
TOTAL LIABILITIES	**19,311,958**	**20,089,989**

(*) Presented for the purposes of comparison only.
Notes 1 to 14 in the attached report form an integral part of the consolidated balance sheet at December 31, 2006.

CAIFOR, S.A. AND SUBSIDIARIES

Consolidated profit and loss accounts for the financial years ending on 31 December 2006 and 2005 (Notes 1 to 3)

TECHNICAL ACCOUNT - NON-LIFE INSURANCE (Note 8): (Thousands of euros)	2006	2005 (*)
PREMIUMS APPLIED TO PERIOD, NET OF REINSURANCE	**182,350**	**147,551**
Accrued premiums (Note 8)		
Direct insurance	207,377	176,946
Accepted reinsurance	1,407	0
Change in reserve for premiums pending payment	(89)	(72)
Ceded reinsurance premiums	(14,223)	(17,367)
Change in the reserve for unconsumed and unearned premiums		
Direct insurance	(11,833)	(11,717)
Change in reserve for unconsumed, ceded reinsurance premiums	(289)	(239)
INVESTMENT INCOME	**6,107**	**5,092**
Income from financial investments		
Income from financial investments in group and associated companies	229	163
Income from financial investments	5,878	4,924
Profits from investments	0	5
LOSSES INCURRED IN THE PERIOD, NET OF REINSURANCE	**(110,783)**	**(93,587)**
Claims paid		
Direct insurance	(99,543)	(79,344)
Accepted reinsurance	(264)	0
Ceded reinsurance	3,820	3,543
Change in the claims reserves		
Direct insurance	(12,932)	(15,466)
Accepted reinsurance	8	0
Ceded reinsurance	84	882
Expenses attributable to payments (Note 4.14)	(1,956)	(3,202)
PROFIT-SHARING AND RETURNS	**(3,541)**	**(7,843)**
Payments and expenses through share in profits and returns	(7,921)	(2,247)
Change in reserve for share in profits and returns	4,380	(5,596)
NET OPERATING EXPENSES	**(20,691)**	**(15,293)**
Acquisition expenses (Note 4.14)	(21,646)	(16,896)
Administration expenses (Note 4.14)	(2,535)	(1,832)
Commissions and holdings in ceded and retroceded reinsurance	3,490	3,435
CHANGE IN STABILISATION RESERVE	**(74)**	**(61)**
OTHER TECHNICAL EXPENSES	**(2,772)**	**(3,447)**
Change in insolvency reserves	(153)	112
Others (Note 4.14)	(2,619)	(3,559)
INVESTMENT EXPENSES	**(1,807)**	**(1,837)**
Management expenses (Note 4.14)		
Investment expenses and financial accounts	(1,807)	(1,837)
SUBTOTAL (RESULT OF THE NON-LIFE INSURANCE TECHNICAL ACCOUNT)	**48,789**	**30,575**

(*) Presented for the purposes of comparison only.
Notes 1 to 14 described in the attaced report form an integral part of the consolidated profit and loss account for 2006.

CAIFOR, S.A. AND SUBSIDIARIES

Consolidated profit and loss accounts for the financial years ending on 31 December 2006 and 2005 (Notes 1 to 3)

TECHNICAL ACCOUNT - LIFE INSURANCE (Thousands of euros)	2006	2005 (*)
PREMIUMS APPLIED TO PERIOD, NET OF REINSURANCE	**1,489,267**	**1,805,231**
Accrued premiums (Note 5)		
Direct insurance	1,510,689	1,820,291
Accepted reinsurance	0	793
Change in reserve for premiums pending payment	201	0
Ceded reinsurance premiums	(18,071)	(5,952)
Change in the reserve for unconsumed and unearned premiums		
Direct insurance	(3,552)	(4,622)
Change in the reserve for unconsumed, ceded reinsurance premiums	0	(5,279)
INVESTMENT INCOME	**1,689,543**	**1,524,458**
Income from financial investments		
Income from financial investments in group companies	59,489	55,809
Income from financial investments	1,592,798	1,412,112
Other financial investments	17,803	39,118
Profits from investments		
From financial investments	19,453	17,419
UNREALISED GAINS FROM INVESTMENTS (Note 4.6)	**13,676**	**33,903**
LOSSES INCURRED IN THE PERIOD, NET OF REINSURANCE	**(2,261,625)**	**(1,890,966)**
Claims and expenses paid		
Direct insurance	(2,245,467)	(1,888,528)
Ceded reinsurance	4,968	5,632
Change in claims reserve		
Direct insurance	(20,554)	(3,404)
Ceded reinsurance	2,126	(2,622)
Expenses attributable to payments (Note 4.14)	(2,698)	(2,044)
CHANGE IN OTHER TECHNICAL RESERVES, NET OF REINSURANCE	**171,858**	**(551,991)**
Life insurance reserves		
Direct insurance	7,471	(624,620)
Ceded reinsurance	364	0
Reserves for claims when the risk is assumed by the policyholder	164,023	72,629
PROFIT-SHARING AND RETURNS	**(31,284)**	**(26,884)**
Payments and expenses through share in profits and returns	(26,143)	(18,107)
Change in reserve for share in profits and returns	(5,141)	(8,777)
NET OPERATING EXPENSES	**(73,889)**	**(61,271)**
Acquisition expenses (Note 4.14)	(58,423)	(48,401)
Administration expenses (Note 4.14)	(21,418)	(16,144)
Commissions and holdings in ceded and retroceded reinsurance	5,952	3,274
OTHER TECHNICAL EXPENSES	**(4,144)**	**(6,859)**
Change in insolvency reserves	18	384
Others (Note 4.14)	(4,162)	(7,243)
INVESTMENT EXPENSES	**(875,714)**	**(708,251)**
Management expenses (Notes 4.5 and 4.14)		
Investments expenses and financial accounts	(861,631)	(690,697)
Losses through investments		
From financial investments	(14,083)	(17,554)
UNREALISED LOSSES FROM INVESTMENTS (Note 4.6)	**(1,246)**	**(6,034)**
SUBTOTAL (RESULT OF THE TECHNICAL LIFE INSURANCE ACCOUNT)	**116,442**	**111,336**

(*) Presented for the purposes of comparison only.
Notes 1 to 14 described in the attached report form an integral part of the consolidated profit and loss account for 2006.

CAIFOR, S.A. AND SUBSIDIARIES

Consolidated profit and loss accounts for the financial years ending on 31 December 2006 and 2005 (Notes 1 to 3)

NON-TECHNICAL ACCOUNT (Thousands of euros)	2006	2005 (*)
RESULT OF THE NON-LIFE TECHNICAL ACCOUNT	**48,789**	**30,575**
RESULT OF THE LIFE TECHNICAL ACCOUNT	**116,442**	**111,336**
INVESTMENT INCOME	**28,707**	**33,002**
Income from tangible investments	0	1
Income from financial investments		
Income from financial investments	28,563	24,465
Other financial investments	144	97
Profits from investments		
From material investments	0	8,439
INVESTMENT EXPENSES	**(15,179)**	**(10,585)**
Management expenses		
Investment expenses and financial accounts	(15,178)	(10,585)
Expenses from tangible investments	(1)	0
OTHER SOURCES OF REVENUE	**80,963**	**75,769**
OTHER EXPENSES (Note 4.14)	**(66,227)**	**(60,839)**
EXTRAORDINARY INCOME (Note 9.3)	**5,404**	**585**
EXTRAORDINARY EXPENSES	**(54)**	**(181)**
TAX ON ANTICIPATED PROFITS (Note 7)	**(68,896)**	**(58,979)**
RESULTS FOR THE FINANCIAL YEAR	**129,949**	**120,683**
a) Result attributed to minority interests	25,775	24,363
b) Result attributed to the parent company	104,174	96,320

(*) Presented for the purposes of comparison only.
Notes 1 to 14 described in the attached report form an integral part of the consolidated profit and loss account for 2006.

CaiFor, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

1. General information on the Group and its activities

CaiFor, S.A. (heretofore, CaiFor or the leading Company in the Group) was set up by public deed on December 11, 1992 for the purpose of indirectly engaging in insurance business and other financial services through its shareholdings in companies that carry out these operations, in accordance with legal requirements and regulations.

Below is detailed the necessary information concerning the Group and associated companies with reference to December 31, 2006 (in thousands of euros):

Company	Registered office	Percentage holding			Subscribed share capital	Share capital pending disbursement	Reserves	Net result	Interim dividends
		Direct	Indirect	Total					
VidaCaixa, S.A. de Seguros y Reaseguros	General Almirante, 2-4-6 Barcelona	80%	–	80%	342,971	90,000	66,328	106,837	80,000
SegurCaixa, S.A., de Seguros y Reaseguros	General Almirante, 2-4-6 Barcelona	79.87%	–	79.87%	9,100	–	19,247	22,317	13,200
AgenCaixa, S.A. de Seguros y Reaseguros	General Almirante, 2-4-6 Barcelona	99%	0.80%	99.80%	601	–	2,371	506	–
SegurVida Consulting, S.A.	General Almirante, 2-4-6 Barcelona	80%	–	80%	60	–	595	40	–
Grupo Asegurador de la Caixa, A.I.E.	General Almirante, 2-4-6 Barcelona	–	98.61%	98.61%	9,766	–	–	–	–
GeroCaixa Previsión Empresarial	General Almirante, 2-4-6 Barcelona	–	100%	100%	30	–	37	50	–
Naviera Itaca I, A.I.E.	Luis Morote, 6 Las Palmas de Gran Canaria	–	50%	50%	3	–	–	(376)	–
Naviera Itaca II, A.I.E.	Luis Morote, 6 Las Palmas de Gran Canaria	–	50%	50%	3	–	–	(290)	–
Naviera Itaca III, A.I.E.	Luis Morote, 6 Las Palmas de Gran Canaria	–	50%	50%	3	–	–	(282)	–
Naviera Itaca IV, A.I.E.	Luis Morote, 6 Las Palmas de Gran Canaria	–	50%	50%	3	–	–	(231)	–
Naviera Ulises I, A.I.E.	Luis Morote, 6 Las Palmas de Gran Canaria	–	50%	50%	3	–	–	(378)	–
Naviera Ulises II, A.I.E.	Luis Morote, 6 Las Palmas de Gran Canaria	–	50%	50%	3	–	–	(387)	–

The business purpose of VidaCaixa, S.A. de Seguros y Reaseguros (VidaCaixa) is underwriting different forms of life insurance, including capitalization insurance, and all associated preparatory activities, and acting as a manager and/or promoter of individual or group funds when they are intended to grant their participants services related to human life, and particularly the pension funds regulated by Legislative Royal Decree 1/2002 of November 29, in approval of the rewritten text of the law regulating Pension Plans and Funds and complementary rules in development or modification thereof. The number of funds managed by the Company on the close of the tax year 2006 is 103 and the volume of consolidated rights amounts to 10,199,191 thousand euros.

On June 14, 2004, VidaCaixa acquired the entire share capital of the Spanish company Santander Central Hispano Previsión, S.A. de Seguros y Reaseguros, after complying with the conditions of suspension stipulated in the contract of sale formalised on December 17, 2003. Later, on June 18, 2004, it was decided to rename the said company VidaCaixa Colectivos, S.A. de Seguros y Reaseguros Sociedad Unipersonal (heretofore, VidaCaixa Colectivos).

On 21st June, 2004, the project to merge the said company with VidaCaixa was approved, with the subsequent dissolution and expiry without the winding up of the absorbed company and attributing to the absorbing company the complete assets of the absorbed company. This merger was formalised in public deed on December 30, 2004 and was recorded in the Company Register on December 31, 2004. For accounting purposes, the merger took place on January 1, 2005.

On January 14, 2005 Seguros Génesis, S.A. de Seguros y Reaseguros Sociedad Unipersonal and VidaCaixa, signed an agreement to transfer the portfolio of group and company life insurance policies from the outsourcing process to VidaCaixa, and also pension commitments of the same company.

SegurCaixa S.A. de Seguros y Reaseguros (SegurCaixa), is authorized by the Directorate-General of Insurance and Pension Funds (DGSFP) to operate in non-life lines, focusing its business activity on insurance cover for the risks of accidents, theft, fire and multi-risk. On April 28, 2006, the Board of Directors of SegurCaixa agreed to extend their activity to all the group's sectors under the name of "Seguro de Automóvil", requesting authorisation from the Treasury to act in the sectors understood by the said activity, which was conceded on October 31, 2006.

AgenCaixa, S.A., AgenCaixa, S.A., Agencia de Seguros del Grupo CaiFor (AgenCaixa) distributes private insurance, which involves presenting, proposing, preparing and arranging insurance policies, in the name of or on behalf of or only on behalf of one or more insurance companies authorized to engage in the insurance business.

SegurVida Consulting S.A. advises in an economic, tax, technical, stock exchange or any other sense. It also carries out advisory and promotion services concerning industrial, commercial, urban, agricultural initiatives and initiatives of any other type.

Grupo Asegurador de "la Caixa", Agrupación de Interés Económico (Agrupación) facilitates the activities of the member companies by providing auxiliary services, such as computing support, courier services, billing, building repairs, supplies and general management services, as well as holding real estate assets for the provision of these services to member companies.

As of December 31, 2006, the Subsidiaries of the Grupo CaiFor maintain the following holdings in the operating fund of Agrupación:

	% Holding
VidaCaixa	75.922%
SegurCaixa	22.231%
AgenCaixa	0.462%

GeroCaixa Previsión Empresarial, which is engaged in the business of commercial provident funds.

Naviera Itaca I, II, III and IV, A.I.E. (Agrupación de Interés Económico), which is engaged in the operation of merchant ships.

Naviera Ulises I and II, A.I.E. (Agrupación de Interés Económico), whose business activity is the operation of tug boats.

During the financial year 2006 there have been no significant variations in the consolidation perimeter.

The parent company considers as consolidated associated company those investments with a stake of more than 20% (3% if they are officially listed on the stock exchange), and below 50%, and as Group companies those in which it has a stake of above 50%, except in the case of the companies GeroCaixa, GestiCaixa y Naviera Itaca I, II, III and IV, A.I.E., which have been excluded from the consolidation perimeter as a result of their low level of significance in presenting a true image of the consolidated accounts. The sums corresponding to shares in these companies have been recorded in the caption "Other financial investments – Financial investment in capital" on the consolidated balance sheet.

Given the activities of the Companies of the Group, the Group has no environmental responsibilities, expenses, assets or provisions and contingencies that might be significant with respect to their worth, financial situation and the results thereof. This report therefore contains no specific breakdowns of the consolidated annual accounts in relation to information on environmental questions.

The most relevant points for the Annual Report presented by the head of the Service of the Management Board held on March 20, 2007 are detailed below. The information supplied has been obtained by bringing together the annual reports of VidaCaixa and SegurCaixa.

During 2006, 114 claims were made to the Customer Attention Service, a 42% reduction on 2005, and 112 were processed (without prejudice to causes of inadmissibility in the Service Regulation).

The types of complaint presented were as follows:

Complaint type	Number
Active operations	0
Passive operations	1
Other banking products	0
Payment and collection service	0
Investment services	1
Insurances and pension funds	110
Miscellaneous	0
Subtotal	**112**
Not processed	2
Total 2006	**114**

From the analysis made of the answers given to customers, we obtain the following classification:

Type of resolution	Number
Upheld	55
Rejected	41
Non-proceeding	5
Customer waiving	2
Customer attention	0
Pending resolution	11
Total 2006	**114**

The decision criteria used by the Service are taken basically from the sense of the resolutions given by the Directorate General of Insurance and Pension Funds in similar cases, and in cases where this reference should not be available, the reply is issued with the advice of the Legal Services of the Group "la Caixa" depending on the specific circumstances of the complaint.

2. Basis of presentation of the annual accounts

a) True and fair view

The 2006 consolidated annual accounts prepared by the Board of Directors of the Company on March 20, 2007, on the basis of the accounting records of CaiFor, S.A. and its Subsidiaries, are presented in compliance with the legal provisions on accounting established by Royal Decree 2014/1997, which approves the Spanish General Accounting Plan for Insurance Companies and Rules for Preparation of the Accounts of Groups of Insurance Companies, and by Royal Decree 2486/1998 of November 20, which approves the Regulations on the Administration and Supervision of Private Insurance, the general provisions relative to these companies, the regulations issued by the Directorate General of Insurance and Pension Funds, and other applicable legislation and provisions, so as to provide a true and fair view of the net worth, financial situation, results and cash flows for the year, as well as the proposed allocation of income for the year. These accounts will be submitted for approval to the Shareholder's Assembly and are expected to be approved without modifications. The annual accounts for 2005 were approved on June 16, 2006.

b) *Accounting policies*

The generally accepted accounting principles and valuation criteria described in Note 3 were applied in the preparation of these consolidated annual accounts. No compulsory accounting principle of any significant effect was omitted in the preparation of the accompanying annual consolidated accounts.

c) *Consolidation principles*

All the Subsidiaries listed in Note 1 have been fully consolidated by global integration. The Consolidated Group of insurance companies is defined in accordance with the rules on preparation of the accounts of consolidable groups of insurance companies established in the regulations for the sector.

All balances, transactions and cross-shareholdings between the companies of the Group are eliminated in consolidation, as well as the amount of the share maintained between them.

As of December 31, 2006, minority interests represented aliquot parts of the equity of Subsidiaries that are fully consolidated by global integration and jointly owned with third parties.

d) *Criteria for allocation of income and expenses*

In accordance with the characteristics of life insurance operations, it has been considered necessary to consider supplementary invalidity insurance as an integral part of the main life insurance, depending on the reply of the Directorate-General of Insurance and Pension Funds (DGSFP) to the pertinent queries. Furthermore, the invalidity-related insurance operations (not complementary to life insurance) have been considered part of the illness policy.

The distribution criteria for financial income and expenses are based on the volume of technical provisions for technical life and non-life accounts respectively, and the shareholders' funds for the non-technical account.

Allocation of income and expenses for non-life business is based on the identification of the activities and work directly or indirectly related to each branch, thus assigning them the resources they have consumed.

The percentages are revised annually or when any significant change occurs which adversely affects their results.

e) *Comparison of the information*

The Balance Sheet and the Profit and Loss Account for 2006 are presented against the statements of the previous year, according to the General Accounts Charter of Insurance Entities.

3. Accounting policies

The main accounting principles and valuation policies applied by the Group in the preparation of the consolidated annual accounts for 2006, following the Accounting Plan for Insurance Companies, were as follows:

a) Start-up expenses

Start-up expenses consist of expenses incurred for increases of share capital by the Group companies. These expenses are amortized at the rate of 20% annually (see Note 4.1).

b) Intangible fixed assets

The balance under this caption on the attached consolidated balance sheets essentially covers the cost of acquisition of computer applications. These are valued at the sum paid for the ownership or right of use thereof, provided that their use is planned over several financial years. Recurring expenses arising from the modification or revaluation of computer applications or systems, expenses arising from global revisions of systems and maintenance costs are recorded in the profit and loss account in the period in which they are incurred. Computer applications are amortized systematically over their useful life, which fluctuates between three and five years (see Note 4.2).

c) Tangible fixed assets and real property

The assets that comprise the balances of these captions of the consolidated balance sheet, which consist basically of land and buildings, furniture and fittings and data processing equipment of the subsidiary companies, are valued at acquisition price, less accumulated depreciation (see Note 4.4).

The companies depreciate their fixed assets and real property by the straight-line method, distributing the cost of the assets over the estimated years of useful life, as follows:

	Estimated useful life in years
Real property:	
Buildings and other structures	25-50
Tangible fixed assets:	
Furniture and fittings	5-13
Data processing equipment	3-5
Vehicles and other	3-6
Other fixed assets	5

Expenditure on expansion, modernization or improvement is capitalized as an increased cost of the asset, provided it increases productivity, capacity or efficiency, or extends the useful life of the asset.

Costs incurred through work carried out on rented properties are accounted for as tangible fixed assets, and amortized, in general, over the period of the rental agreement.

Upkeep and maintenance costs are expensed in the period in which they occur.

At the end of the period, the net book cost of each item of the investments maintained by the Companies is compared with its market or realization value, charging to depreciation provision the amount necessary to adjust each item to the lower value, provided the depreciation is considered as lasting (when two successive appraisals confirm the loss of value). However, no provision is made for real property, when the accounting value is recoverable by the generation of income sufficient to cover all costs and expenses including depreciation.

In the case of real property, market value means the appraisal value determined by an authorized appraisal agency, in line with the accounting policies for covering technical reserves.

d) Deferred expenses

The Group records in this caption the expenses associated with the issue of subordinated debt and expenses are accounted at their price of purchase or cost of production net of their corresponding accumulated depreciation. Given the characteristics of the issues, the Group has decided to depreciate these expenses over 10 years (see Note 4.3).

This caption also includes the impact of the financial revaluation of premiums for policies in the portfolio of the SegurCrédit product, characterized by a single payment and being linked to mortgage loans covering the duration for a maximum of ten years renewable (Note 4.3).

The same caption also includes the commissions paid in advance by a company of the Group to Croselling, S.A. concerning pension plan operations that the Group decided to activate in 2002, according to a criterion of greater correlation of income and expenses. These expenses will be depreciated in a maximum time of three years, bearing in mind the noted falls in portfolio (see Note 4.3).

Since the financial year 2004, the Group has marketed some new types of pension plans that has a cash premium associated to their sale. In the current financial year 2006, insurance products have begun to be marketed that also have a cash premium associated to their sale. The Group activates the cost of the said rewards and depreciates them over a maximum term of five years, taking into account the portfolio's movements and drops (see Note 4.3).

e) Negotiable securities and other financial investments

Caption "Investments"

Negotiable securities, both fixed income and equities, are valued at their acquisition price at the time of subscription or purchase, excluding accrued dividends (variable income) and accrued interest receivable and commissions and bonuses obtained at the time of subscription (fixed income). The price is constituted by the total amount paid or payable for the acquisition, including expenses inherent in the operation. To calculate the acquisition cost of securities sold and the amount of the valuation corrections, the weighted average cost method is applied by homogeneous groups of securities with similar rights. Securities linked to a policy or a homogeneous group of policies form an independent homogeneous group.

In the case of holdings in investment funds in money-market assets and guaranteed investment funds, at year-end the return produced during the period is recorded as interest income, increasing the book value of the holding. However, when the guaranteed return depends on the maintenance of the investment during a specific period or on the average performance of one or more indexes, the Company takes this into account, so as not to compute income that predictably may not be confirmed in the future.

The valuation of financial investments is based on the following criteria:

1. Fixed-income securities

These securities (Government Securities, bonds and other fixed-income securities) are presented, for the purposes of classification and valuation, in the following portfolios:

– **Held-to-maturity investment portfolio:** includes the fixed-income securities that the Group maintains until date of maturity. This portfolio is valued at acquisition price, corrected by the amount resulting from the accrual of the positive or negative difference between the redemption value and the acquisition price, during the residual life of the security (valuation corrections are not, therefore, made for the difference between corrected cost and market value).

  In the case that the securities are sold, the positive result is recorded in the account "Deferred income – deferred income from sale of fixed-income securities" in the balance sheet, in order to defer this profit financially until the initially planned date of maturity (except in cases where the sale is the consequence of the surrender of policies); if the result is negative, it is charged against results at the moment of sale, up to the sum of the negative result, with positive quantities pending allocation being attributed to the aforementioned account under the caption "Deferred income". Over the course of the 2006 financial year various securities included in its portfolio were sold, with maturity dates between 2007 and 2043, generating profits of 5,001 thousand euros, which were entered in the accounts at the moment of sale in the caption "Deferred income" under the liabilities on the balance sheet. At December 31, 2006, the income pending deferral for these sales and those of previous years amounts to 87,282 thousand euros (see Note 4.11).

– **Ordinary investment portfolio:** comprises the securities not included in the portfolio of investment. To maturity, valued at acquisition price, recognizing the corresponding implicit or explicit return according to the rules indicated in the previous section. For these securities, the corrected acquisition price is compared with the market value, determined, for securities listed on organized markets, by the lower of the last price and the average price in the last month of the period. In the case of unlisted securities or securities with an unrepresentative price, the market value is determined by the present value of their future financial flows, including redemption value, at rates equivalent to the average of the last month in the Book-entry Public Securities Market of the Banco de España (for securities denominated in foreign currency, the equivalent in the country of issue or listing is used) with identical maturity, with the corresponding standardization based on the quality of the issuer. The net negative differences resulting from this comparison (after considering, if applicable, the explicit and implicit interest earned to the end of the period) are charged to results, making the corresponding provision for depreciation.

2. Other negotiable securities

For other securities (shares, holdings in non-consolidated associated companies and funds, etc), at the end of each period the acquisition cost is compared with market value, which, if lower, is reflected in the balance sheet. By contrast, when there are sufficiently significant and clear circumstances that determine that the acquisition value is lower than the market value indicated above, the corresponding provision for depreciation is made, so that the lower value is reflected in the balance sheet.

Market value is understood as:

– Shares listed on the Stock Exchange: the lower of the average price for the last quarter and price on the date of the balance sheet or, if not available, the last price of the period.

– Unlisted shares and listed shares that have not been traded in the last quarter of the period: the corresponding book value obtained from the latest approved balance sheet of the issuing company corrected for any latent capital gains existing at the time of acquisition which still exist at the end of the period.

– Mutual funds: the settlement value at the date closest to the end of each period.

However, where dealing with listed securities that meet the requirements of homogeneity with respect to the representiveness of their price, under the terms established in valuation principle 5 of the Accounts Charter for Insurance Entities, which applies when the variable income is traded electronically or forms part of a representative index of the market on which it is traded, the net result of the positive and negative differences between the listed price at the close of the balance sheet, or the last available listed price for the financial year and the accounting value on the same date, in order to quantify corrections required in the valuation of these securities.

3. Futures contracts

In cover operations, differences in the listed price are recorded as they occur as deferred income or expenses, as appropriate, and attributed systematically to the results for either hedged assets or liabilities, as applicable. In the case of anticipated cover, deferred differences are balanced against the value of the acquired assets or liabilities.

Once the positions have expired, where applicable, differences from the contracts are recorded as corrections in the cost of the assets covered up to that time.

4. Financial swaps

All operations are cover deals and are valued alongside the assets they cover.

Caption "Investments on behalf of life policy holders who assume the investment risk"

The assets of these investments, holdings in mutual funds, fixed-term instruments and variable income securities, (see Note 4.6), are registered by their market or realizable value. The positive or negative differences with the book value are debited and credited respectively to this caption, with credit or debit, respectively to the accounts "Unrealised gains from investments" and "Unrealised losses from investments" of the life insurance technical account. In addition, an identical amount, net of necessary expenses, is debited or credited to the account "Changes in other technical provisions – Life insurance provisions when investment risk is assumed by policyholders" of the life insurance technical account, with credit or debit to the liability caption "Technical provisions relative to life insurance when investment risk is assumed by policyholders".

f) Loans (for trade operations and non-commercial loans) and debts

Third party credits for reassurance and joint insurance operations and with mediators and insurers are valued by their par value and, if necessary, the opportune reducing reserves applicable according to economic and practical criteria of the insurance business.

The reserve for pending premiums is calculated particularly on the basis of the rate premiums accrued in the year and pending to be collected by reducing them by the amount of the commissions transferred to results and the reserves for unconsumed premiums constituted upon them. In determining the volume of the premiums for which a reserve is established, the criteria are applied that are established in the valuation rule of the Accounts Charter of Insurance Entities, depending on the age of the receipts pending at the close of the year with the following coefficients:

– One hundred percent for receipts with an age of six months or more.

– Fifty percent for receipts from three to six months.

– Historical experience of three years of annulments for the age range under three months.

In the case of premiums claimed by court order, reserves are made depending on each particular case.

Debts are valuated at their nominal value.

Balances with third parties other than traffic operations are valued at nominal and the interest accrued at close is entered in the assets with corrections through all suitable reserves depending on the credit collection risk.

g) Technical reserves – Recognition of income and expenses

The technical reserve accounts represent the amounts of the commitments assumed derived from outstanding insurance policies to guarantee, with prudent and reasonable criteria, the commitments arising from the policies.

Revenues and expenses are recorded in terms of their period of accrual. Given that premiums and commissions are taken to be income when the corresponding receipt is issued, and claims are charged against income upon payment, various accrual adjustments have to be made at year-end to bring revenues and expenses into line with this principle.

These corrections basically affect the following accounts:

1. Unconsumed and unearned premium reserve

The purpose of this reserve is to accrue, at the date of calculation, the premiums issued, their balance reflecting the fraction of the premiums accrued in the year which must be imputed to the period from the date of close to be the end of the period of cover. The Group calculates these reserves for each modality, by the "policy by policy" method, taking as base the tariff premiums accrued during the year, in line with the technical conditions.

Commissions and other acquisition expenses for premiums issued are recognized as expense with the same criterion as premiums on outstanding insurance policies are recognized as income, and the part of the commissions and other acquisition expenses for the unconsumed period of cover of the policies are recorded in the asset account "Accrual accounts – Commissions and other acquisition expenses" of the consolidated balance sheet.

The unearned premium reserve complements the unconsumed premium reserve when its amount is insufficient to reflect the valuation of the risks and expenses to be covered by the Group for the period of cover remaining at the end of the year. The reserve is calculated according to the Regulations on the Ordinance and Supervision of Private Insurance. No provision was required for this item during the present financial year.

2. Life insurance reserve

This represents the value of the Group's obligations, net of all the obligations of the policyholder, for life insurance at the close of the financial year. The life insurance reserve comprises:

a) For insurance with a cover period of under one year, the "unconsumed premium reserve" and, if applicable, the "unearned premium reserve".

b) For other insurance, the "mathematical reserve".

This reserve represents the difference between the current actuarial value of the future obligations of the Group and those of the policyholder or insured. The basis for calculation of the reserve is the inventory premium accrued in the year. The calculation is made policy-by-policy, by a system of individual capitalization and application of a prospective method (see Note 5.2).

c) For insurance in which the policyholder assumes the investment risk, the corresponding technical reserves are determined on the basis of indexes or assets used as a reference to determine the economic value of the rights of the policyholders.

On October 3, 2000, a Resolution of the Directorate-General of Insurance and Pension Funds (DGSFP) was published, concerning the mortality and survival tables to be used by insurance companies and expanding the specifications of the Regulations on the Ordinance and Supervision of Private Insurance. The mentioned regulation stipulated that the use of the GRM80 and GRF80 tables, corrected with two years less actuarial age for guarantees of survival was not admissible. In addition, it allows the effect of the updating of the mortality tables to be recorded in a maximum period of 14 years.

The company of the Group, VidaCaixa, has evaluated the impact of adapting the calculation of the life insurance provisions of their products to the PERM/F-2000C tables by applying the percentages of surrender of cancellations and capital options-income exercised by the insured at all times in terms of the experience of their portfolio of policies, pursuant to the Resolution of the Directorate General of Insurance and Pension Funds (DGSFP) of October 3, 2000. The final result of the said evaluation at December 31, 2005, under the terms specified, was 171,478 thousand euros. This year the subsidiary has increased its mathematical reserves by 15,225 thousand euros, which, together with the 60,239 thousand euros contributed in the previous tax years and the 15,808 thousand euros incorporated as a result of the merger of VidaCaixa Colectivos (see Note 1), set the amount provided for this item on December 31, 2006 at 91,272 thousand euros (see Note 5.2).

3. Claims reserve

This account represents the total amount of pending liabilities arising from claims that occurred before year-end. The Group calculates this provision as the difference between the total estimated or certain cost of the claims pending declaration, settlement or payment and the set of amounts already paid for these claims. The reserve is calculated individually for claims pending settlement or payment and based on statistics, for claims pending declaration and includes external and internal management expenses and processing of claims, whatever their origin, produced or to be produced, until the final settlement and payment of the claim.

On December 15, 2006, the group communicated to the Directorate-General of Insurance and Pension Funds (DGSFP), the use of global statistical methods for calculating claims reserves and undeclared claims for insurance contracts including the Vida Individual, Vida Colectivo and Accidentes Colectivo types, with effect from December 31, 2006. This reserve has been calculated to conform to two statistical methods generally accepted by groups of different methods, the reserve value constituting the greatest of the results obtained.

In accordance with Article 43 of the Regulations, the Company must simulate, for a minimum period of five years, the use of statistical methods with the individual claim valuation method, the reserve value constituting the greatest of the results obtained.

4. Other provisions

These represent the balancing of the entry of income from administrative surcharges incorporated into some single-premium products. Its purpose is to correlate this income with the expenses that the Companies could incur in the future as a consequence of these products.

5. Stabilization reserve

This accumulative provision is to achieve technical stabilization in certain branches, and it comprises the amount needed to face the random, unfavourable deviations from claims. It is made up of the security surcharge included in the accrued premiums and it is applied to compensate the excess claim produced in the financial year on the risk premiums.

6. Ceded reinsurance technical reserves

These reserves are determined by applying the criteria outlined above for direct insurance, taking into account the cession percentages established in existing policies.

h) Provisions for pensions and similar commitments

By virtue of the agreements signed with the personnel of the Subsidiaries VidaCaixa, SegurCaixa and the Agrupación, from December 23, 1998 the state-wide General Agreement applies to Insurance and Reinsurance Companies and Industrial Accident Mutual Benefit Societies, except as modified in the agreements made on that day. For the company AgenCaixa, S.A., the agreement between the company and the legal representatives of the workers was signed on October 2000. To replace sections A) and B) of the present Article 63 of the Agreement a pension plan was created for all working employees with length of service of over one year. For all employees who make an annual contribution of 1% of their basic annual wage, the company contributed 3% on the same basis.

To comply with these changes, it was agreed to create several fixed contribution pension plans linked to the pensions fund "PENSIONS CAIXA 21, FONDO DE PENSIONES". In 2006, the subsidiary companies included in the plan had contributed with 332 thousand euros, which was charged to the consolidated Profit and Loss Account.

The non-externalised part corresponds to the Subsidiaries' commitments to non-working personnel.

i) Corporate income tax

Corporate income tax for the period is computed on the basis of profit before tax adjusted by the permanent differences with taxable income, i. e. the corporate income tax base, less any abatements and tax credits, excluding withholdings and payments on account (see Note 7).

The tax effect, in its case, of the temporary differences is covered in the corresponding accounts of anticipated or deferred taxes, as appropriate, in the balance sheet.

On November 29, 2006, the Law 35/2006 concerning Income Tax for Physical Persons and making partial modifications to the laws concerning Taxes on Companies, Non-Residents and Assets was published. This law, which came in to force on January 1, 2007, has modified, amongst other issues, company tax obligations, being 32.5% for tax periods starting from January 1, 2007 and 30% for those starting January 1, 2008.

The Group has re-estimated the assets and liabilities for deferred taxes according to the new tax obligations and the period over which it expects to recover or liquidate the same. The differences with the previous obligations have been recorded with debit or credit in the profit and loss account for the financial year 2006 under the sub-caption 'Corporate Tax' of the non-technical accounts (see Note 7).

In 2006 the Companies "VidaCaixa, S.A. de Seguros y Reaseguros", "SegurCaixa, S.A. de Seguros y Reaseguros", "AgenCaixa, S.A., Agencia de Seguros Grupo CaiFor", "SegurVida Consulting, S.A.", "InverVida Consulting, S.A." and "Swiss Life Gestión, S.G.I.I.C." paid taxes under the consolidated system with the Parent Company of the Group (see Note 7).

j) Transactions in foreign currencies

Shareholdings denominated in foreign currency are converted into national currency by applying the exchange rates in effect at the time of the operation, being revalued at year-end at the exchange rate in effect at that time.

The change thus obtained may not exceed the result of the conversion at the rate at year-end, of the market value of the securities; if necessary the corresponding valuation correction is made. This includes participations in investment funds. However, any effect not due to the valuation of the exchange rate is applied in line with the provisions of section e) of this note relative to corrections of Spanish negotiable securities.

Current accounts in foreign exchange are converted into national currency by applying the exchange rate in effect at the time of the operation. At year-end the negative and positive exchange differences are valued at the exchange rate in effect at the time of allocation and charged or taken to income.

Fixed-income securities and credits and debits expressed in foreign currency are converted into national currency by applying the exchange rate in effect at the time of the operation, being valued at year-end at the exchange rate in effect at that time.

The exchange differences arising from the year-end valuation of fixed-income securities, and from debits and credits in foreign currency are classified on the basis of the year in which they mature and their currency, grouping together the currencies that, though different, are officially convertible. The net positive differences of each group are posted to the liabilities side of the balance sheet as deferred income, unless the group negative exchange differences have been imputed to retained earnings, in which case the positive differences are posted to income for the period to the limit of the net negative differences charged to the income of prior periods. The negative differences of each group are charged to income.

The positive differences deferred in prior periods are taken to income in the year in which they become due or the corresponding credits and debits are prepaid or as the negative exchange differences for equal or higher amount in each homogeneous group are recognized.

k) Income and expenses

Income and expenses are imputed on the basis of the real flow of goods and services they represent independently of the period in which the monetary or financial flow derived from them occurred.

The Group has reclassified expenses by nature into expenses by application (expenses attributable to claims, acquisition, administration, investments and other technical expenses), identifying the activities and tasks involved in each of the insurance processes and allocating the funds consumed by them.

As a result, expenses attributable to payments include expenses for personnel engaged in claim work and amortization of the fixed assets related to this activity, commissions paid for administration of claims and expenses incurred for processing services.

Acquisition expenses essentially include commissions, expenses for personnel engaged in production along with amortization of fixed assets related to this activity, study expenses, processing of applications and formalization of policies, as well as expenses incurred in advertising and publicity and the sales organization linked directly to the acquisition of insurance policies.

Administration expenses essentially include the cost of services related to litigation involving premiums, portfolio administration, collection of premiums, processing of returns from ceded and accepted reinsurance, particularly including expenses for personnel engaged in these functions and amortization of the related fixed assets.

Expenses applicable to investments include administration expenses for internal and external investments, the latter including accrued fees, commissions and brokerage, expenses of personnel engaged in these functions and charges to depreciation.

The remaining technical expenses, mainly general management expenses, cannot be allocated to one of the applications mentioned, under the established criterion.

Non-technical expenses essentially include commissions, service expenses, staff expenses, amortisation of fixed assets, those belonging to activities not directly connected with insurance operations.

4. Information on certain items on the balance sheet and profit and loss account

4.1. Start-up expenses

The movement under this heading in 2006 was as follows:

	Thousands of euros
Balance at December 31, 2005	**1,795**
Depreciation in the period	(575)
Balance at December 31, 2006	**1,220**

4.2. Intangible assets

The movement during the period in the accounts of intangible assets, mainly IT applications and their accumulated depreciation and provisions was as follows:

	Thousands of euros			
Concept	Balance at December 31, 2005	Additions or charges through depreciation	Increase Balance at Additions or (decrease) Balance at other account	Balance at December 31, 2006
Cost	17,718	241	0	17,959
Cumulative depreciation	(17,139)	(203)	0	(17,342)
Net total	**579**	**38**	**0**	**617**

On December 31, 2006 there were completely depreciated items to the value of 12,542 thousand euros.

4.3. Deferred expenses

Movements during 2006 under this caption were as follows:

	Thousands of euros				
	Commercialisation expenses (subordinated debt)	Commercialisation expenses (pension funds)	Commercialisation expenses (other non-life policies)	Other acquisition expenses (pension plans and life insurance policies)	Total
Balance at December 31, 2005	**9,605**	**3,562**	**918**	**9,531**	**23,616**
Additions	0	2,810	277	9,487	12,574
Amortization in the period	(1,404)	(2,717)	(297)	(3,588)	(8,006)
Balance at December 31, 2006	**8,201**	**3,655**	**898**	**15,430**	**28,184**

Part of the balance of the caption corresponds to expenses activated (in the year 2000 and 2004) and pending depreciation, associated with the Subordinated Debt issued in these years by VidaCaixa (see Notes 3.d and 4.11). Also included are expenses activated corresponding to the commercialisation of Pension Funds pending depreciation (see Note 3.d), and from the financial year 2004, the activation of the premiums associated with the new pension plans. In the current financial year, insurance products have begun to be marketed that also have a cash premium associated to their sale (see Note 3.d).

4.4. Tangible assets and real property

Movements in 2006 in the accounts under these captions and their accumulated depreciation and provisions were as follows:

a) Real property

	Thousands of euros	
	Land and buildings	
	Cost	Accumulated depreciation
Balance at December 31, 2005	**10,861**	**(917)**
Additions and charges	0	(127)
Disposals or reductions	0	0
Balance at December 31, 2006	**10,861**	**(1,044)**

The balance of caption "Land and buildings" at December 31, 2006 is formed for the most part by the building which houses the head office of the Group, located at General Almirante, 2-4-6 in Barcelona.

On December 31, 2006, the market value of the buildings of the Group, according to the latest valuations approved by the Directorate-General of Insurance and Pension Funds (DGSFP), amounts to 28,944 thousand euros. This figure supposes the existence of latent capital gains before its tax effect of 19,127 thousand euros. In accordance with generally accepted accounting principles, the said capital gains are not recorded in the attached annual accounts.

On November 14, 2006, the company of the Group, VidaCaixa, formalised a contract for the sale of a property located in Madrid at 41 General Martínez Campos, attic, A and B premises, for which it received 212 thousand euros. The sale was formalised on January 18, 2007.

On June 30, 2006, VidaCaixa acquired premises and various parking spaces that were the property of the insurance group A.I.E., for the price of 2,054 thousand euros. This operation, as well as the income obtained for the same that reached 712 thousand euros, have been duly eliminated for the consolidated financial statements attached.

b) Tangible fixed assets

	Thousands of euros							
	Computer equipment		Furniture and fittings		Transport elements		Total	
	Cost	Accumulated depreciation	Cost	Accumulated depreciation	Cost	Accumulated depreciation	Cost	Accumulated depreciation
Balance at December 31, 2005	**4,902**	**(4,333)**	**6,945**	**(3,659)**	**30**	**(17)**	**11,877**	**(8,009)**
Additions or charges	245	(259)	106	(518)	0	(5)	351	(782)
Disposals or reductions	0	0	0	0	0	0	0	0
Balance at December 31, 2006	**5,147**	**(4,592)**	**7,051**	**(4,177)**	**30**	**(22)**	**12,228**	**(8,791)**

At December 31, 2006 there were elements of computer equipment and furniture and fittings totally depreciated to the value of 3,472 and 944 thousand euros, respectively.

4.5. Financial investments

Movements during the period in the various accounts of "Other Financial Investments" of the accompanying consolidated balance sheet, as well as in the corresponding provision accounts, were as follows, in thousands of euros:

	Thousands of euros				
Concept	Balance at 31-12-2005	Additions or charges	Disposals or reductions	Balance at 31-12-2006	
				Cost	Market value
Financial investments in capital	49,264	23	6,705	42,582	85,960
Fixed-income securities	8,770,878	3,493,972	3,238,549	9,026,301	9,754,404
Indexed securities	370,246	17,626	112,599	275,273	304,362
Mortgage loans	1,527	–	150	1,377	1,377
Other loans	301,424	30,122	101,677	229,869	229,869
Holdings in investment funds	46,468	25,005	–	71,473	74,686
Deposits with credit entities	2,671,407	756	1,042,120	1,630,043	1,631,545
Other financial investments	6,580,441	1,713,583	1,330,564	6,963,460	7,300,316
Total	**18,791,655**	**5,281,087**	**5,832,364**	**18,240,378**	**19,382,519**
Provisions (to be deducted)	(35)	–	(2)	(33)	–
Net value	**18,791,620**	**5,281,087**	**5,832,362**	**18,240,345**	**19,382,519**

In order to determine the true capital gains of the portfolio, explicit accrued interest must be added to the investment costs in favour of the Companies, not received at the date of the balance sheet, was 225,253 thousand euros at December 31, 2006. Said interests are recorded in the account "Accrual accounts – Accrued interest receivable" of the accompanying consolidated balance sheets.

At 31 December, 2005, the Group held a 0.504% stake in the share capital of Abertis Infraestructuras, S.A. (ABERTIS). The business purpose of the company is the construction, maintenance and operation of motorways in Spain and abroad; the construction of road infrastructures; activities complementary to the construction, maintenance and operation of motorways, such as service stations, integrated logistics and/or transport centres and/or car parks, as well as any activity related to transport and communication and/or telecommunication infrastructures in the service of the movement and transport of people, goods and information, with the authorisation, where necessary. It has its registered office in Barcelona at Avinguda del Parc Logístic, 12-20, and at December 31, 2006 had a total share capital of 1,824,025 thousand euros, reserve assets of 1,250,738 thousand euros and a net income in the current period of 530,030 thousand euros, before deducting a dividend amounting to 152,002 thousand euros, according to public data according to NIIF-UE *(Normas Internacionales de Información Financiera-Unión Europea)*. In 2006, the Group received 1,497 thousand euros in dividends on these shares. The market value of these shares at December 31, 2006, taking into consideration their valuation at 22.50 euros a share, was higher than the book value by 53,721 thousand euros.

In 2006, the Group company VidaCaixa acquired a 50% share in the operating fund of the companies Naviera Ulises I and II, A.I.E. (Agrupación de Interés Económico) to a value of 3 thousand euros (see Note 1).

The Group also has a stake in the company "Tecnologías de la información y redes para las entidades aseguradoras, S.A." to the value of 94 thousand euros, for which a depreciation reserve was established in 2001 to the value of 33 thousand euros, as a result in a reduction in the nominal value effected in order to absorb losses.

In 2006 financial investments have been sold in capital, generating net losses of 665 thousand euros included in the heading "Losses in financial investments" of the life technical and consolidated non-life accounts, and profits of 140 thousand euros accounted for in the caption "Profits from financial investments" of the consolidated technical life account.

Investments in indexed values on December 31, 2006 are deposits guaranteed by entities from outside the Group, the profitability of which depends on stock market indexes and weighted baskets of shares, maturing between 2007 and 2021.

The breakdown, in thousand euros, of the fixed-income securities held by the Group at December 31, 2006 by year of maturity and the average rate of return is as follows:

Maturity year	IRR	Book value	Explicit accrual	Market value	Gain (loss)
			Thousands of euros		
2007	3.78%	1,095,092	8,522	1,105,336	1,720
2008	4.81%	609,587	17,003	631,693	5,103
2009	4.21%	925,452	27,550	978,274	25,273
2010	4.26%	790,393	22,052	830,922	18,478
2011	4.12%	468,251	12,125	494,810	14,434
2012	3.83%	322,784	7,357	344,721	14,581
2013	4.21%	456,878	16,483	495,878	22,517
2014	4.48%	355,934	6,368	383,591	21,289
2015	4.42%	298,179	6,056	310,485	6,250
2016	3.22%	402,150	8,581	415,868	5,138
2017	5.26%	125,316	3,511	136,198	7,371
2018	4.93%	38,178	1,605	42,190	2,407
2019	4.16%	100,011	1,065	101,320	244
2020	4.55%	88,142	1,549	88,489	(1,202)
2021	5.34%	134,588	1,303	153,895	18,004
2022	4.60%	28,178	424	31,760	3,158
2023	4.87%	246,303	10,604	292,767	35,860
2024	3.63%	121,597	4,036	129,698	4,065
2025	4.25%	72,434	2,197	74,765	134
2026	5.39%	9,590	–	12,842	3,252
2027	4.66%	35,187	1,336	39,300	2,777
2028	6.21%	178,581	7,133	234,021	48,307
2029	4.64%	675,408	26,634	822,511	120,469
2031	5.60%	244,771	2,186	302,659	55,702
2032	4.96%	334,295	6,556	385,360	44,509
2033	4.60%	328,915	6,905	363,551	27,731
2034	4.52%	92,067	1,441	96,924	3,416
2035	4.00%	226,119	7,130	230,415	(2,834)
2036	4.25%	19,585	640	21,207	982
2037	3.92%	187,022	6,193	187,722	(5,493)
2040	3.60%	9,995	70	10,056	(9)
2055	3.71%	5,319	138	5,176	(281)
Total		**9,026,301**	**224,753**	**9,754,404**	**503,352**

The heading "Other financial investment – Fixed income securities" includes fixed income shares corresponding to issues made by "la Caixa" and "Fortis" maturing between 2008 and 2025, the accounting value of which amounts to 142,088 thousand euros and accrued interest and not matured to a value of 3,896 thousand euros, whose market value is 145,437 thousand euros.

All the securities are issued in euros or in the currencies of member states of the European Monetary Union.

At December 31, 2006, the entire portfolio of the Group's insurance companies was assigned to the portfolio of investment to maturity (Note 3.e).

In 2006, the Group purchased fixed income titles (not assigned to portfolio of investment to maturity), which caused net financial income of 505 thousand euros, registered in the corresponding captions of the enclosed consolidated profit and loss account.

The balance relating to "Deposits with credit entities" at December 31, 2006 includes a guaranteed deposit with "la Caixa", tied to repurchase agreements, which amount to 1,622,009 thousand euros, in addition to deposits held with other institutions outside the Group to a value of 8,034 thousand euros. The market value of the latter deposits increasing to 9,536 thousand euros.

Short term deposits contracted in 2006 have generated income of 59,248 thousand euros with book entry under the heading "Income from financial investments" in the consolidated life technical account.

The detail of the balance of the account "Other financial investments – Other financial investments" at December 31, 2006 is as follows (in thousand of euros):

Maturity year	Book value	Maturity year	Book value	Maturity year	Book value	Maturity year	Book value
2007	197,701	2018	14,079	2029	130,262	2040	625,699
2008	39,503	2019	1,690	2030	159,032	2041	578,836
2009	71,438	2020	25,465	2031	154,568	2042	1,839,468
2010	450,640	2021	36,631	2032	65,093	2043	177,733
2011	42,723	2022	68,431	2033	111,787	2044	106,470
2012	58,203	2023	15,425	2034	22,256	2045	230,265
2013	375,893	2024	67,567	2035	3,488	2046	148,740
2014	114,531	2025	338	2036	6,920	2047	18,606
2015	165,723	2026	70,895	2037	103,349	2055	27,864
2016	43,055	2027	79,771	2038	18,050		
2017	49,384	2028	316,048	2039	129,840		
Total							**6,963,460**

Under the earlier sub-heading, the Group mainly presents, at December 31, 2006, several "IRS" formalised with a number of financial entities, in addition to financial swap operations of IRS and IFN type contracted with "la Caixa", in order to adapt the flows of the investment portfolio to the cash needs of the different affected policies. The nominal amount of the bonds involved in these operations is 6,770,917 thousand euros to mature between the year 2007 and 2055. The financial structures resulting from considering all the flows to be received and paid from the contracted "IRS" and the underlying assets associated with each operation are accrued to the resulting IRR in each case.

The caption also covers an investment in a syndicated loan to Gas Natural, S.A. for 33,348 thousand euros nominal made in 1997, with maturity in 2007 and a coupon linked to Libor. The interest accrued and not matured had risen to 500 thousand euros at December 31, 2006.

Two coupon swap operations are also included that correspond to issues due in 2007 a corrected acquisition cost of 159,195 thousand euros.

4.6. Investments on behalf of policyholders who assume the investment risk

The detail on investments on behalf of policy holders who assume the investment risk, together with their explicit interest accrued but not matured, which are included in caption "Accrual accounts – Interest accrued and not matured" at December 31, 2006, is as follows:

	Thousands of euros			
	Financial investments			
	Financial investments in capital	Holdings in mutual funds	Fixed income and other investments	Total
Market value (ex-coupon)	58,229	179,064	92,763	330,056
Explicit accrual	–	–	448	448
Balance at December 31, 2006	**58,229**	**179,064**	**93,211**	**330,504**

The movements occurring in 2006 in the accounts under this heading are:

	Thousands of euros			
	Financial investments			
	Financial investments in capital	Holdings in mutual funds	Fixed income and other investments	Total
1. Annual movement				
Balance at December 31, 2005	**80,730**	**259,096**	**148,612**	**488,438**
Additions:				
Purchase (ex-coupon)	11,153	164,466	75,239	250,858
Accruals	–	–	467	467
Revaluations	7,180	6,497	0	13,677
Disposals:				
Sales and maturity	(40,742)	(250,995)	(129,270)	(421,007)
Accruals	–	–	(683)	(683)
Depreciation	(92)	–	(1,154)	(1,246)
Balance at December 31, 2006	**58,229**	**179,064**	**93,211**	**330,504**
2. Detail of balance				
Cost (with coupon)	53,640	171,507	93,454	318,601
Accumulated revaluations	34,369	10,917	287	45,573
Accumulated depreciation	(29,780)	(3,360)	(530)	(33,670)
Balance at December 31, 2006	**58,229**	**179,064**	**93,211**	**330,504**

Additionally, the Group at December 31, 2006 had balances in current accounts linked to Unit Linked for 15,514 thousand euros, of which 64 thousand were current accounts in foreign currency, all recorded under the heading "Cash in credit entities, checks and cash" of the accompanying consolidated balance sheet.

At December 31, 2006, the details of the asset balance, classified into even groups, are as follows:

Type of asset	Characteristics	Thousands of euros
Fixed income	Monetary Euro	57,830
	Monetary Currency	1,206
	Monetary Dollar	98
	Medium Term Euro	12,975
	Medium Term Currency	4,850
	Long Term Euro	15,068
	Long Term Currency	1,184
Variable income	Euro	47,241
	USA	4,249
	Japan	6,565
	United Kingdom	174
Mutual funds		179,064
TOTAL		**330,504**

During the financial year, the company had gains and losses for investment linked to Unit Linked for 17,803 and 11,359 thousand euros respectively, which are recorded respectively in "Income from investments – Other financial investments" and "Losses from investments – From financial investments" of the life consolidated profit and loss account.

4.7. Accounts receivable

The detail of this heading of the balance sheet at December 31, 2006, in thousands of euros, is as follows:

	Thousands of euros
Accounts receivable for direct insurance operations	72,245
Accounts receivable for reinsurance operations	1,608
Accounts receivable for joint insurance operations	24,395
Total Accounts receivable for operations	**98,248**
Associated companies	152
Others	101,326
HP payable for withholdings	287
HP payable for Company Tax (2005)	8,595
Tax on anticipated profits (Note 7)	8,009
Fiscal receivables for activated deductions (Note 7)	1,048
Debtors for Pension Fund commissions	55,667
Other debtors	27,720
Total tax, social security and others	**101,478**
Provisions	**(451)**

In the caption "Accounts receivable for direct insurance operations", there is an amount of 1,435 thousand euros corresponding to accrued premiums not issued, 38,822 thousand euros related to premiums pending collection in the hands of mediators, as well as 31,988 thousand euros from premiums pending collection. The Group has provision for premiums pending collection of 6,507 thousand euros at December 31, 2006, as well as other provisions for other balances to the value of 558 thousand euros. These provisions reduce the balance of direct insurance operations at the said date.

4.8. Cash in credit entities, cheques and cash box

At December 31, 2006, the balance of this heading of the attached consolidated balance sheet basically comprised current accounts in "la Caixa", which were paid at the "Eonia index less 0.25" in the current financial year. The accrued interest in the current financial year is in large part recorded in the caption "Interest income from investments in Group and associated companies" of the accompanying profit and loss account and consolidated income statement, life technical account.

4.9. Shareholder's funds

The share capital of CaiFor at December 31, 2006 is represented by 42,640,122 registered shares of 6.01 euros par value each, of which 27,665,002 are totally subscribed and paid with identical political and economic rights. The remainder are totally subscribed but paid to 25%. This amount still unpaid corresponds to the increase carried out on June 21, 2004, where the Board of Directors is enabled to require the said amount in a time of 5 years, and is included in the heading "Shareholders by uncalled payments" in the accompanying consolidated balance sheet, amounting to 67,500 thousand euros. To evaluate the net wealth, this amount must be deducted from the balance of the "Shareholders' Funds".

The shareholders of the Parent Company on December 31, 2005, are the following:

	Percentage holding
Caixa Holding, S.A. ("la Caixa" Group)	50%
Fortis AG España Invest, S.L. (Fortis Group)	50%
	100%

The movement in the heading "Capital and reserves" of the accompanying consolidated balance sheet in 2006, in thousand euros, was as follows:

Concepts	Subscribe capital	Legal reserve	Voluntary reserve	Reserve in consolidated companies	Profit after tax	Minority interests	Dividend	
							Interim	Complementary
Balances at December 31, 2005	**256,267**	**33,905**	**861**	**63,041**	**120,683**	**(24,363)**	**(61,000)**	**–**
Distribution of 2005 profit and payment of dividends	–	6,853	–	27,787	(120,683)	24,363	61,000	680
Net consolidated profit of 2006	–	–	–	–	129,949	(25,775)	–	–
Consolidation adjustments	–	–	–	(113)	–	–	–	–
Dividends charged to 2006 income	–	–	–	–	–	–	(87,000)	–
Balances at December 31, 2006	**256,267**	**40,758**	**861**	**90,715**	**129,949**	**(25,775)**	**(87,000)**	–

At a meeting on June 16, 2006, the General Assembly of Shareholders of the Parent Company decided on the distribution of a supplementary dividend on the 2005 profits of 680 thousand euros.

The Board of Directors of the Parent Company held on December 20, 2006, agreed on the distribution of a second interim dividend for the 2006 result of 87,000 thousand euros. This dividend was paid in January 2007.

The dividend was calculated on the balance sheet of the Parent Company on November 30, 2006, as follows (in thousands of euros):

Result of the period	96,883
Total to be distributed	87,000

The composition of reserves in fully consolidated companies is as follows (in thousand euros):

	31-12-2006
VidaCaixa	70,371
SegurCaixa	17,520
AgenCaixa	2,348
SegurVida Consulting	476
TOTAL	**90,715**

According to the rewritten text of the Law on Joint Stock Companies, a figure must be passed over to the legal reserve equivalent to 10% of profits until the reserve reaches at least 20% of the share capital. The legal reserve may be used to increase the capital in the part that exceeds the 10% already increased. Otherwise, as long as the reserve does not exceed 20% of the share capital, it may only be used to compensate losses and provided there are no other sufficient reserves available for this purpose.

4.10. Minority interests

The balance included under this heading of the attached consolidated balance sheets as of December 31, 2006 contains the value of the shares of the minority shareholders in the Subsidiaries. The balance in the balance sheet and in the accompanying profits and losses and consolidated income statement under "Income attributable to minority interests" represents the minority share in the income of each period.

Minority interests in the fully consolidated Subsidiaries in which ownership is shared with third parties are as follows (in thousands of euros):

	31-12-2006					
Company	**Capital**	**Capital pending outlay**	**Reserves**	**Results**	**Less interim dividend**	**Total**
VidaCaixa	68,594	(18,000)	12,436	21,270	(16,000)	68,300
SegurCaixa	1,820	–	3,872	4,492	(2,657)	7,527
AgenCaixa	6	–	23	5	–	34
Grupo Asegurador A.I.E.	135	–	–	–	–	135
SegurVida Consulting	12	–	119	8	–	139
TOTAL	**70,567**	**(18,000)**	**16,450**	**25,775**	**(18,657)**	**76,135**

Movements in 2006, in thousands of euros, were as follows:

	VidaCaixa	**Segur-Caixa**	**Agen-Caixa**	**Grupo Asegurador A.I.E.**	**Segur-Vida Consulting**	**Total**
Balance at December 31, 2005	**68,408**	**6,250**	**29**	**135**	**131**	**74,953**
Supplementary dividend 2005	(5,378)	(558)	–	–	–	(5,936)
Profits in the period 2006	21,270	4,492	5	–	8	25,775
Interim dividend for 2006	(16,000)	(2,657)	–	–	–	(18,657)
Balance at December 31, 2006	**68,300**	**7,527**	**34**	**135**	**139**	**76,135**

4.11. Deferred income and subordinated liabilities

The caption “Deferred income” includes 87,046 thousand euros for profits from sales of stock in the held-to-maturity portfolio. Its allocation to the results is estimated as follows:

Less than 1 year	11,680
1 to 5 years	30,118
5 to 10 years	21,361
More than 10 years	23,887
TOTAL	**87,046**

In the current financial year, the Group has imputed 14,248 thousand euros in the profit and loss consolidated income statement in the caption “Profits from financial investments – Financial investments” of the life technical accounts.

On December 29, 2000, VidaCaixa S.A. de Seguros y Reaseguros proceeded to issue Subordinated Debt for an amount of 150,000 thousand euros, which is recorded in the caption “Subordinated Liabilities” of the consolidated balance sheet. The issue comprises one hundred and fifty thousand (150,000) Subordinated Perpetual Obligations of a par value of 1,000 euros each.

The issue was called the “1st Issue of Subordinated Perpetual Obligations by VidaCaixa, S.A. de Seguros y Reaseguros (December 2000)”. The nature of the securities is that of simple obligations representative of a subordinated, perpetual loan with a quarterly interest accrual at a rate referred to the Euribor index. The Nominal Interest Rate will vary through the life of the issue, although from December 29, 2000 until December 30, 2010, the minimum rate of the coupon to which the Subordinated Perpetual Obligations give entitlement will be at least 4.43% (4.50% APR), with a maximum 6.82% (7% APR) on the nominal.

On December 1, 2004, VidaCaixa proceeded to issue Subordinated Debt for an amount of 146,000 thousand euros, which is recorded in the caption “Subordinated Liabilities” of the consolidated balance sheet. The issue comprises 146,000 Subordinated Perpetual Obligations of a par value of 1,000 euros each.

The issue was called “2nd Issue of Subordinated Perpetual Obligations by VidaCaixa, S.A. de Seguros y Reaseguros”. The nature of the securities is that of simple obligations representative of a subordinated, perpetual loan with a quarterly interest accrual at a rate referred to the Euribor index. The Nominal Interest Rate will vary through the life of the issue, although from December 1, 2004 until December 30, 2014, the minimum rate of the coupon to which the Subordinated Perpetual Obligations give entitlement will be at least 3.445% (3.5% APR), with a maximum 5.869% (6% APR) on the nominal.

The obligations are perpetual and are therefore issued for an indefinite time. However, according to the provisions of articles 58 and 59 of the Regulations on the Administration and Supervision of Private Insurance, they may be totally or partially amortized at the will of the Issuer with the previous authorization of the Directorate-General for Insurance and Pension Funds. If applicable, the obligations will be amortized to 100% of their par value.

At December 31, 2006, the amount pending amortization of the expenses associated with the issues totals 8,201 thousand euros, which appear in the caption "Deferred expenses" of the consolidated balance sheet (see Note 4.3). A further amount has been recorded in the caption "Deferred Income" of the accompanying consolidated balance sheet. This corresponds to the amount pending receipt by the "collar" that assures the minimum and maximum interest rate for the first 10 years of the issue.

These expenses will be amortized in a linear manner over 10 years from the date of issue. In 2006, 11,688 thousand euros were recorded as a financial expense of the issue. This is recorded in the caption "Investment expenses and account" of the accompanying Life Profit and Loss Account.

During the 2006 financial year, the quarterly coupons associated to the first issue were settled by applying the interest rate of 4.43% to the first issue, and 3.445% to the second.

4.12. Technical reserves

Movements in 2006 in the different accounts of the accompanying balance sheet were as follows:

	Thousands of euros			
Reserves	**Balance at December 31, 2005**	**Endowments**	**Applications**	**Balance at December 31, 2006**
Technical reserves				
Unconsumed and unearned premiums	79,302	91,063	(79,302)	91,063
Life insurance				
Unconsumed and unearned premiums	66,198	69,750	(66,198)	69,750
Mathematical reserves	15,850,883	15,843,484	(15,850,883)	15,843,484
Claims provision	196,966	230,444	(196,966)	230,444
Share in profits and returns	40,836	41,597	(40,836)	41,597
Other technical reserves (*)	719	74	(341)	452
TOTAL	**16,234,904**	**16,276,412**	**(16,234,526)**	**16,276,790**
Technical reserves relative to life insurance when investment risk is assumed by policyholders	**507,762**	**343,739**	**(507,762)**	**343,739**
Share of reinsurance in technical reserves	**(34,621)**	**(36,905)**	**34,621**	**(36,905)**
Net technical reserves				
Unconsumed and unearned premiums	72,283	84,333	(72,283)	84,333
Life insurance (**)	16,463,930	16,296,458	(16,463,930)	16,296,458
Reserves for claims	171,113	202,765	(171,113)	202,765
Other technical reserves	719	(310)	(341)	68
TOTAL	**16,708,045**	**16,583,246**	**(16,707,667)**	**16,583,624**

(*) Includes the stabilisation reserve.
(**) Includes share in profits and returns.

The behaviour in 2006 of the reserve for direct and accepted insurance claims, constituted on December 31, 2005 was as follows:

	Thousands of euros			
Lines	Reserve at 31/12/2005 (1)	Payments 2006 (2)	Reserve at 31/12/2006 (3)	Difference (1-2-3) Plus (minus)
Direct and accepted insurance				
Accidents	7,827	2,581	3,965	1,281
Home Multi-risk	38,372	10,072	22,606	5,694
Construction	1,166	449	628	89
Others	1,440	637	1,099	(296)
Life	148,161	134,251	14,652	(742)
TOTAL	**196,966**	**147,990**	**42,950**	**6,026**

In relation to the mathematical reserve for the commitments assumed previous to the Regulation of Ordinance and Supervision of Private Insurance, it was not necessary to create a supplementary reserve for insufficiency, since the return on investments in 2006 was above the insured return. The Group maintains, as of December 31, 2006, an additional reserve of 7,194 thousand euros to adapt the interest rate of certain liability groups to the internal profitability rate of certain investments, following the requirements established in the Ministerial Order of December 23, 1998. Additionally, the Group has calculated the maximum rate established by the DGSFP for the year 2006 (2.42%) of certain Vida Colectivo portfolios, supposing a provision of 14,477 thousand euros.

4.13. Debts for repurchase agreements and other debts

The balance under this heading in 2006 includes debts for repurchase agreement operations and is 1,622,797 thousand euros at December 31, 2006. These operations generated expenses of 58,117 thousand euros in 2006, which are recorded in the caption "Investment expense and financial accounts" of the consolidated life technical and non-technical profits and losses account.

These debts for repurchase agreements are related during the year to fixed deposits in "la Caixa", recorded in the caption "Other financial investments – Deposits in financial institutions" of the accompanying consolidated balance sheet. At December 31, 2006, this amounts to 1,622,009 thousand euros (see Note 4.5).

At December 31, 2006, the balances of the caption "Other Debts" and together with the characteristics thereof, were as follows:

Type of debt	Thousands of euros
Debts with associated companies:	
Dividend pending outlay (Note 4.9)	87,000
Commissions payable to "la Caixa"	8,596
Others	4,745
Total	**100,341**
Tax, social security and other debts:	
H.P. receivable for Corporate Income Tax (Note 7)	15,578
H.P. receivable for various items	15,089
Other public entities	8,989
Remunerations pending payment	3,840
Other creditors	1,885
Total	**45,381**
TOTAL	**145,722**

4.14. Other information

The breakdown of operating expenses by nature, based on application, in 2006 in the "life" technical, "non-life" technical, and "non-technical" accounts is as follows:

	Thousands of euros					
	Expenses					
Nature of expense	Applied to claims	Acquisition	Administration expenses	Applied to investments	Other technical expenses	TOTAL
Non Life						
Commissions	–	18,693	–	–	–	18,693
Services received	1,076	1,665	1,401	374	1,457	5,973
Taxes	6	12	9	2	10	39
Personnel expenses	833	1,213	1,072	287	1,097	4,502
Amortization	41	63	53	14	55	226
Total technical non life	**1,956**	**21,646**	**2,535**	**677**	**2,619**	**29,433**
Life						
Commissions	–	51,662	16,574	–	–	68,236
Services received	1,691	4,235	3,035	1,325	2,608	12,894
Taxes	14	36	26	11	22	109
Personnel expenses	922	2,311	1,655	723	1,422	7,033
Amortization	71	179	128	56	110	544
Total technical life	**2,698**	**58,423**	**21,418**	**2,115**	**4,162**	**88,816**
Total non technical	**–**	**–**	**–**	**–**	**–**	**59,651**

In line with the distribution of expenses by nature, 332 thousand euros in "services received" (VAT included) have been included, distributed between the technical and non technical accounts of the Group, corresponding to the fees accrued by the external auditors for the audit of the individual and annual consolidated accounts of the subsidiaries and parent company. The caption also includes fees for other services invoiced by the auditor and related entities of 67 thousand euros.

4.15. Operations with Group and associated companies

The details of the transactions carried out in the financial year 2006, as well as the income and expenses related to the same for the Group, are as follows:

Concept	Thousands of euros		Observations
	Income	Expenses	
Services received and rendered			
Companies in consolidation			
Commissions	0	17,121	Marketing of products by AgenCaixa
Reinsurance operations	64	0	Reinsurance operations with VidaCaixa
External services	0	12,298	Provision of administrative services for Agrupación
Other Income	85,512	0	Income from VidaCaixa share capital
	12,714	0	Income from SegurCaixa share capital
Companies outside the consolidation perimeter			
Commissions	0	84,477	Marketing of products by "la Caixa"
	0	955	Marketing of products by Crosselling
Insurance operations	165,083	0	Premiums for insurance operations with "la Caixa"
Other Income	987	0	Income for provision of services with "la Caixa"
TOTAL	**264,360**	**114,851**	

The fully consolidated transactions between Group companies have been eliminated in the attached consolidated financial statements.

Also, as has been detailed in other notes in this report, the majority of the financial operations have been carried out through "la Caixa". Additionally, VidaCaixa acquired premises and various parking spaces that were the property of the insurance group A.I.E. This operation, as well as the income obtained for the same that reached 712 thousand euros, have been duly eliminated for the consolidated financial statements attached (see Note 4.4.a).

5. Information on life insurance

5.1. Composition of life business by volume of premiums (direct insurance)

The life business composition in 2006 was as follows:

	Thousands of euros
Premiums insurance products	**Direct Insurance**
Premiums on individual policies	824,391
Premiums on group policies	686,298
Total	**1,510,689**
Single premiums	917,640
Regular premiums	593,049
Total	**1,510,689**
Premiums on policies without profit sharing	777,487
Premiums on policies with profit sharing (*)	719,322
Premiums on policies where risk is assumed by policyholder	13,880
Total Life Insurance	**1,510,689**

(*) Includes the policy premiums of Vida Individual and Vida Colectivos.

5.2. Technical conditions of the main types of life insurance

The technical conditions of the types of life insurance in effect at December 31, 2006, which represent over 5% of the premiums or net level premium reserves of the life business, are as follows:

		Thousands of euros				Profit sharing		
							Yes	
Modality	**Type of Coverage**	**Premiums**	**(*) Mathematical Reserves on 31/12/2006**	**Tables used**	**Technical interest**	**Has it? YES/NO**	**Amount distributed (thousands of euros)**	**Form of distribution**
PVI	Incomes	183,022	3,348,107	(3)	3.86%	NO	–	–
Pensión 2000	Deferred Pension	94,861	2,318,569	(1)	5.37%	YES	3	To reserve
Plan de Ahorro Asegurado	Whole Life	210,242	376,390	(4)	2.06%	NO	–	–
Libreta Futuro	Deferred Temporary Pension	119,517	640,741	(6)	4.16%	NO	–	–
Seguros Colectivos	Temporary and Lifetime Incomes and Deferred Capitals	722,770	8,391,882	(2)	Variable	YES	35,795	To reserve
Seviam	Life insurance for amortisation of loans/credits	129,379	19,811	(7)	2.21%	NO	–	–
Unit Linked	Capitalisation with risk assumed by the policy holder	13,880	340,347	(5)	–	NO	–	–

(*) Based on tables of the Technical Notes.
(1) Based on GR-80, GR-80 less two years, GR-70 and GR-95 mortality tables for certain types.
(2) Based on GR-80 less two years, GR-70, GR-95 and PER2000P mortality tables depending on type.
(3) Based on GR-80, GR-80 less two years and GR-95 mortality tables, depending on type. For new production, GR-95 or GK-95 tables are used, depending on type.
(4) Based on GR-80 less two years and GR-95 mortality tables, depending on type. For new production GK-95 tables are used.
(5) GK-80 tables are used.
(6) Based on GR-80, GK-80, GR-95, GK-95, AR-80 and AK-95 mortality tables, depending on type.
(7) Based on GR-80, GK-80 or AR-80 and AK-80 mortality tables, depending on type.

Pursuant to the Resolution of the Directorate General of Insurance and Pension Funds of October 3, 2000, the Group has calculated that the effect, on December 31, 2006, of the application of the PERM/F-2000C tables in calculating the mathematical reserves, results in an increase of 171,478 thousand euros in these reserves. Of this amount, the Group registered 91,272 thousand euros at December 31, 2006, (see Note 3.g.2).

6. Territorial breakdown of business

Direct business and accepted reinsurance in 2006 is carried out entirely in Spain, for both life and non-life.

7. Fiscal situation

Corporate income tax is based on each Company's reported profits calculated by application of generally accepted accounting principles, which do not necessarily agree with the fiscal results, this being understood as the tax base of the tax.

The Group companies "CaiFor, S.A.", "VidaCaixa, S.A. de Seguros y Reaseguros", "SegurCaixa, S.A. de Seguros y Reaseguros", "AgenCaixa, S.A., Agencia de Seguros Grupo CaiFor" and "SegurVida Consulting, S.A.", paid corporate income tax on a consolidated basis in 2006.

The reconciliation of the reported profits for 2006 with the taxable base of the Corporate Income Tax is given below:

	Thousands of euros		
	Increase	**Decrease**	**Amount**
Reported result (1)			129,949
Corporate Income Tax			68,896
Permanent differences:			
Of the Individual Companies	1,955	(729)	1,226
Of the consolidation adjustments	–	–	–
Temporary differences:			
Of the Individual Companies	21,871	(17,580)	4,291
Of the consolidation adjustments	–	–	–
Taxable income (fiscal result)	**23,826**	**(18,309)**	**204,362**

(1) After tax.

The difference between the tax charge imputed to the period and to prior periods, and the tax charge already paid or to be paid for those periods, recorded in the accounts "Prepaid tax" and "Deferred tax" (included, respectively, in the captions "Tax, social security and other credits" and "Other debts" of the accompanying balance sheet) has resulted from temporary differences and tax losses for the financial year 2006 and earlier years, which carry forward as follows:

Description	Thousands of euros			
	Prepaid tax		Deferred tax	
	Amount	Tax effect	Amount	Tax effect
Balance at December 31, 2005		**40,600**		**2**
Regularisations for previous tax years	(93,494)	(32,723)		
Temporary differences				
Fixed Inc. alien. diff. income	–	–	(7)	(2)
Expense reserve	3,617	1,265	–	–
Other reserves	674	236	–	–
TOTAL		**9,378**	–	–
Adjusted Anticipated Taxes for adaptation to new law		(1,369)		
Balance at December 31, 2006		**8,009**		–

In 2005, the Group proceeded to activate a tax credit through the deduction of extra ordinary profits to the value of 1,048 thousand euros, deriving from the sale of two properties by the subsidiaries VidaCaixa and SegurCaixa, which are pending tax allocation (see Note 4.7).

Based on Article 42 of Legislative Royal Decree 4/2004, of March 5, the Rewritten Text of the Company Tax Law, and in respect of deduction for reinvestment of extraordinary profits, in the declaration of the consolidated fiscal group of the Company Tax relating to the financial year 2005, a deduction of 213 thousand euros is accredited. The income obtained from the deduction, by application of the said ruling, was 1,067 thousand euros. The extraordinary results obtained during the financial year 2005 that provided the application of the deduction for reinvestment were 8,346 thousand euros, which would be applicable to a total deduction of 1,669 thousand euros. Given that on December 31, 2005, at the consolidated level and within the period understood between the year before and the end of the financial year of the transfer, a sufficient volume of reinvestment had not been made that would allow the deduction of the entire amount to which the extraordinary results qualified, the deduction pending accreditation if it were materialised, within the perimeter of the consolidated fiscal group, the total necessary reinvestment would rise to 1,456 thousand euros.

The volume of reinvestments at December 31, 2006, at the level of the fiscally consolidated group, has not allowed for the application of a certain amount, leaving pending accreditation the same amount as in the previous financial year (1,456 thousand euros).

The nature and amount of the tax incentives and other deductions from the base applied during the year, and those pending return on December 31, 2006, are as follows:

	Thousands of euros	
	Compensated	Pending compensation
Return of international double taxation	305	–
Return of internal double taxation	335	–
Return of professional training	24	–
Other deductions	48	–
Total	**712**	**–**

The amount owed to the Group by the Public Tax Office on December 31, 2006 corresponding to the corporate income tax for 2006 is 15,578 thousand euros and is recorded in the caption "Tax, social and other credits – others".

The amount owed to the Group by the Public Tax Office on December 31, 2006 corresponding to the corporate income tax for 2005 is 8,595 thousand euros and is recorded in the caption "Tax, social and other credits – others".

Owing to possible different interpretations of tax regulations applicable to insurance operations carried out by the Companies for years pending verification, certain contingent tax and legal liabilities cannot be objectively quantified. The Group Management and its legal advisors consider it highly unlikely that these liabilities will materialize and significantly affect the accompanying consolidated annual accounts.

CaiFor and its Subsidiaries have the last four years open to inspection of all the taxes to which they are subject.

8. Information on non life insurance

8.1. Technical income and expenses by line of business

The details of technical income and expenses for 2006 for "non-life" lines, with a volume of premiums issued in excess of 1,200 thousand euros, was as follows:

	Thousands of euros			
	Home multi-risk	Accidents and illness	Other damages	Others
I. APPLIED PREMIUMS (direct and accepted)	**116,949**	**72,200**	**4,691**	**3,022**
1. Premiums net of cancellations	127,932	72,780	5,382	2,690
2. +/– change in unconsumed premium reserves	(10,901)	(574)	(691)	333
3. +/– change in reserves for ongoing risks	–	–	–	–
4. +/– change in outstanding premium reserves	(82)	(6)	–	(1)
II. REINSURANCE PREMIUMS (ceded and retroceded)	**(3,134)**	**(6,402)**	**(2,731)**	**(2,245)**
1. Premiums net of cancellations	(3,357)	(6,076)	(2,794)	(1,996)
2. +/– change in unconsumed premium reserves	223	(326)	63	(249)
A. Total premiums written net of reinsurance (I-II)	**113,815**	**65,798**	**1,960**	**777**
III. LOSSES INCURRED (direct and accepted)	**(68,702)**	**(45,942)**	**(2,237)**	**(1,421)**
1. Claims and expenses paid and loss expenses	(58,939)	(48,241)	(1,386)	(1,118)
2. +/– change in technical reserves for claims	(9,763)	(2,077)	(777)	(307)
3. +/– change in other technical reserves	–	4,376	(74)	4
IV. LOSSES INCURRED ON REINSURANCE (ceded and retroceded)	**75**	**1,830**	**936**	**1,063**
1. Claims and expenses paid	56	2,576	410	778
2. +/– change in technical reserves for claims	19	(746)	526	285
3. +/– change in other technical reserves	–	–	–	–
B. Total losses incurred net of reinsurance (III-IV)	**(68,627)**	**(44,112)**	**(1,301)**	**(358)**
V. ACQUISITION EXPENSES (direct and accepted)	**(15,156)**	**(5,238)**	**(742)**	**(510)**
VI. ADMINISTRATION EXPENSES (direct and accepted)	**(1,728)**	**(457)**	**(155)**	**(195)**
VII. OTHER TECHNICAL EXPENSES (direct and accepted)	**(2,022)**	**(381)**	**(177)**	**(192)**
VIII. ACQUISITION, ADMINISTRATION AND OTHER TECHNICAL EXPENSES (ceded and retroceded)	**274**	**1,676**	**972**	**568**
C. Total operating and other technical expenses net (V+VI+VII+VIII)	**(18,632)**	**(4,400)**	**(102)**	**(329)**

8.2. Technical result by year of occurrence

The details of the technical result by year of occurrence for the "non-life" lines in 2006 were as follows:

	Thousands of euros			
	Home multi-risk	Accidents and illness	Other damage	Others
I. WRITTEN PREMIUMS (direct)	**118,269**	**72,873**	**4,757**	**3,162**
1. Premiums net of cancellations	129,253	73,453	5,449	2,826
2. +/- change in unconsumed premium reserves	(10,902)	(574)	(692)	336
3. +/– change in outstanding premium reserves	(82)	(6)	–	(1)
II. REINSURANCE PREMIUMS (ceded)	**(3,134)**	**(6,402)**	**(2,731)**	**(2,245)**
1. Premiums net of cancellations	(3,357)	(6,076)	(2,794)	(1,996)
2. +/– change in unconsumed premium reserves	223	(326)	63	(249)
A. Total premiums written net of reinsurance (I-II)	**115,135**	**66,470**	**2,026**	**917**
III. LOSSES INCURRED (direct)	**(74,483)**	**(47,296)**	**(2,073)**	**(1,219)**
1. Payments and expenses paid of claims occurred in the period, including the applied claims expenses	(48,955)	(45,662)	(1,154)	(175)
2. Outstanding premium reserves of claims occurred in the period	(25,528)	(5,939)	(919)	(1,044)
3. +/– change in other technical reserves	–	4,305	–	–
IV. REINSURANCE LOSSES INCURRED (ceded)	**67**	**3,668**	**768**	**1,054**
1. Payments and expenses paid of claims occurred in the period, including the applied claims expenses	48	2,055	209	311
2. Outstanding premium reserves of claims occurred in the period	19	1,613	559	743
B. Total losses incurred net of reinsurance (III-IV)	**(74,416)**	**(43,628)**	**(1,305)**	**(165)**
V. ACQUISITION EXPENSES (direct) (*)	**(14,997)**	**(5,210)**	**(734)**	**(506)**
VI. ADMINISTRATION EXPENSES (direct) (**)	**(1,728)**	**(457)**	**(155)**	**(195)**
VII. OTHER TECHNICAL EXPENSES (direct) (**)	**(2,022)**	**(381)**	**(177)**	**(192)**
VIII. ACQUISITION, ADMINISTRATION AND OTHER TECHNICAL EXPENSES (ceded) (**)	**274**	**1,676**	**972**	**568**
IX. TECHNICAL INTEREST INCOME NET OF EXPENSES OFTHE SAME NATURE (**)	**2,519**	**1,283**	**331**	**167**

Notes:
(*) Caption V. Acquisition Expenses relates to commissions for the year net of cancellations and returns from prior periods.
(**) Captions VI to IX relate to all expenses of the period.

9. Other information

9.1. Director's remuneration and other benefits

During 2006 the Board of Directors received an overall total of 1,074 thousand euros in remunerations.

No loans were granted to members of the Board of Directors, nor did they receive any additional remuneration, or any commitments concerning pensions or life insurance.

In compliance with article 127.4 of the Law on Joint Stock Companies introduced by Law 26/2003 of July 17, in modification of Law 24/1988 of July 28, concerning the Value Market and the Rewritten Text of the Law of Joint Stock Companies, there follows a list of the shareholdings and/or posts and functions held by the Company administrators in companies with the same, similar or complementary forms of activity to that which is the company object of CaiFor, S.A. in 2006.

Administrator	Company where they participate and/or develop a function	Post or function	No. shares	% Holding
Ricardo Fornesa Ribó	Sociedad General de Aguas de Barcelona, S.A. (engaged indirectly in the insurance business through its subsidiary Adeslas, S.A.)	Chairman (occupied post until 31-01-06)	144,773	–
Manuel Raventós Negra	Sociedad General de Aguas de Barcelona, S.A. (engaged indirectly in the insurance business through its subsidiary Adeslas, S.A.)	Vice-president	–	–
Juan Antonio Samaranch	Sociedad General de Aguas de Barcelona, S.A. (engaged indirectly in the insurance business through its subsidiary Adeslas, S.A.)	Board member	–	–
Jozef de Mey (held the position until 22-03-06)	–	–	–	–
Tomás Muniesa Arantegui	RentCaixa, S.A. de Seguros y Reaseguros	Chairman-Board member	–	–
	SegurCaixa, S.A. de Seguros y Reaseguros	Physical representative of the board member Caixa Holding, S.A.	–	–
	Adeslas, S.A.	Physical representative of the board member Caixa Holding, S.A.	–	–
	Consorcio de Compensación Seguros	Board member	–	–
	VidaCaixa, S.A. de Seguros y Reaseguros	Chairman-board member	–	–
Caixa Holding, S.A.	VidaCaixa, S.A. de Seguros y Reaseguros	Board member	11,413,360	20.00%
	RentCaixa, S.A. de Seguros y Reaseguros	–	329,679	99.00%
	Caixa de Barcelona Seguros de Vida, S.A. de Seguros y Reaseguros	–	3,834,324	99.99%
	GDS-Correduría de Seguros, S.L.	–	335	67.00%
	AgenCaixa, S.A.	–	– (*)	51.00%
	SegurCaixa, S.A. de Seguros y Reaseguros	Board member	– (*)	39.94%
	Adeslas, S.A.	Board member	–	–
Caixa Corp, S.A.	RentCaixa, S.A. de Seguros y Reaseguros	–	1	0.00%
	Caixa de Barcelona Seguros de Vida, S.A. de Seguros y Reaseguros	Single Administrator	1	0.00%
	SegurCaixa, S.A. de Seguros y Reaseguros	Board member	–	–
	VidaCaixa, S.A. de Seguros y Reaseguros	Board member	–	–
	Adeslas, S.A.	Board member	–	–
Peer van Harten	–	–	–	–
Herman Verwilst	Fortis Insurance International	Director	–	–
	Fortis Insurance Belgium	Director	–	–
	Fortis Insurance Netherlands NV	Director	–	–

(Continuation)

Administrator	Company where they participate and/or develop a function	Post or function	No. shares	% Holding
Jacob Westerlaken	–	–	–	–
Jean-Paul Votron	–	–	–	–
Gilbert Mittler	–	–	–	–
Olav Cuiper	–	–	–	–

(*) Indirect holding.

Likewise, there follow the shareholdings and/or posts and functions held by the physical representatives of the administrators shown above, which are entities, in companies with the same, similar or complementary forms of activity to that which is the company object of CaiFor, S.A.:

Administrator	Physical representative of the Administrator	Company where they participate and/or develop a function	Post or function	No. shares	% Holding
Caixa Corp, S.A.	Antonio Vila Bertrán	VidaCaixa, S.A. de Seguros y Reaseguros	Physical representative of the Board Member Caixa Corp, S.A.	–	–
		Adeslas, S.A.	Physical representative of the Board Member Caixa Corp, S.A.	–	–
		SegurCaixa, S.A. de Seguros y Reaseguros	Physical representative of the Board Member Caixa Corp, S.A.	–	–
Caixa Holding, S.A. Single Shareholder Company	Julio Lage González	VidaCaixa, S.A. de Seguros y Reaseguros	Physical representative of the Board Member Caixa Holding, S.A.	–	–

9.2. Other information

The average number of employees during the 2006 financial year, divided by category, was as follows:

Professional category	Average number of employees
Directors	20
Managers	23
Senior specialised staff	163
Administration and sales staff	564
Total	**770**

9.3. Income and extraordinary expenses

The extraordinary income reported by the Group in the financial year 2006 corresponds, basically, to regularisations of provisional balances in the form of expenses on IT programmes and publicity from earlier financial periods.

10. Subsequent events

On February 19 2007, Royal Decree 239/2007 of February 16, was published on the Official State Bulletin (BOE), by which is modified the "Regulations of the Organisation and Inspection of Private Insurers". The main changes introduced were the following:

– Concerning the interest rates applied for the calculation of mathematical reserves, it allows the use of interest rates which are more adjusted to the realities of the market and permits, under specific circumstances, the calculation of the reserve for life insurance at the current interest rate applicable on the date a policy is issued.

– The type of active financing suitable for covering technical reserves has been broadened substantially, in particular certain derivative instruments, structured products and funds and venture capital companies that were earlier inadmissible for this purpose.

– The insurance companies, led by the Board of Directors, must implement internal control systems appropriate to the size of the organisation. The task of inspecting the models implemented must be performed by personnel with sufficient knowledge and experience who can guarantee full independence concerning the different areas of the Company. An annual report must be submitted to the DGSFP on behalf of the Board of Directors, on the effectiveness of the control procedures implemented, detailing any significant failings found to exist and their implications and providing, in turn, the measures they consider appropriate to rectify these situations.

These modifications come into force the day following their publication in the BOE.

11. Statement of cash flows during the financial year

Changes in the cash position in 2006 resulted from:

	Thousands of euros
Trading operations	
Increase	2,128,146
Decrease	(2,654,334)
Other operations	
Increase	9,460
Decrease	(110,956)
Fixed assets and investments	
Increase	4,589,524
Decrease	(3,870,596)
Other operations	
Increase	131,209
Decrease	(228,299)
Extraordinary operations	
Increase	5,404
Decrease	(54)
Operations with the public administration	
Increase	16,642
Decrease	(75,415)
Total change in cash	**(59,269)**
Increase	6,880,385
Decrease	(6,939,654)

Movements in cash in 2006 resulted in:

	Thousands of euros
Cash, opening balance	213,139
Cash, closing balance	153,870
Change in cash in the period	**(59,269)**

12. Statement of cover of technical reserves

Article 49 of the Regulations on Administration and Supervision of Private Insurance establishes that the technical reserves must be invested in suitable assets, as defined in the regulations and subsequent provisions.

At December 31, 2006 and 2005, the suitable assets were greater than the technical reserves by 920,354 and 1,120,413 thousand euros as indicated below:

2006	Thousands of euros	
	Life	Non Life
Mathematical reserve at year-end	15,843,484	–
Unconsumed and unearned premiums reserve	69,750	91,063
Commissions pending application to income	–	(565)
Reserve for unconsumed premiums on premiums pending collection	–	(8,911)
Reserve for accrued premiums not issued net of commissions	–	(12,547)
Profit-sharing reserves	36,682	4,915
Stabilization reserves	–	452
Claims provisions	151,646	78,798
Other technical reserves	–	–
Reserve for life insurance when the policyholder assumes the investment risk	343,739	–
Preparatory or complementary insurance operations	4,324	–
Total reserves to be covered	**16,449,625**	**153,205**
Assets affected by the coverage of technical reserves:		
Negotiable fixed income values and rights set in national markets	11,112,191	210,903
Negotiable fixed income values and rights set in foreign markets	5,156,367	39,792
Negotiable equity values and rights set in national markets	15,283	–
Negotiable equity values and rights set in foreign markets	25,489	–
Shares and holdings in group investment companies	72,947	–
Banks and credit institutes	295,182	–
Other fixed income values	–	–
Real estate	–	–
Credits to Reinsurers	14,502	–
Mortgage credits	1,377	–
Financing plan for the premiums of group insurance contracts employing commitments for pensions	229,260	–
Assets assigned to cover life insurance technical reserve when policyholder assumes investment risk:		
Investment by life insurance policy holders assuming the risk of the investment	330,054	–
Banks and credit institutes	15,513	–
Assets assigned by the coverage of funds of operations in preparation for or complementing insurance operations:		
Banks and credit institutes	4,324	–
Total assets assigned	**17,272,489**	**250,695**
Surplus	**822,864**	**97,490**

2005	Thousands of euros	
	Life	Non Life
Mathematical reserve at year-end	15,850,883	–
Unconsumed and unearned premiums reserve	66,198	79,302
Commissions pending application to income	–	(7,911)
Reserve for unconsumed premiums on premiums pending collection	–	(424)
Reserve for accrued premiums not issued net of commissions	–	(10,641)
Profit-sharing reserves	31,540	9,296
Stabilization reserves	–	378
Claims provisions	131,093	65,873
Other technical reserves	341	–
Reserve for life insurance when the policyholder assumes the investment risk	507,762	–
Preparatory or complementary insurance operations	4,363	–
Total reserves to be covered	**16,592,180**	**135,873**
Assets affected by the coverage of technical reserves:		
Negotiable fixed income values and rights set in national markets	10,891,140	176,309
Negotiable fixed income values and rights set in foreign markets	4,885,492	55,763
Negotiable equity values and rights set in national markets	16,008	–
Negotiable equity values and rights set in foreign markets	31,442	–
Shares and holdings in group investment companies	46,468	–
Banks and credit institutes	912,636	–
Other fixed income values	–	–
Real estate	1,467	–
Credits to Reinsurers	13,766	–
Mortgage credits	1,527	–
Financing plan for the premiums of group insurance contracts employing commitments for pensions	300,706	–
Assets assigned to cover life insurance technical reserve when policyholder assumes investment risk:		
Investment by life insurance policy holders assuming the risk of the investment	488,439	–
Banks and credit institutes	22,940	–
Assets assigned by the coverage of funds of operations in preparation for or complementing insurance operations:		
Banks and credit institutes	4,363	–
Total assets assigned	**17,616,394**	**232,072**
Surplus	**1,024,214**	**96,199**

13. Statement of solvency margin

Under existing legislation, each tax year insurance companies must have uncommitted net worth (or solvency margin) and a guarantee fund (one third of the solvency margin), in line with the legally established percentages and amounts.

The solvency margin at December 31, 2006 and 2005 was higher than the required minimum by 202,448 and 309,571 thousand euros as detailed below:

2006	Amount recorded	Non computable amount	Computable amount	Life	Non Life
Share capital paid	188,767	22,125	166,642	150,042	16,600
50% of Social Capital pending payments	33,750	–	33,750	32,288	1,462
Other equity reserves	41,619	–	41,619	20,212	21,407
Balance of reserves in consolidated companies	89,291	–	89,291	84,595	4,696
Creditor balance of profit and loss	129,949	122,601	7,348	3,674	3,674
Gains (net of tax effect)	–	–	224,224	224,041	183
Technical commissions pending amortisation	–	–	–	–	–
Negative Consolidation differences	636	–	636	636	–
Minority interests	50,004	–	50,004	50,004	–
Total positive items	**534,016**	**144,726**	**613,514**	**565,492**	**48,022**
Equity items (to be deducted)	–	–	–	–	–
Intangible assets (Expenses of capital)	(9,420)	–	(9,420)	(9,420)	–
Losses	–	–	(1,540)	–	(1,540)
Total negative items	**(9,420)**	**–**	**(10,960)**	**(9.420)**	**(1,540)**
Difference	**524,596**	**144,726**	**602,554**	**556,072**	**46,482**
50% future earnings	–	–	67,226	67,226	–
Subordinated financing	296,000	–	296,000	296,000	–
Solvency margin	**820,596**	**144,726**	**965,780**	**919,298**	**46,482**
Minimum solvency margin				728,272	35,060
Surplus margin				**191,026**	**11,422**

2005	Amount recorded	Non computable amount	Computable amount	Life
Share capital paid	188,767	21,113	167,654	167,654
50% of Social Capital pending payments	33,750	–	33,750	33,750
Other equity reserves	34,766	–	34,766	34,766
Balance of reserves in consolidated companies	63,041	–	63,041	63,041
Creditor balance of profit and loss	120,683	86,043	34,640	34,640
Gains (net of tax effect)	–	–	296,220	296,220
Technical commissions pending amortisation	–	–	–	–
Negative Consolidation differences	636	–	636	636
Minority interests	50,590	–	50,590	50,590
Total positive items	**492,233**	**107,156**	**681,297**	**681,297**
Equity items (to be deducted)	–	–	–	–
Intangible assets (Expenses of capital)	(11,401)	–	(11,401)	(11,401)
Losses	–	–	–	–
Total negative items	**(11,401)**	**–**	**(11,401)**	**(11,401)**
Difference	**480,832**	**107,156**	**669,896**	**669,896**
50% future earnings	–	–	89,635	89,635
Subordinated financing	296,000	–	296,000	296,000
Solvency margin	**776,832**	**107,156**	**1,055,531**	**1,055,531**
Minimum solvency margin				745,960
Surplus margin				**309,571**

14. Explanation added for translation to English

These annual accounts are presented on the basis of accounting principles generally accepted in Spain. Certain accounting practices applied by the Group that conform with generally accepted accounting principles in Spain may not conform with generally accounting principles in other countries. In the event of a discrepancy, the Spanish-language version prevails.

CAIFOR, S.A. AND SUBSIDIARIES

Management report for 2006

The Group closed the financial year 2006 managing a volume of clients' savings amounting to 26,819.7 million euros deposited between life and non-life insurance and pension plans. The Group's life-risk and health premiums grew 14.5% in 2006, reaching the figure of 306.8 million euros, whilst non-life premiums have risen to 150.9 million euros, 19% more than the previous year.

CaiFor	2006	2005	% var.
Savings Premiums	1,261,703	1,603,123	–21.30%
Life-Risk and Health Premiums	306,871	268,116	14.45%
Non-Life Premiums	150,899	126,792	19.01%
Total Premiums	1,719,473	1,998,031	–13.94%
Total Contributions to Pension Plans	1,199,564	1,131,599	6.01%
Total Premiums and Contributions	2,919,037	3,129,630	–6.73%
Total Life and Non-Life Insurance Reserves	16,620,529	16,742,666	–0.73%
Total Pension Plan Consolidated Rights	10,199,191	7,651,104	33.30%
Total Resources Managed	26,819,720	24,393,770	9.94%
Net Result	129,949	120,683	7.68%
Number of Clients	2,914,812	2,722,938	7.04%
Efficiency Ratio	21.83%	22.75%	–4.04%
Solvency Margin	976,635	1,055,531	–7.47%
Solvency Ratio	1.3	1.4	–10.59%
Number of Employees	770	797	–3.39%

Figures in thousands of euros.

As for the net profit of the Group, it stood at 129.9 million euros, 7.7% more than in 2005. In addition, the solvency margin of the Group stands at 976.6 million euros, 28% above the required minimum, and the efficiency ratio continues to be brought down, with the positive trend of previous financial years being continued, reaching a level of 21.83%.

The Group won 190,000 new clients in 2006, a growth of 7% compared with 2005, amply demonstrating how well the Group's products have been received by the market, highlighting the new pension plans and the new products especially designed for the self-employed and SME sector, such as the new VidaCaixa Convenios.

Along these lines, we should remark that this year once again the subsidiary company VidaCaixa has remained the only one of the big 5 players on the market to increase its market share in the field of individual pension plans, a business sector in which VidaCaixa lays claim to 750,000 clients. Meanwhile, and as mentioned earlier, the health, life and accident insurance policies specially designed for self-employed clients, in addition to jointly promoted pension plans, also designed for this group, have been well received, with over 77,000 clients in CaiFor divided across the whole product range.

With regard to Non-Life business, it is important to note that the subsidiary SegurCaixa now protects over 640,000 Spanish homes through SegurCaixa Hogar, the company's multi-risk homes insurance. The constant development of management systems and quality of service have led SegurCaixa to be considered, according to an independent survey conducted by the company ICEA, over 16 of the 32 leading companies in the market, the company which provides the best service for the home.

It should also be mentioned that SegurCaixa expects to start activity in the motor insurance sector in 2007, marketing the first premium in the second trimester. The plan contemplates marketing three types of insurance: Third Party, Extended Third Party and Comprehensive, providing all of these types with full cover, high quality service and at very competitive price.

Analysing the immediate environs of the Group, it is necessary to point out the rise produced in interest rates, the development of the stock markets and the publication of the new IRPF (Income Tax) law, which has come into force in 2007 and may have an impact on forecast development in the field of the instruments that comprise the additional social security.

On the other hand, the Group has complied with the Ministry of Justice Order of October 8 2001 relating to environmental information, by carrying out a declaration on the part of the administrators confirming that there is no issue that need be included in the document with regard to environmental information. In parallel, as part of its Corporate Social Responsibility strategy, the company is undertaking various projects in the field of reducing the generation of waste and in energy consumption savings.

The Group has 770 employees spread across the network of AgenCaixa assessors and in the team that forms Group Central Services, who design and manage VidaCaixa and SegurCaixa products.

In the future, the Group will continue to focus its efforts on serving the individuals, families, companies and institutions of the country in the field of personal and asset providence, offering new products adapted to changes in society. At the same time, the Group will maintain its desire constantly to improve the quality of the service it provides, permanently analysing the needs of its clients, a hallmark of the group ever since its foundation.

The Group’s Investment Management is based on principles of consistency, profitability, security, liquidity and dispersal. The main financial risks of assets are also considered:

- Market risk, understood as the risk of losses being incurred through holding positions on markets as a result of adverse movements in financial variables such as interest rates, exchange rates, share prices, commodities, etc.

- Credit risk, understood as the risk of incurring losses through a failure on the part of debtors to meet their contractual obligations, or the expansion of the risk premium tied to the financial solvency of such parties.

- Liquidity risk, assumed in the positioning of various assets. It is possible that asset positions may be sold or mobilised at any time.

The implementation of the Group's investment policy is subdivided into its different types of portfolio.

This classification of portfolios is based on the standardisation of the various liabilities to be covered by the Company, and complies with the Regulations on Administration and Supervision of Private Insurance, and the implementation of the Ministerial Order of December 23, 1998. The Ministerial Order of December 23, 1998 has been adapted, modified and updated by the Order EHA/339/2007, of February 16, 2007. These latest modifications came into force on February 21, 2007.

Based on this sub-division, various immunisation techniques are applied. These techniques eliminate risks due to interest rates through appropriate investment in financial assets which cover the technical reserves in terms of time and value.

In distributing assets among portfolios, consideration is also given to all the Group's liquidity needs for each portfolio, this being a fundamental parameter for management purposes.

Management of the Group's credit is determined by strict internal compliance with an operational framework. This operational framework is defined by the Group's directors. It defines the category of assets liable to be incorporated within the various categories of portfolio, using definition parameters such as the main rating scales, periods, counterparts and issue volumes.

The management of investments is structured mainly through cash investments in the various classes of assets on financial markets. Nonetheless, the Group uses various categories of financial derivatives to the following ends:

- To guarantee adequate cover for the risks assumed in whole or in part by the asset portfolio held by the Company.
- As an investment in order to manage the portfolio appropriately.
- Within the framework of an administration policy intended to obtain a certain return.

The Derivatives Management policy is clearly defined in the Operational and Procedural Manual in this area. This explicitly defines the category of products, and the limits of operations and personal distribution of limits for each manager, in addition to the overall risk for each portfolio.

Meanwhile, the Group's Financial Derivatives management policy also covers the use of Counterparts which, as financial institutions subject to the supervision of the governing authorities of the member states of the European Union, have sufficient solvency. Contractually, these positions have an explicit guarantee allowing them to be left without effect at any time during the operation, either through their liquidation or through being ceded to third parties. This liquidation is guaranteed by a commitment on the part of the counterparts to publish the execution prices on a daily basis, together with a clear specification of the method of valuation used.

The Group's Risk Control strategy is based on the implementation by the investment managers of the directives and strategies established by the governing bodies of the Group, and is supplemented by a clear segregation of the functions of Administration, Control and Management of investments. In addition, the Internal Audit unit is responsible for reviewing and guaranteeing compliance with control systems and procedures.

Given the nature of the Group’s business, no Research and Development projects have been carried out.

Over the course of the financial year, the Group performed no operations to acquire its own shares.

Subsequent to the close of the 2006 financial year, no significant effects having an impact on the annual accounts for the year occurred.

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