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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
Criteria CaixaCorp, S.A.	50%
Crisegen Inversiones, 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
Criteria CaixaCorp, S.A.	Corporate	Criteria CaixaCorp, S.A. is a 50% shareholder of CaiFor, S.A. on a direct basis, and is a 100% shareholder of Crisegen Inversiones, S.L.

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
Criteria CaixaCorp, S.A.	Corporate	Criteria CaixaCorp, S.A. is a shareholder of VidaCaixa, S.A. de Seguros y Reaseguros and is Chairperson, as a legal entity, of SegurCaixa, S.A. de Seguros y Reaseguros. Mr. Ricardo Fornesa Ribó is Chairman of Criteria CaixaCorp, S.A., and CaiFor, S.A. Mr. Francisco Reynés Massanet is Managing Director of Criteria CaixaCorp, S.A., a Member of the Board of VidaCaixa, S.A., de Seguros y Reaseguros, a Member of the Board of SegurCaixa, S.A. de Seguros y Reaseguros and a Member of the Board of CaiFor, S.A.
La Caixa d'Estalvis i Pensions de Barcelona, "la Caixa"	Corporate	"la Caixa" holds a 78.3% stake in Criteria CaixaCorp, S.A., that is, in turn, a shareholder of CaiFor, S.A. and VidaCaixa, S.A. Mr. Isidro Fainé Casas is Chairman of "la Caixa" and a Member of the Board of CaiFor, S.A. Mr. Juan María Nin Génova is President and Chief Executive Officer of "la Caixa" and a Member of the Board of CaiFor, S.A. Mr. Tomás Muniesa Arantegui is a Senior Executive Vice-President of "la Caixa", Chief Executive Officer of CaiFor, S.A., Chairman of the Board of VidaCaixa, S.A. and Representative, as an individual, of the Chairperson of the Board of SegurCaixa, S.A. de Seguros y Reaseguros, Criteria CaixaCorp, S.A. Mr. Jordi Mercader Miró and Mr. Manuel Raventós Negra are Deputy Chairmen of "la Caixa" and Members of the Board of CaiFor, S.A. Mr. Javier Godó Muntañola is a Member of the Board of "la Caixa" and CaiFor, S.A.
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 100% share of SegurCaixa directly and indirectly.

On 11th July 2007, Criteria CaixaCorp, S.A., acquired the entire stake that Fortis had in CaiFor, S.A. Once authorisations were obtained from the Directorate General of Insurance, the Directorate General of Pension Funds (DGSFP) and the National Anti-Trust Commission, all the conditions of purchase were deemed to have been met. On 12th November 2007 the purchase was formally made of all the shares Fortis had in CaiFor, S.A., with Criteria CaixaCorp, S.A., directly and indirectly holding 100% of the shares.

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. Isidro Fainé Casas		12.11.2007	Owner director
Mr. Juan M ^a Nin Génova		12.11.2007	Owner director
Mr. Tomás Muniesa Arantegui		12.11.2007	Owner Director & Executive
Mr. Francisco Reynés Massanet		12.11.2007	Owner director
Mr. Juan Antonio Samaranch Torelló		21.12.2007	Owner director
Mr. José Vilarasau Salat		21.12.2007	Owner director
Mr. Jordi Mercader Miró		21.12.2007	Owner director
Mr. Manuel Raventós Negra		05.06.2003	Owner director
Mr. Javier Godó Muntañola		21.12.2007	Owner director
Mr. Miquel Valls Masseda		21.12.2007	Independent

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. Francisco Reynés Massanet	VidaCaixa, S.A. de Seguros y Reaseguros	Board Member
Mr. Francisco Reynés Massanet	SegurCaixa, S.A. de Seguros y Reaseguros	Board Member
Mr. Tomás Muniesa Arantegui	VidaCaixa, S.A. de Seguros y Reaseguros	President
Criteria CaixaCorp, S.A.	SegurCaixa, S.A. de Seguros y Reaseguros	President

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 NO

Maximum years of mandate, with possibility of re-election	6
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B.1.5. Indicate whether the individual and consolidated annual accounts presented for approval by the Board or Administrative Body are previously certified.

YES 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
Sr. Carles 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

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	4
Audit Committee	3

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. Ricardo Fornesa Ribó	Chairman
Mr. Juan M ^a Nin Génova	Member
Mr. Tomás Muniesa Arantegui	Member
Mr. Francisco Reynés Massanet	Member

AUDIT COMMITTEE

Name or Legal Name	Position
Mr. Francisco Reynés Massanet	Chairman
Mr. Manuel Raventós Negra	Member
Mr. Miquel Valls Masseda	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 four (4) 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.2.4. Indicate the number of meetings held by Board of Directors during the year.

Number of meetings	6
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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 Meeting 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.

List of Ordinary and Extraordinary Shareholders Meetings of CaiFor in 2007:

21-06-2007	OSM	Approval of the individual accounts for 2006 and the application of the results. Approval of the consolidated accounts for 2006. Approval of the Management of the Board.
05-10-2007	ESM	Acquisition of the Criteria CaixaCorp S.A., shares for the CaiFor S.A., employees. Financing of the acquisition of the Criteria CaixaCorp S.A., shares by the CaiFor S.A., employees.
12-11-2007	ESM	Resignation of Board Members. Reelection and appointment of Board Members.
21-12-2007	ESM	Resignation of Board Members. Reelection and appointment of Board Members. Modification of article 16 of the Statutes. Establishment of the retribution of the Members of the Board.

OSM: Ordinary Shareholders Meeting.

ESM: Extraordinary Shareholders Meeting.

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>, or accessing the website of CaiFor, S.A. (www.caifor.es), section "El Grupo" followed by the subsection "CaiFor, Informe de Gobierno Corporativo".

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 and there is an independent Board Member.

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."

Except for one, all the Board Members are owner or independent directors, due to the fact that 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 two Owner Directors and one Independent Director.

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 regulates 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.

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 2007 (*):	Amount in euros
1. Audit of CaiFor, S.A. (Individual)	5,609.76
2. Audit of CaiFor, S.A. (Consolidated)	7,178.08
3. Complementary Report (AGSFP)	2,406.77
4. Adaptation to the Spanish New General Accountancy Plan	5,000.00

() In the following detail the amounts paid due to jobs relating to audit or other reviewing reports done to subsidiaries of the CaiFor Group are not included. The total value of these is 352.000 euros.*

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 31st of March 2008.

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.

The detail of the balance of the account "Other financial investments – Combined structures" at 31 December, 2007 is as follows:

Thousands of euros		
Year of maturity	DPV Portfolio	
	31-12-2007	31-12-2006
2007		199,318
2008	71,089	39,478
2009	79,999	73,286
2010	374,162	446,655
2011	48,720	49,018
2012	60,586	56,698
2013	298,378	358,769
2014	130,921	117,832
2015	177,171	169,629
2016	66,847	44,618
2017	61,946	50,132
2018	13,271	13,929
2019	10,060	1,648
2020	27,998	25,284
2021	34,917	21,658
2022	63,150	69,870
2023	16,104	15,395
2024	40,292	79,600
2025	315	310
2026	65,680	75,001
2027	92,299	80,256
2028	167,081	349,635
2029	133,948	142,221
2030	169,533	180,969
2031	159,375	175,696
2032	74,715	69,993
2033	76,671	379,335
2034	296,685	22,635
2035	39,698	3,914
2036	6,758	7,431
2037	112,992	106,722
2038	30,405	20,151
2039	106,733	149,225
2040	714,583	770,084
2041	682,344	712,015
2042	1,606,030	1,742,227
2043	173,990	185,059
2044	100,725	108,783
2045	209,774	236,216
2046	160,882	145,007
2047	58,459	26,371
2055	39,106	28,471
TOTALS	6,854,393	7,550,544

Loans and accounts to be received

The following is the detail of the balances that make up this sub-caption at 31 December, 2007:

	Thousands of euros
	PyCC Portfolio
	31-12-2007
Mortgage loans	1,207
Non-mortgage loans and advance payments on policies:	
Loans to policyholders – financed premiums	177,030
Other non-mortgage loans	8,868
TOTAL	187,105

While the detail existing in the previous financial year is as follows:

	Thousands of euros
	PyCC Portfolio
	31-12-2006
Mortgage loans	1,377
Non-mortgage loans and advance payments on policies:	
Loans to policyholders – financed premiums	229,869
Other non-mortgage loans	8,034
TOTAL	239,280

The maturity dates of the non-mortgage loans the Group maintains at their amortised cost are between 2008 and 2012 and refer to loans the company VidaCaixa conceded to various companies in the framework of the process of externalising commitments for pensions.

The deposits maintained short-term, some of these linked to repurchase agreements, as well as the investments in Treasury letters and repo debt are presented in the consolidated balance under the caption "Cash and cash equivalents" according to their amortised cost. See Note 9.f.

d) Investments and technical reserves of the insurance policyholders who assume the investment risk

The following is the detail of the investments on behalf of insurance policyholders who assume the investment risk, together with their explicit interest accrued and not matured at 31 December, 2007:

	Thousands of euros			
	Financial investments			Total
	Variable income	Fixed income	Investment funds	
Market value (ex-coupon)	35,087	82,102	135,831	253,020
Accrual explicit interest		599		599
Balance 31-12-2007	35,087	82,701	135,831	253,619

The Group reports and classifies the different portfolios and funds of this business according to the typology of investments predominating in these (variable income, fixed income and investment funds). At 31 December, 2007, the details of the asset balance, classified into even groups, are as follows:

Thousands of euros				
	Financial investments			Total
	Fin. Investments in capital	Holdings in Investment funds	Fixed income and other investments	
1. Annual movement				
Balance 31-12-2006	58,229	179,064	93,211	330,504
Deposits through:				
Purchase (ex coupon)	5,406	61,449	46,132	112,987
Accruals			478	478
Revaluations	422	2,012	219	2,653
Disposals through:				
Sales and maturity	26,725	102,342	56,847	185,914
Accruals			384	384
Depreciations	(2,245)	(4,352)	(108)	(6,705)
Balance 31-12-2007	35,087	135,831	82,701	253,619
2. Detail of balance 31-12-2007				
Cost (with coupon)	32,328	130,614	82,834	245,776
Accumulated revaluations	32,120	7,711	178	40,009
Accumulated depreciation	(29,361)	(2,494)	(311)	(32,166)
Balance 31-12-2007	35,087	135,831	82,701	253,619

The movement during the financial year in the accounts of this caption was the following (in thousands of euros):

	CVRR Portfolio			Total
	Variable income	Fixed income	Investment funds	
Net Book Value at 1 January, 2007	58,229	93,211	179,064	330,504
Purchases and accruals	5,406	46,610	61,449	113,465
Sales, accruals and depreciations	(26,725)	(57,231)	(102,342)	(186,298)
Positive revaluations against results	422	219	2,012	2,653
Negative revaluations against results	(2,245)	(108)	(4,352)	(6,705)
Net Book Value at 31 December, 2007	35,087	82,701	135,831	253,619

The positive and negative revaluations of the unit linked business are recorded under the caption "Unrealised capital gains and losses of the investments on behalf of policyholders who assume the investment risk" of the profit and loss account and profits of the Life segment.

While the movement for the 2006 financial year is detailed below (in thousands of euros):

	CVRR Portfolio			Total
	Variable income	Fixed income	Investment funds	
Net Book Value at 1 January, 2006	80,730	148,612	259,096	488,438
Purchases and accruals	11,153	75,706	164,466	251,325
Sales, accruals and depreciations	(40,742)	(129,953)	(250,995)	(421,690)
Positive revaluations against results	7,180	–	6,497	13,677
Negative revaluations against results	(92)	(1,154)	–	(1,246)
Net Book Value at 31 December, 2006	58,229	93,211	179,064	330,504

The various investments linked to the variable income and investment funds are broken down below:

At 31 December, 2007	Thousands of euros
Year	Fixed income securities
2008	25,123
2009	20,370
2010	7,455
2011	5,845
2012	2,988
2013	712
2014	1,714
2015	1,322
2016	2,525
2017	8,358
2021	5,032
2028	23
2032	13
2037	1,062
2059	159
TOTAL	82,701

The following is the same detail by maturity year, with regard to the linked investments at 31 December, 2006:

At 31 December, 2006	Thousands of euros
Year	Fixed income securities
2007	24,198
2008	18,687
2009	17,290
2010	8,956
2011	3,421
2012	622
2013	1,326
2014	1,268
2015	2,335
2016	7,671
2021	5,023
2025	25
2028	25
2032	36
2037	1,821
2040	201
2059	306
TOTAL	93,211

During the financial year, profits and losses were obtained through realising investments linked to the unit linked product for the amount of 16,249 and (4,581) thousand euros respectively, which are included in the caption "Net financial expense income" of the account of results of the Life segment (17,803 and [11,359] thousand euros in 2006).

The Group has life insurance reserves which reflect the reasonable value of the assets at 31 December, 2006 for the amount of 271,847 thousand euros. The equivalence with the linked balances at the same date is shown below:

	Thousands of euros		Thousands of euros
Investment by life insurance policyholders assuming the risk of the investment	253,619	Technical reserves relative to life insurance when risk is assumed by policyholders	271,847
Linked current accounts (*)	16,795		
Other debtor balances with life insurance policyholders assuming the risk of the investment	1,433		
TOTAL	271,847	TOTAL	271,847

(*) Presented in the caption "Cash and cash equivalents" of the consolidated balance.

f) Cash and cash equivalents

At December 31, 2007, the balance of this heading of the balance sheet comprised current accounts in "la Caixa", which were paid at the "Eonia index less 0.25" in the present financial year, as well as current accounts maintained in credit entities outside the Group. The total balance of these current accounts is 443,163, including the accrued, non-matured interest they generated, at 31 December, 2007. The interest

accrued in the 2007 financial year is 111,843 thousand euros and the majority of it is recorded in the caption "Financial interest net of expenses" in the Life segment profit and loss account.

Also included is the balance corresponding to short-term deposits, which includes the deposits contracted with "la Caixa" linked to repurchase agreements, which is 1,922,117 at 31 December, 2007.

Short term deposits contracted in 2007, some of them linked to repurchase agreements, generated income of 81,475 thousand euros with book entry under the caption "Income from financial investments" in the Life segment profit and loss account. The expenses associated to repurchase agreements, which compensate the previous deposits, were 80,676 thousand euros in the same period.

The remainder of the balance of the caption "Cash and cash equivalents" corresponds to short term, repo-type investments.

g) Credits and debts derived from insurance and reinsurance contracts

The following is the detail of the credits and debts derived from insurance and reinsurance contracts at 31 December, 2007 and 2006:

Thousands of euros		
	31-12-2007	31-12-2006
Credits through direct insurance and co-insurance operations		
Insurance policyholders	47,697	40,153
Mediators	46,150	39,158
(Provision for pending premiums)	(5,141)	(6,507)
(Other provisions for insolvencies)	(375)	(558)
Credits through coinsurance operations, cash accounts	18,692	24,391
	107,023	96,637
Credits through reinsurance operations	937	1,434

The receipts for accrued, non-issued premiums are 28,704 thousand euros at 31 December, 2007 and are grouped together under the "insurance policyholders" concept in the above table.

Thousands of euros		
	31-12-2007	31-12-2006
Debts through direct insurance and co-insurance operations		
With policyholders	3,686	4,491
With mediators	42,308	4,455
Conditioned debts	5,322	4,805
Debts through joint insurance operations	4,255	4,880
Preparatory debts of insurance contracts	4,483	-
	60,054	18,631
Debts through reinsurance operations	9,014	2,597

h) Balances in foreign currencies

The balances the Group maintains in foreign currencies basically refer to current accounts, both own accounts and accounts linked to policyholders assuming the investment risk. This other financial activities caption also includes fixed income securities in currencies whose exchange risk is covered with financial swap operations into euros.

The detail in euros at 31 December, 2007 by currency is the following in nominal value:

	Thousands of euros
	31-12-2007
Nominal amount of currency swap:	
Pounds sterling	32,727
Japanese yen	606
US dollars	239,979
TOTAL	273,312

i) 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 2007.

The profits determined according to tax legislation for this consolidated Group are liable to a tax obligation of 32.5% on the tax base in the 2007 financial year. In the tax periods starting from 1 January, 2008, a 30% tax obligation will be applied. See Note 2.h.

The sub-captions "Credits – Tax credits" and "Debts – Tax debts" include the following tax credits and debts at 31 December, 2007 and 2006:

Thousands of euros		
	31-12-2007	31-12-2006
Credits:		
Income Tax receivable for:		
Consolidated Group tax liquidation amount owing (2005 financial year)	–	8,595
Activated deductions	1,048	1,048
Other concepts (withholdings, etc.)	413	287
Total tax credits	1,461	9,930
Debts:		
Income Tax payable for:		
Consolidated Group tax liquidation amount owed (2006 and 2007 financial years respectively)	27,410	15,578
Other concepts (withholdings, VAT, etc.)	11,989	15,089
Tax on insurance premiums	314	–
Insurance Compensation Consortium and other regulatory bodies	9,126	–
Social Security organisations	571	–
Other concepts	1,463	–
Total tax debts	50,873	30,667

The amount owed to CaiFor, S.A., as head of the tax group, by the Public Tax Office at 31 December, 2007, corresponding to the Corporation Tax for the 2007 financial year is 27,410 thousand euros and is entered in the accounts in the caption "Tax debts" of the consolidated balance.

At 31 December, 2007, the Group additionally has anticipated and deferred taxes for the amount of 50,013 and 28,713 thousand euros respectively, recorded under the captions "Assets through deferred taxes" and "Liabilities through deferred taxes." The Group has re-estimated these anticipated and deferred taxes, taking into consideration the tax obligation in force from 1 January, 2008.

At 31 December, 2006, these anticipated and deferred taxes were 48,613 and 31,675 thousand euros respectively and were calculated taking into consideration the tax obligation in force at the time of their realisation or recuperation.

Conciliation of the book and tax results

The following is the detail of the Tax expense of companies reflected in the attached consolidated profit and loss account for the 2007 financial year, for the sum of 80,207 thousand euros:

	2007 financial year
Corporation Tax of the consolidated tax group CaiFor:	79,521
Corporation Tax of other companies not belonging to the consolidated tax group	12
Consolidation and other adjustments	(895)
Adjustments through IFRS application	1,569
Corporation Tax of Consolidated Group	80,207

Within the adjustments through applying the IFRS on the 2006 financial year, an expense is included of 2,465 thousand euros corresponding to the impact of the net regularisation of the anticipated and deferred taxes owned by the Group and which are not related with items recorded by means of the statement of recognised income and expenses (of which 493 thousand euros is attributed to subsidiaries). In the 2007 financial year, it was not necessary to record any amounts in the profit and loss account.

Detailed below is the conciliation between the expense for the corporate income tax resulting from applying the general tax rate in force in Spain to the reported result obtained by the various companies that make up the consolidated tax Group and the expense recorded for said tax:

CaiFor consolidated tax Group	Thousands of euros
	2007 financial year
Locally based taxable income before taxes	360,599
Elimination intra-group dividends	(114,914)
Adjustment recovery intra-group commissions	4,387
AgenCaixa commissions activated in tax year	(3,551)
Taxable income of Group	246,521
Payable value (32.5%)	80,119
Deductions	(598)
Liquid value of Group	79,521

When accounting the amount to pay to the Public Tax Office, the withholdings made have been subtracted, as well as the instalment payments made during the financial year, for an overall amount of 52,111 thousand euros, resulting from the creditor balance to be paid of 27,410 thousand euros.

The following is the detail of the main concepts that generate differences between the criteria of local accounting regulations and the IFRS (in thousands of euros):

	2007 financial year
	Amount
Subtraction of technical reserves through initial adjustments in the mortality tables	2,639
Stabilisation reserve	26
Retraction of financial deposits of capital gains from anticipated sales	(1,198)
Other differences	102
TOTAL	1,569

Taxes charged on the net assets and deferred taxes

In the 2007 and 2006 financial years the Group charged to its consolidated net assets 1,872 and 3,083 thousand euros respectively, corresponding to the part of the financial instruments which, being classified in the caption "Available for sale," are linked to the Group's own funds and in part, to the Non-life business.

The origins of the deferred debtor and creditor taxes owned by the Group at 31 December, 2007 and 2006 are the following:

	Anticipated	
	31-12-2006	31-12-2007
Anticipated taxes recorded under local regulations	8,009	12,068
Anticipated taxes derived from the application of IFRS-EU:	40,604	37,945
Adaptation of the life insurance provision tables	23,908	21,677
Sales of fixed income securities	16,444	16,216
Others	252	52
TOTAL	48,613	50,013

	Deferred	
	31-12-2006	31-12-2007
Anticipated taxes recorded under local regulations	-	-
Anticipated taxes derived from the application of IFRS-EU	31,675	28,713
Stabilization reserve	158	159
Valuation financial instruments at reasonable value	31,517	28,554
TOTAL	31,675	28,713

In addition, below is detailed the movement in the anticipated taxes recorded under local regulations:

Movement anticipated taxes recorded under local regulations	2007 financial year
Anticipated taxes at 31 December, 2006	8,009
Adjustments final liquidation of Corporate Tax of previous financial year	1,564
Accrual differences	225
Interest previous financial years (municipal)	300
Regularisation through change in tax rate	(417)
Expense reserves, premiums pending receipt and others	2,387
Anticipated taxes at 31 December, 2007	12,068

The principal deferred taxes existing at 31 December, 2007 now include the effect of the re-estimation through change in the tax rates from 11 January, 2008.

In the financial year 2005, two properties were sold by the companies VidaCaixa and SegurCaixa. The extraordinary results obtained in the headquarters of the consolidated tax Group which enabled the application of a deduction for reinvestment were 8,346 thousand euros, to which a total deduction of 1,669 thousand euros was applicable. In the tax liquidation of the Corporate Tax corresponding to said financial year, the Group was credited a deduction of 213 thousand euros and the income obtained from this deduction was 1,067 thousand euros. Also in the same 2005 financial year, the Group activated a tax

credit for the deduction of extraordinary profits, for the amount of 1,048 thousand euros. The purchase of the holdings in the company InverVida Consulting, S.L. by CaiFor dated 12 November, 2007 for an amount of 74,398 thousand euros (see Note 3.e) permitted the tax Group to reach the volume of reinvestment necessary to be credited, when the tax liquidation of the Corporate Tax for the 2007 financial year, the total of the amount pending the deduction for reinvestment (1,456 thousand euros).

The nature and amount of the tax incentives applied during the 2007 financial year in the estimation of the liquidation of the Corporate Tax of the CaiFor tax Group are as follows:

Concept	Deductions applied in 2007 financial year
Deduction for double taxation 2007 financial year	546
Deduction for training	18
Deduction for contributions to pension plans	34
TOTAL	598

Financial years subject to tax inspection

According to the current legal dispositions, tax liquidations may not be considered final until they have been inspected by the tax authorities and the prescribed legal periods have passed.

CaiFor and its subsidiaries have the last four financial years open to inspection for all the taxes to which they are subject.

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

j) Other credits and debts

These sub-captions of the consolidated balance sheet at 31 December, 2007 and 2006 are detailed below:

	Thousands of euros	
Social security and others	31-12-2007	31-12-2006
Administration commissions and other commissions to be received	66,349	55,667
"la Caixa" Seviam Campaign	764	–
Debtors by agreements (Writs)	157	–
Various debtors	7,495	27,598
TOTAL	74,765	83,265

	Thousands of euros	
Other debts	31-12-2007	31-12-2006
Debts with associated companies:		
For dividends pending payment	–	87,000
For commissions pending liquidation	6,979	8,596
Creditors for securities	49,153	–
Other pending commissions	5,427	–
Other public entities	–	8,989
Accrued wages and salaries	3,620	3,840
Suppliers	1,616	–
Corporate Tax ITACA and ULISES	730	–
Diverse creditors	4,434	6,630
TOTAL	71,959	115,055

k) Assets attributed to shareholders of the Parent Company

As part of the consolidated financial statements, the Group presents a statement of changes in the consolidated net assets which shows, among others:

- the financial year result derived from the profit and loss account;
- each of the income and expense items of the financial year which, according to the IFRS, have been directly recognised in the net assets;
- the total of revenues and expenses for the financial year (sum of the two above sections), separately showing the total amount attributed to the shareholders of the Parent Company and the subsidiaries;
- the effects of the changes in the accounting policies and of the correction of errors in each of the components of the net assets, where these have occurred;
- the amounts of the transactions that the holders of net asset instruments have carried out in their condition as such, for example the capital contributions, the repurchases of own shares maintained in their own portfolios and the distribution of dividends, showing these last distributions separately;
- the balance of the reserves through accumulated profits at the beginning of the financial year and on the date of the balance, as well as its movements during the year, and
- a conciliation between the book amounts, at the beginning and end of the financial year, for each class of asset contributed and for each class of reserves, separately reporting each movement that occurred in the same.

In addition, the Group separately details all the income and expenses recognised during the financial year, whether through the profit and loss account or directly in the assets. This statement is called the “Statement of recognised income and expenses” and supplements the information provided in the statement of changes in the net assets.

In the 2007 financial year, the Parent Company of the Group made no significant change in its accounting policies, and it was not necessary to correct errors either.

Share capital

The share capital of the Parent Company at 31 December, 2007 is represented by 42,640,122 registered shares, each with a par value of 6.01 euros, fully subscribed and paid-in with identical political and economic rights.

At their meeting of 12 December, 2007, The Board of Directors agreed to request the total payment of the subscribed shares for the amount of 67,500 thousand euros. Criteria CaixaCorp, S.A. (previously Caixa Holding, S.A.) and Crisegen Inversiones, S.L. paid 33,750 thousand euros each on 20 December, 2007. Criteria CaixaCorp, S.A. has a 100% holding in Crisegen Inversiones, S.L.

At 31 December, 2007, Criteria CaixaCorp, S.A. controls 100% of the capital of the Group, by means of direct or indirect holdings. Criteria CaixaCorp, S.A. purchased of the share capital of CaiFor, S.A., which it did not own, from the Fortis Group on 12 November, 2007, once the relevant authorisations had been obtained. See Note 1.

At 31 December, 2007, the shareholders of the Group with a holding equal to or greater than 10% of the subscribed capital are the following (see Note 1):

Shareholders	Percentage holding (%)
Criteria CaixaCorp, S.A. (direct holding)	50.00%
CaixaCorp, S.A. (indirect holding) by means of CRISEGEN INVERSIONES (previously Fortis AG España Invest, S.L.)	50.00%

Reserve

The Statement of changes in the net assets attached to these annual accounts details the balances of the reserves through accumulated profits at the beginning and end of the 2007 financial year, as well as the movements produced during it and a conciliation for each asset type contributed and for each reserve type, separately reporting every movement occurred in these.

The following is the detail of the reserves at 31 December, 2007 and 2006:

	Thousands of euros	
	Balances at 31-12-2007	Balances at 31-12-2006
Legal reserve	50,508	40,758
Voluntary reserves of the Parent Company	861	861
Reserves in fully integrated companies	95,356	90,715
Other reserves through changes in accounting principles	(27,164)	(25,911)
Reserves	119,561	106,423
Adjustments to Assets through valuation and exchange differences	7,065	10,323

Legal reserve

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.

Voluntary reserves of the Parent Company

The balances of these reserves are freely available.

Reserves in fully integrated companies

The breakdown by companies of the balances of reserves in subsidiaries at 31 December, 2007 and 2006, having considered the effect of the consolidation adjustments, is shown below:

Thousands of euros		
	31-12-2007	31-12-2006
Consolidated through global integration		
VidaCaixa	69,309	70,371
SegurCaixa	22,690	17,520
AgenCaixa	2,849	2,348
SegurVida Consulting	508	476
TOTAL	95,356	90,715

The following are the movements experienced in the 2007 financial year:

Reserves of fully consolidated companies	VidaCaixa	SegurCaixa	AgenCaixa	SegurVida Consulting	InverVida Consulting	Total
Balances at 31-12-2006	70,371	17,520	2,348	476	-	90,715
Distribution consolidated result 2006 financial year	85,469	17,854	501	32	-	103,856
Supplementary dividends of the result of the 2005 financial year (paid in 2006)	(21,512)	(2,171)	-	-	-	(23,683)
Dividends and account of 2006 financial year result	(64,000)	(10,543)	-	-	-	(74,543)
Consolidation and other adjustments	(1,019)	30	-	-	-	(989)
TOTALS	69,309	22,690	2,849	508	-	95,356

Other reserves through changes in accounting principles

The first application reserves arising from applying IAS 39 and IFRS 4, of those derived from other regulations, as well as the movement experienced in the financial year of the existing balances at 31 December, 2007 are detailed below:

Thousands of euros				
Other reserves through changes in accounting principles	Derived from IAS 39	Derived from IFRS 4	Derived from other regulations	Total
Initial balance at 1 January, 2006 – First application (see Note 6)	18,532	(43,941)	(502)	(25,911)
Variations	-	-	-	-
Balances at 31-12-2006	18,532	(43,941)	(502)	(25,911)
Variation through consolidation and distribution adjustments	(2,189)	2,782	126	719
Variation through change in tax rate	1,425	(3,358)	(39)	(1,972)
Balances at 31-12-2007	17,768	(44,517)	(415)	(27,164)

Reserves through adjustments of valuation and exchange rate differences – Assets available for sale

This concept principally includes the net amount of those variations in the reasonable value of the financial assets as available for sale which according to Note 4.c.2 must be classified as an integral part of the Group's consolidated assets. These variations are recorded in the consolidated profit and loss account when the sale of the assets in which they originate takes place.

The movements experienced in the 2006 and 2007 financial years in this reserve are detailed in the statement of changes in the net assets and in the statement of recognised income and expenses.

On each closure date, the Group allocates the capital gains net of latent losses corresponding to the financial instruments allocated for the remuneration of the shareholder's funds.

Distribution of results

The following is the proposal for distributing the net profit of the 2007 financial year of the Grupo CaiFor, Sociedad Anónima, which its Board of Directors will submit to the Shareholders' General Assembly for approval:

	Thousands of euros
Distribution	2007 financial year
To legal reserve	745
To voluntary reserves	635
To dividends	113.000
Net profit of financial year	114.380

The distribution of the net profit of the 2006 financial year approved by the Shareholders' General Assembly of the Parent Company held on 21 June, 2007, consisted of assigning 87,751 thousand euros of the result of 97,501 thousand euros to dividends and 9,750 thousand euros to increasing the legal reserves.

Interim and supplementary dividends

The different amounts paid to the shareholders during the 2007 financial year for interim dividends of the 2007 financial year result are detailed below:

Governing Body	Date of agreement	Date of Payment	Dividend type	Per share in Euros	Total in thousands of Euros
Board of Directors	28-08-2007	August 2007	Interim dividend 2007 result	1.36	58,000
Board of Directors	12-12-2007	December 2007	Interim dividend 2007 result	1.29	55,000
					113,000

In addition, the Ordinary General Assembly of the Parent Company held on 21 June, 2007 decided to distribute, as a supplementary dividend of the 2006 financial year result, a total of 751 thousand euros.

The following is the balance sheet of the Parent Company at 31 July, 2007 and 30 November, 2007, which presented the following statements of liquidity (in thousands of euros):

BALANCE OF CAIFOR, S.A.

Closed 31-07-07

ASSETS	
SHAREHOLDERS, UNCALLED SHARE CAPITAL	67,500
TANGIBLE FIXED ASSETS	3
SET-UP COSTS	406
CREDITS TO THIRD PARTIES	48,282
Dividends pending payment (immediate liquidation)	48,276
Others	6
FINANCIAL INVESTMENTS	324,858
Holdings in companies of the Group	283,143
Other financial investments (*)	41,634
Interest accrual	81
CASH IN CASH BOX AND BANKS (*)	466
TOTAL ASSETS	441,515

(*) 41,622 thousand euros with maturity of less than one month.

LIABILITIES	
COMPANY CAPITAL	368,763
Share capital	256,267
Asset reserves	51,369
Result of the period	61,127
Interim dividend	0
DEBTS TO THIRD PARTIES	72,752
Payments pending on shares	72,000
Other creditors	752
TOTAL LIABILITIES	441,515

50% of this dividend was paid to Criteria CaixaCorp, S.A. (previously Caixa Holding, S.A.) and the other 50% to Grupo Fortis on 28 August, 2007.

BALANCE OF CAIFOR, S.A.**Closed 31-11-07**

ASSETS	
SHAREHOLDERS, UNCALLED SHARE CAPITAL (*)	67,500
TANGIBLE FIXED ASSETS	3
SET-UP COSTS	344
CREDITS TO THIRD PARTIES	71,311
Dividends pending payment (immediate liquidation)	52,800
Others	18,511
FINANCIAL INVESTMENTS	357,577
Holdings in companies of the Group	357,541
Other financial investments	12
Interest accrual	24
CASH IN CASH BOX AND BANKS (*)	460
TOTAL ASSETS	497,195

(*) On 12 December, 2007, payment of the pending liability dividends was requested.

LIABILITIES	
COMPANY CAPITAL	363,796
Share capital	256,267
Asset reserves	51,369
Result of the period	114,160
Interim dividend	(58,000)
DEBTS TO THIRD PARTIES	133,399
Payments pending on shares	72,000
Other creditors	61,399
TOTAL LIABILITIES	497,195

50% of this dividend was paid to Criteria CaixaCorp, S.A. (previously Caixa Holding, S.A.) and the other 50% to Crisegen Inversiones, S.L. (previously Fortis AG España Invest, S.L.) on 19 December, 2007.

In accordance with the conditions agreed in the purchase of the shares of CaiFor, S.A. owned by Grupo Fortis, the latter, together with Criteria CaixaCorp, S.A., perceived the first interim dividend of the 2007 financial year result in equal parts. The second interim dividend, as well as the realisation of the pending payment of the shares to be transferred, corresponded entirely to Criteria CaixaCorp, S.A. and Crisegen Inversiones, S.L.

The distribution of dividends carried out in the 2007 financial year fulfils the requirements and limitations established in legal regulations and in the current Company Statutes of the Parent Company.

k) Minority interests

The following is the detail by subsidiaries of the balance of sub-caption "Minority interests" and their movement experienced in the 2007 financial year:

	VidaCaixa	SegurCaixa	AgenCaixa	Agrupación AIE	SegurVida Consulting	Total
Balances at 31-12-2006	63,812	7,782	34	135	139	71,902
Supplementary dividends of the result of the 2006 financial year (paid in 2007)	(3,231)	(302)	–	–	–	(3,533)
Interim dividend of 2007 financial year result	(21,000)	(4,200)	–	–	–	(25,200)
2007 financial year result	26,672	5,149	18	–	11	31,850
Variation adjustments through valuation	(805)	(165)	–	–	–	(970)
Other adjustments	74	(129)	–	–	–	(55)
Acquisition 20% SegurCaixa. See Note 9.a)	–	(8,135)	–	–	–	(8,135)
Balances at 31-12-2007	65,522	–	52	135	150	65,859

The holding of the subsidiaries in VidaCaixa reflects the direct holding of 20% owned by Criteria CaixaCorp, S.A. in that company.

The following are the movements experienced in the 2006 financial year:

	VidaCaixa	SegurCaixa	AgenCaixa	Agrupación AIE	SegurVida Consulting	Total
Balances at 31-12-2006	65,486	6,334	29	135	131	72,115
Supplementary dividends of the result of the 2005 financial year	(5,378)	(558)	–	–	–	(5,936)
Interim dividend of 2006 financial year result	(16,000)	(2,657)	–	–	–	(18,657)
2006 financial year result	20,928	4,498	5	–	8	25,439
Variation adjustments through valuation	(1,224)	165	–	–	–	(1,059)
Balances at 31-12-2007	63,812	7,782	34	135	139	71,902

l) Technical reserves

The movement of these reserves during the financial years 2007 and 2006 was as follows:

2007		Thousands of euros			
Reserves	Balance at 1 January, 2007	Endowments charged to results	Applications with payment to results	Net endowments charged to adjustments through valuation	Balances at December 2005
Technical reserves					
Unconsumed and unearned premiums	91,063	108,787	(91,063)		108,787
Life insurance (*)	17,177,451	16,946,967	(17,177,451)	(753,396)	16,193,571
Claims	230,444	294,863	(230,444)		294,863
Profit-sharing and returns	41,597	46,153	(41,597)		46,153
	17,540,555	17,396,770	(17,540,555)	(753,396)	16,643,374
Technical reserves relative to life insurance when investment risk is assumed by policyholders					
	343,739	271,847	(343,739)		271,847
Share of reinsurance in technical reserves (ceded)					
Unconsumed premium reserves	(6,730)	(7,060)	6,730		(7,060)
Life insurance reserve	(2,112)	(449)	2,112		(449)
Claim reserves	(27,679)	(40,758)	27,679		(40,758)
Others	(384)	(321)	384		(321)
	(36,905)	(48,588)	36,905		(48,588)

(*) Includes 36,361 thousand euros unconsumed premium reserves for the products with coverages shorter than the year.

2006		Thousands of euros			
Reserves	Balance at 1 January, 2006	Endowments charged to results	Applications with payment to results	Net endowments charged to adjustments through valuation	Balances at December 2006
Technical reserves:					
Unconsumed and unearned premiums	79,302	91,063	(79,302)		91,063
Life insurance (*)	18,131,162	18,116,998	(18,131,162)	(939,547)	17,177,451
Claims	196,966	230,444	(196,966)		230,444
Profit-sharing and returns	40,836	41,597	(40,836)		41,597
Others	341	0	(341)		0
	18,448,607	18,480,102	(18,448,607)	(939,547)	17,540,555
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 (ceded):					
Unconsumed premium reserves	(7,019)	(6,730)	7,019		(6,730)
Life insurance reserve	(1,749)	(2,112)	1,749		(2,112)
Claim reserves	(25,853)	(27,679)	25,853		(27,679)
Others		(384)			(384)
	(34,621)	(36,905)	34,621		(36,905)

(*) Includes 69,750 thousand euros unconsumed premium reserves for the products with coverages shorter than the year.

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 2007 was above the insured return. At 31 December, 2007, the Group maintains a supplementary reserve of 53,584 thousand euros, which principally includes the effect of calculating certain mathematical reserves at the maximum rate established by the DGSFP (criterion established in Article 33.1 of the Regulations, which for the 2007 financial year was 2.42%), to this rate but referred to the financial year in which the policies took effect (Article 33.1a 2nd of the RASPI), as well as the internal rate of return derived from certain investments, following the requirements established in the Ministerial Order of 23 December, 1998, where this has been lower than that guaranteed according to the technical note. The endowments of the 2007 financial year charged to the technical life account for these concepts was 31,584 thousand euros.

On 3 October, 2000 a Resolution of the Directorate-General of Insurance and Pension Funds was published, relating to the mortality and survival tables to be used by insurance entities, and the PERM/F-2000P tables were published, which went on to be applied for the new production to be effected from the coming into force of the Resolution (15 October, 2000). Also, for the portfolio of policies in force at that date, use of the PERM/F-2000C tables was enabled. The life insurance reserves maintained by the group include, in its entirety, the impact derived from the application of these tables, which is estimated at 179,153 thousand euros (171,478 euros at 31 December, 2006).

Below is the detail of the technical reserves of the direct business at 31 December, 2007 according to the different businesses included in the Life and Non-life segments:

Thousands of euros							
Reserve at 31-12-07	Non Life					Life	Total
	Multirisk	Automobiles	Accidents and illness	Others	Various		
Technical reserves:							
Unconsumed and unearned premiums	83,835	12,004	3,820	8,394	734	36,361	145,148
Mathematical reserves	-	-	-	-	-	16,157,210	16,157,210
Claims	64,375	3,879	30,213	2,025	1,303	193,068	294,863
Profit-sharing and returns			11,620		106	34,427	46,153
	148,210	15,883	45,653	10,419	2,143	16,421,066	16,643,374

Included under the above concept of mathematical reserves is the amount of the latent capital gains derived from the financial assets classified in the "Available for sale" portfolios which are imputable to the policyholders at the closure date. These deferred capital gains are 376,197 thousand euros at 31 December, 2007 (1,129,593 thousand euros at 31 December, 2006), the movement experienced during the 2007 financial year being as follows:

Deferred holding in profits	Thousands of euros
Balance at 1 January, 2007	1,129,593
Net movement through de-allocation of net latent capital gains charged to the net assets	(753,396)
Balance at 31 December, 2007	376,197

The movement experienced in the previous 2006 financial year is as follows:

Deferred holding in profits	Thousands of euros
Balance at 1 January, 2006	2,069,140
Net movement through de-allocation of net latent capital gains charged to the net assets	(939,547)
Balance at 31 December, 2007	1,129,593

At 31 December, 2006, the amount of the reserve for holdings in deferred-type profits represents a global allocation of 96.8% (98.4% at 31 December, 2006) of the total of the capital gains associated to the Life segment.

The breakdown of the technical reserves of the direct business for the 2006 financial year is as follows:

Thousands of euros							
Reserve at 31-12-06	Non Life					Life	Total
	Multirisk	Automobiles	Accidents and illness	Others	Various		
Technical reserves							
Unconsumed and unearned premiums	79,105	–	3,409	8,262	287	69,750	160,813
Mathematical reserves	–	–	–	–	–	17,107,701	17,107,701
Claims	62,923	–	27,085	1,941	1,606	136,889	230,443
Profit-sharing and returns	–	–	4,802	–	113	36,682	41,597
	142,028		35,296	10,203	2,006	17,351,022	17,540,555

The effect of the reinsurance on the profit and loss account for the financial years 2006 and 2007 was the following:

Thousands of euros		
	2007 financial year	2006 financial year
Premiums imputed to the ceded reinsurance		
Ceded premiums	(22,419)	(32,294)
Change in unconsumed premium reserves	330	(289)
Commissions (*)	1,595	5,952
Cost of the cession	23,815	26,631
Reinsurance loss (*)	27,136	14,852
Total cost of reinsurance	3,321	(11,779)

(*) The commissions and loss of the reinsurance are represented in the profit and loss account netting the sub-captions "Net operating expenses" and "Net reinsurance loss in the financial year" respectively.

m) Reserves for risks and expenses

The balance at 31 December, 2007 basically corresponds to quantities pending payment to the policyholders on implementing the accident liquidation agreements, which total 624 thousand euros.

The Group has no significant claims, judgements or litigation, apart from those pertaining to the insurance business and which, in this case, are in turn duly valued and recognised, wherever applicable, in the claim reserves, which individually involve damages or may affect the consolidated financial statements. Neither are there contingent liabilities that may involve the Group in litigation or involve the imposition of sanctions or penalties of a significant effect, in its assets.

n) Subordinated debt

On 29 December, 2000, VidaCaixa proceeded with the first issue of 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 with 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 throughout the life of the issue, although from 29 December, 2000 until 30 December, 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 value of the same.

On 1 December, 2004, VidaCaixa proceeded with the second issue Subordinated Debt for an amount of 146,000 thousand euros, which is also recorded in the caption "Subordinated Liabilities" of the consolidated balance sheet. The issue comprises 146,000 Subordinated Perpetual Obligations with 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 throughout the life of the issue, although from 1 December, 2004 until 30 December, 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 value of the same.

The obligations are perpetual and are therefore issued for an indefinite time period. 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 31 December, 2007, the amount pending amortisation of the expenses associated to the issues was 6,796 thousand euros (8,201 thousand euros at the close of the previous financial year) and are subtracted from value of the subordinate liabilities. The value of the subordinate liabilities was also corrected by the amount pending amortisation corresponding to the net premium charged through the "collar" which insures the minimum and maximum interest rates during the first 10 years of the issues, which was 595 thousand euros at the close of the 2007 financial year.

In the 2007 financial year, 12,837 thousand euros were recorded as a financial expense derived from these issues (11,688 in 2006), and the quarterly coupons were liquidated applying an interest rate of 4.52% for the first issue (4.43% in 2006) and 4.15% for the second (3.445%). This amount is recorded in the

caption "Net income from investments" of the Life segment profit and loss account, together with 78 thousand euros corresponding to the financial deposits through the premium of the "collar".

n) Information on the insurance contracts according to the primary segments

Composition of the insurance business

The total volume of the premiums issued of the direct insurance and reinsurance accepted during the financial years 2006 and 2007 totalled 1,613,388 thousand euros and 1,719,473 thousand euros respectively.

The following is the detail of the premiums imputed in the 2007 financial year, as well as the other concepts of revenues and expenses with regard to the defined segments and sub-segments:

2007	Thousands of euros						Total
	Non-life Segment					Life Segment	
	Home multirisk	Automobiles	Accidents and illness	Others	Various		
Premiums imputed direct and accepted reins. business (I)	135,582	6,301	86,477	5,302	3,718	1,393,041	1,630,421
Accrued premiums of the direct insurance	140,222	18,756	86,860	5,435	4,215	1,357,900	1,613,388
Change in reserve for premiums pending payment	86	(450)	(17)	(1)	(2)	1,752	1,368
Change in the reserve for unconsumed and unearned premiums of the direct insurance	(4,726)	(12,005)	(366)	(132)	(495)	33,389	15,665
Premiums imputed to the reinsurance (II)	(3,464)	(763)	(2,486)	(2,867)	(2,897)	(9,613)	(22,090)
Total imputed premiums net of reinsurance (I-II)	132,118	5,538	83,991	2,435	821	1,383,428	1,608,331
Other technical income net of expenses (III)	(1,029)	(1,749)	(896)	(27)	(110)	(4,426)	(8,237)
Other technical revenue	–	–	–	–	–	–	–
Other technical expenses	(1,029)	(1,749)	(896)	(27)	(110)	(4,426)	(8,237)
Losses incurred in the period, net of reinsurance (IV)	(67,771)	(7,742)	(47,313)	(1,335)	(1,038)	(2,200,809)	(2,326,008)
Claims paid of the direct and accepted insurance	(66,248)	(2,477)	(46,023)	(1,664)	(1,260)	(2,161,735)	(2,279,407)
Claims paid of the ceded reinsurance	10	–	946	717	1,035	7,279	9,986
Change in the claim reserve of the direct insurance	(280)	(3,879)	(2,202)	(164)	(545)	(57,349)	(64,419)
Change in the claim reserve of the ceded reinsurance	32	–	284	(183)	(149)	13,095	13,079
Expenses imputable to claims	(1,285)	(1,386)	(318)	(41)	(119)	(2,099)	(5,247)
Variation of other technical reserves (V)	–	–	(11,137)	–	826	238,821	228,510
Change in reserve for share in profits and returns	–	–	(11,137)	–	826	(28,505)	(38,816)
Change in other technical reserves (reserves for death, mathematical reserves)	–	–	–	–	–	267,326	267,326
Net operating expenses (VI)	(24,690)	(5,667)	(6,637)	108	(1,024)	(83,217)	(121,127)
Acquisition expenses (commissions and others)	(23,959)	(4,633)	(6,706)	(759)	(1,661)	(64,635)	(102,353)
Administrative expenses	(959)	(1,034)	(495)	(31)	(86)	(20,177)	(22,782)
Commissions and holdings in the ceded reinsurance	228	–	564	898	723	1,595	4,008
Net investment income (VII)	3,228	418	3,328	328	61	807,068	814,431
Financial investment income	4,946	593	3,853	465	99	1,679,603	1,689,559
Administration expenses investments and financial assets	(1,718)	(175)	(525)	(137)	(38)	(868,483)	(871,076)
Unrealised gains and losses from the investments (VIII)						(4,052)	(4,052)
TECHNICAL-FINANCIAL RESULT	41,856	(9,202)	21,336	1,509	(464)	140,865	195,900

The detail presented by the imputed premiums in the 2006 financial year, as well as the other concepts of income and expenses with regard to the main defined segments and sub-segments is as follows:

2006	Thousands of euros						
	Non-life Segment					Life Segment	Total
	Home multirisk	Automobiles	Accidents and illness	Others	Various		
Premiums imputed direct and accepted reins. business (I)	116,949	–	72,263	4,691	2,959	1,507,338	1,704,200
Accrued premiums of the direct insurance	127,932	–	72,844	5,382	2,626	1,510,689	1,719,473
Variation in reserve for premiums pending payment	(82)	–	(7)	–	–	201	112
Change in the reserve for unconsumed and unearned premiums of the direct insurance	(10,901)	–	(574)	(691)	333	(3,552)	(15,385)
Premiums imputed to the reinsurance (II)	(3,134)	–	(6,466)	(2,731)	(2,181)	(18,071)	(32,583)
Total imputed premiums net of reinsurance (I-II)	113,815	–	65,797	1,960	778	1,489,267	1,671,617
Other technical income net of expenses (III)	(2,022)	–	(381)	(177)	(192)	(4,144)	(6,916)
Other technical revenue	–	–	–	–	–	–	–
Other technical expenses	(2,022)	–	(381)	(177)	(192)	(4,144)	(6,916)
Losses incurred in the period, net of reinsurance (IV)	(60,705)	–	(48,414)	(1,301)	(363)	(2,261,625)	(2,372,408)
Claims paid of the direct and accepted insurance	(49,631)	–	(47,951)	(1,262)	(963)	(2,245,467)	(2,345,274)
Claims paid of the ceded reinsurance	56	–	2,577	410	777	4,968	8,788
Change in the claim reserve of the direct insurance	(9,763)	–	(2,005)	(851)	(305)	(20,554)	(33,478)
Change in the claim reserve of the ceded reinsurance	19	–	(746)	526	285	2,126	2,210
Expenses imputable to claims	(1,386)	–	(289)	(124)	(157)	(2,698)	(4,654)
Variation of other technical reserves (V)	–	–	(3,616)	–	75	150,890	147,349
Change in reserve for share in profits and returns	–	–	(3,616)	–	75	(31,284)	(34,825)
Change in other technical reserves (reserves for death, mathematical reserves)	–	–	–	–	–	182,174	182,174
Net operating expenses (VI)	(16,610)	–	(3,443)	75	(713)	(73,648)	(94,339)
Acquisition expenses (commissions and others)	(15,156)	–	(4,661)	(742)	(1,087)	(58,423)	(80,069)
Administrative expenses	(1,728)	–	(458)	(155)	(194)	(21,177)	(23,712)
Commissions and holdings in the ceded reinsurance	274	–	1,676	972	568	5,952	9,442
Net investment income (VII)	2,519	–	1,285	331	136	816,866	821,137
Financial investment income	5,343	–	1,795	632	(1,692)	1,680,150	1,686,228
Administration expenses investments and financial assets	(2,824)	–	(510)	(301)	1,828	(875,714)	(877,521)
Unrealised gains and losses from the investments (VIII)						12,430	12,430
TECHNICAL-FINANCIAL RESULT	36,997	–	11,228	888	(279)	117,606	166,440

The following is the conciliation with the profit and loss account consolidated by segment:

- Premiums imputed net of reinsurance (II – I).
- Losses incurred in the period, net of expenses (IV).
- Variation of other technical reserves (V).
- Net operating expenses (III + VI).
- Net investment income (VII – VIII).
- Unrealised gains and losses from the investments on behalf of policyholders who assume the investment risk (VIII).

The account of results of the caption "Other activities" includes, under the sub-caption "Operating income," the following income concepts:

Operating income – 2007 financial year	Thousands of euros
	Other activities Segment
Pension-fund management earnings	95,024
Amortisation of expenses associated to marketing pension funds	(4,785)
Other expenses	(1,408)
TOTAL	88,831

The following is the detail presented by the operating income of the segment "Other activities" for the 2006 financial year:

Operating income – 2006 financial year	Thousands of euros
	Other activities Segment
Pension-fund management earnings	79,048
Amortisation of expenses associated to marketing pension funds	(2,419)
Other sources of revenue	4,280
TOTAL	80,909

For presentation purposes, the net amount of the operating income of the segment "Other activities" is included, for its net amount, under the caption "Other income net of expenses" in the profit and loss account of the Group. The general expenses that have been distributed according to their application and are associated to the management of the pension funds are recorded in the same segment under the caption "Expenses of other activities" in the profit and loss account by segment. These expenses were 62,859 thousand euros in the 2007 financial year (60,823 thousand euros in the previous year).

Composition of life business by volume of premiums

The composition of life business (direct insurance), by volume of premiums for the financial years 2007 and 2006 is as follows:

Life insurance premiums (direct)	Thousands of euros	
	2007 financial year	2006 financial year
Premiums on individual policies	899,396	824,391
Premiums on group policies	458,504	686,298
	1,357,900	1,510,689
Single premiums	793,930	917,640
Regular premiums	563,970	593,049
	1,357,900	1,510,689
Premiums on policies without profit sharing	830,011	777,487
Premiums on policies with profit sharing	510,070	719,322
Premiums on policies whose risk is assumed by the policyholder	17,819	13,880
	1,357,900	1,510,689

Technical conditions of the principle types of life insurance

The technical conditions of the principal types of life insurance, which represent over 5% of the premiums or reserves of the life branch are as follows:

Type	Type of Coverage	Thousands of euros				Profit sharing			
		Premiums	Provisions reserves at 31-12-2007 (*)	Tables used (*)	Technical interest	Applies? Yes/No	Yes		
							Amount distributed (thousands of euros)	Form of distribution	
PVI	Incomes	209,515	3,309,408	(3)	3.88%	No	–	–	
Pension 2000	Deferred pension	89,720	2,322,128	(1)	5.36%	Yes	12	To reserve	
Savings Plan insured	Entire Life	229,202	402,628	(4)	2.92%	No	–	–	
Libreta Futuro	Deferred Temporary Pension	129,812	656,416	(6)	4.29%	No	–	–	
Group Insurance	Temporary and Lifetime Incomes and Deferred Capitals	499,581	8,273,801	(2)	Variable	Yes	18,176	To reserve	
Seviam	Life insurance for amortisation of loans/credits	148,930	21,425	(7)	2.44%	No	–	–	
Unit Linked	Capitalisation with risk assumed by the policy holder	17,819	268,029	(5)	–	No	–	–	

(*) The specified biometric tables indicated in the Technical Notes are indicated, along with the mathematical reserve derived from applying these tables. In addition, see Note 9.II).

(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 and GK-80 or AR-80 and AK-80 mortality tables, depending on type.

In accordance with the current Regulations on the Administration and Supervision of Private Insurance, the technical interest rate applied to the calculation of the life insurance reserve was as follows:

- a) For the commitments assumed from 1 January, 1999, the subsidiaries used, in the types which have allocated investments (combined), the interest rate of the technical note (derived from the internal rate of return of these investments). For non-combined investments, the interest rate was used that is fixed by the Directorate-General of Insurance and Pension Funds for the 2007 and 2006 financial years (2.42% in both cases) or in turn, the interest rate fixed by this regulating body referring to the financial year of the effective date of the policy, provided that financing duration estimated at the market interest rate of the payments specifically allocated to the contracts is greater than or equal to the financing duration of the payments derived from these according to their probable flows and estimated at the market interest rate.

b) For those assumed before 1 January, 1999, for calculating the mathematical reserves the same technical interest rate is used as for the premium calculation, with the real obtained or expected profitability limit of the investments linked to the coverage of these reserves. As the profitability of these linked investments in the 2007 and 2006 financial years was greater than the established technical interest rate, no supplementary charge was necessary due to insufficient profitability.

Evolution of claims provision

Below is shown the evolution of the technical reserve for Non-life business claims constituted to the different dates for the direct business, according to the occurrence of claims, based on the claims paid and the reserve available for these following the closures:

	Household multirisk		Accidents and illness	
	2005	2006	2005	2006
Originally estimated provision for claims (*)	38,372	48,139	7,931	7,026
Accumulate quantities paid:				
One year later	10,072	9,794	2,581	1,178
Re-estimated reserve:				
One year later	22,606	27,615	4,069	4,563
Accumulated (Deficit) / Surplus In percentage terms	5,694	10,730	1,281	1,285

	Others		Various	
	2005	2006	2005	2006
Originally estimated provision for claims (*)	1,166	1,941	1,440	1,746
Accumulate quantities paid:				
One year later	449	424	637	783
Re-estimated reserve:				
One year later	628	817	1,099	905
Accumulated (Deficit) / Surplus In percentage terms	89	700	(296)	58

(*) Includes the technical reserve for accident liquidation expenses.

Finally, the composition of the staff expenses for the 2006 and 2007 financial years, as well as their allocation in the profit and loss account are shown below:

	Thousands of euros	
	2007 financial year	2006 financial year
Wages and Salaries	30,808	28,672
Social Security	6,246	6,595
Contributions to external pension funds	326	332
Compensation and premiums	451	263
Other staff expenses	3,956	3,127
TOTAL	41,787	38,989

The staff expenses for the 2007 and 2006 financial years include the remuneration of the expenses paid to the sales staff of the AgenCaixa network totalling 16,250 thousand euros (15,834 thousand euros in 2006).

o) Operations with related parties

Below is the detail of the principal transactions effected in the 2007 financial year:

Concept	Thousands of euros		Observations
	Income	Expenses	
Services received and provided			
Commissions		105,632	Marketing of products by "la Caixa"
			Marketing of products by Crossselling
Insurance operations	132,090	–	Premiums for insurance operations with "la Caixa"
Other Revenues	1,138	–	Revenues through insurance services with "la Caixa"
TOTAL	133,228	105,632	

All the significant reciprocal transactions were duly eliminated in the consolidation process.

The same information for the 2006 financial year is shown below:

Concept	Thousands of euros		Observations
	Income	Expenses	
Services received and provided			
Commissions	–	84,477	Marketing of products by "la Caixa"
	–	955	Marketing of products by Crossselling
Insurance operations	165,083	–	Premiums for insurance operations with "la Caixa"
Other Revenues	987	–	Revenues through insurance services with "la Caixa"
TOTAL	166,070	85,432	

The balances at 31 December, 2007 and 2006 with linked entities are broken down in the various notes detailing the assets and liabilities.

p) Other information (includes remunerations and other payments to the Board of Directors and remunerations to the auditors)

Employees

In compliance with that set out in Article 200 of the Rewritten Text on the Law of Joint Stock Companies, modified by the additional provision twenty-six of Law 3/2007 of 22 March, the average number of employees of the Parent Company and subsidiaries during the 2007 and 2006 financial years, distributed by professional category and gender, is as follows:

Professional Category	Number of persons			
	2007 financial year		2006 financial year	
	Men	Women	Men	Women
Directors	15	5	14	5
Department Heads	14	9	15	9
Senior specialised staff	78	85	90	110
Administration and sales staff	147	417	126	373
	254	516	245	497

The average number of employees in the 2007 financial year does not present differences with those shown in the above table.

The Board of Directors of the Company at 31 December, 2007 was made up of 11 directors, all physical persons and male.

Directors' remunerations and other benefits

During the 2007 financial year, the Board of Directors of the Parent Company received remunerations for an overall amount of 1,000 thousand euros, entered in the accounts under the concept "Staff Expenses" of the breakdown previously shown (1,074 thousand euros in 2006).

At 31 December, 2007 there are no advance payments or credits conceded by the Parent Company to the members of the Board of Directors, nor have any obligations been assumed on their behalf as guarantees.

In compliance with article 127 of the Law on Joint Stock Companies introduced by Law 26/2003 of 17 July, which amends Law 24/1988 of 28 July, concerning the Value Market and the Rewritten Text of the Law of Joint Stock Companies. Listed below are the relevant shareholdings (greater than 0.25% of the share capital) and/or posts and functions held by the Company administrators in companies with the same, similar or complementary types of activity to that which is the company object of CaiFor, S.A.:

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.)	–	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.)	2nd Vice-chairman	–	–
	“la Caixa”	3rd Vice-chairman	–	–
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	–	–
Tomás Muniesa Arantegui	RentCaixa, S.A. de Seguros y Reaseguros	Chairman and Director	–	–
	SegurCaixa, S.A. de Seguros y Reaseguros	Physical representative Criteria CaixaCorp, S.A.	–	–
	Adeslas, S.A.	Physical representative Criteria CaixaCorp, S.A.	–	–
	Insurance Compensation Consortium	Board member	–	–
	VidaCaixa, S.A. de Seguros y Reaseguros	Chairman and Director	–	–
Isidro Fainé Casas	“la Caixa”	Chairman	–	–
José Vilarasau Salat	–	–	–	–
Jordi Mercader Miró	Sociedad General de Aguas de Barcelona, S.A. (engaged indirectly in the insurance business through its subsidiary Adeslas, S.A.)	Chairman	–	–
	“la Caixa”	2nd Vice-chairman	–	–
Miquel Valls Masseda	–	–	–	–
Javier Godó Muntañola	Grupo Catalana Occidente, S.A.	–	31,460	–
	INOC, S.A.	–	4,087	–
	“la Caixa”	Board member	–	–
Joan Maria Nin Génova	“la Caixa”	Managing Director	–	–
Francisco Reynés Massanet	VidaCaixa, S.A. de Seguros y Reaseguros	Board member	–	–
	SegurCaixa, S.A. de Seguros y Reaseguros	Board member	–	–
	Adeslas, S.A.	Physical representative Criteria CaixaCorp, S.A.	–	–

Linked Operations

In accordance with that established in Order EHA/3050/2004, of 15 September, it stated that, apart from the dividends received, in the financial year there have been no linked operations carried out with administrators or managers, or assimilated for this purpose, except those which, pertaining to ordinary traffic of the company, have been carried out in normal market conditions and are scarcely relevant.

Remunerations to the auditor

In the 2007 financial year, the fees relating to the auditing of the annual accounts and for other review work provided to the various companies that make up the “Grupo CaiFor, S.A. and subsidiaries” by the principal auditor were 309 and 64 thousand euros respectively (332 and 67 thousand euros in 2006). All

amounts include VAT. During the 2007 and 2006 financial years, neither the auditor nor other entities linked to same billed other services to the above companies. The total fees paid to the principal auditor represent less than 1% of turnover.

Subsequent events

Subsequent to the close of the financial year and until the date of formulation of these accounts, no subsequent events with a significant impact for the Parent Company and its subsidiaries have occurred.

On 14 January, 2008, the Directorate-General of Insurance and Pension Funds notified VidaCaixa of an inspection for the purpose of making the necessary checks on market practices, internal control and any other issues that may be considered appropriate during the visit.

The administrators of the Group do not believe this inspection will have a significant impact on the assets.

10. Explanation added for traslation 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

(CaiFor Group)

MANAGEMENT REPORT FOR THE 2007 FINANCIAL YEAR

In the 2007 financial year, CaiFor, the "la Caixa" Insurance Group and part of the Criteria CaixaCorp holding, made a net consolidated profit of 160.42 million euros –25.06% more than in the previous year. The number of individual customers exceeded 3 million, 6% more than in 2006, while the number of client companies rose to 26,000 – 63% more. The solvency ratio was 1.2 and the efficiency ratio was 20.50%.

CaiFor	2007	2006	% var.
Savings Premiums	1,057,643	1,245,173	-15.06%
Life-Risk Premiums	300,257	265,516	13.08%
Non-life Premiums	255,488	208,784	22.37%
Total Premiums	1,613,388	1,719,473	-6.17%
Total Contributions to pension plans	1,171,566	1,199,564	-2.33%
Total Premiums and Contributions	2,784,954	2,919,037	-4.59%
Total Life and Non-life insurance reserves	16,915,220	17,884,294	-5.42%
Total Consolidated pension plan rights	11,307,165	10,381,029	8.92%
Total Managed resources	28,222,385	28,265,323	-0.15%
Net Result	160,418	128,270	25.06%
Number of Clients	3,093,030	2,914,812	6.11%
Efficiency Ratio	20.50%	20.40%	0.49%
Solvency Ratio	1.2	1.3	-8.73%
Number of employees	742	770	-3.64%

Figures in thousands of euros.

The premiums of the life-risk insurance in the individual and company businesses have risen to 300.3 million euros, 13.08% more than in the previous year, and those of non-life insurance, mainly led by household and accident insurance products, by 22.37%. At this point it is worth mentioning the good performance of the new car insurance product, SegurCaixa Auto, which was launched onto the market in April 2007, and which at the end of the year had over 30,000 cars insured.

In the savings sphere, there has been a drop in endowment life insurance, generated by the current stagnation in the endowment insurance market for companies, and in contributions to individual pension plans, due to the effect the recent Income Tax changes are having on these. Despite this, the managed resources of life and non-life insurance and pension plan clients have been maintained and the Group's total of resources managed reached 28,222.38 million euros. This confirms CaiFor's position as leader in the Spanish Supplementary Social Security market.

The Group has complied with the Ministry of Justice Order of 8 October 2001 relating to environmental information, 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, CaiFor undertakes various projects in the field of reducing the generation of waste and in energy consumption savings.

On the other hand, the possible deceleration of the financial climate is one of the uncertainties the CaiFor Group must confront during 2008. If a slow-down of the economy is confirmed, it must study whether an effect is being produced on the Spanish population's capacity to save or on public consumption, as both these aspects could influence the life and non-life insurance and pension plan sectors. In parallel, the evolution of the global economy could have an impact on both the fixed and variable income financial markets.

To this effect, and as regards the management of the Group's investments, it should be pointed out that this is carried out based on the 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: This is 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 their financial solvency.
- Liquidity Risk: Assumed on the positioning of the various assets, this being the possibility of selling or mobilising the asset positions at any time.

When implementing the investments policy, consideration is also given to all the Group's liquidity needs, this being a fundamental parameter for management purposes. This analysis is supplemented and optimised by the centralisation of the liquidity balances of the different areas of the Group.

Management of the Group's credit is determined by strict internal compliance with an operational framework. This operational framework is approved by the Board of Directors. It defines the category of assets liable to be incorporated within the investments 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 can use 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 Group.
- 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 within the Group is clearly defined in the Operational and Procedural Manual in this area. This 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 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.

As regards the Group exposure to risk, the investments it maintains, with a value of 18,211 million euros, mainly correspond to three asset types:

- 9,387 million euros correspond to fixed income values. At 31 December, 2007, the totality of this portfolio is allocated as an investment portfolio available for sale.
- 6,854 million euros correspond to financial swap operations. The main aim of financial swap operations is to adapt the flows of the investment portfolio to the cash needs of the different affected policies.
- 1,970 million euros correspond to deposits contracted with "la Caixa". These deposits are linked to short-term repurchase agreements.

Finally, within the sphere of the risks the Group confronts, there is also operational risk. All of these are controlled and managed using CaiFor Internal Control systems.

In the future, the Group plans to maintain its current strategy of providing cover for the security and savings needs of Spanish families and companies, using life-risk, endowment, health, accident, household and car insurance products, along with pension plans. CaiFor will also maintain its spirit of continuous improvement in the level of quality of service provided which has typified it since it was founded. At the same time, it expects to maintain the current business activity levels in the sphere of products for companies and groups, especially in the SME and freelance professional sector, as well as in that of new residents.

Subsequent to the close of the 2007 financial year, no significant effects have had an impact on the annual accounts for the year occurred. Also the Group has not maintained own shares during the year. With regard to Research and Development, due to the Group's characteristics, no projects have been carried out, although it is true that it is developing an Innovation Plan which involves all the departments.