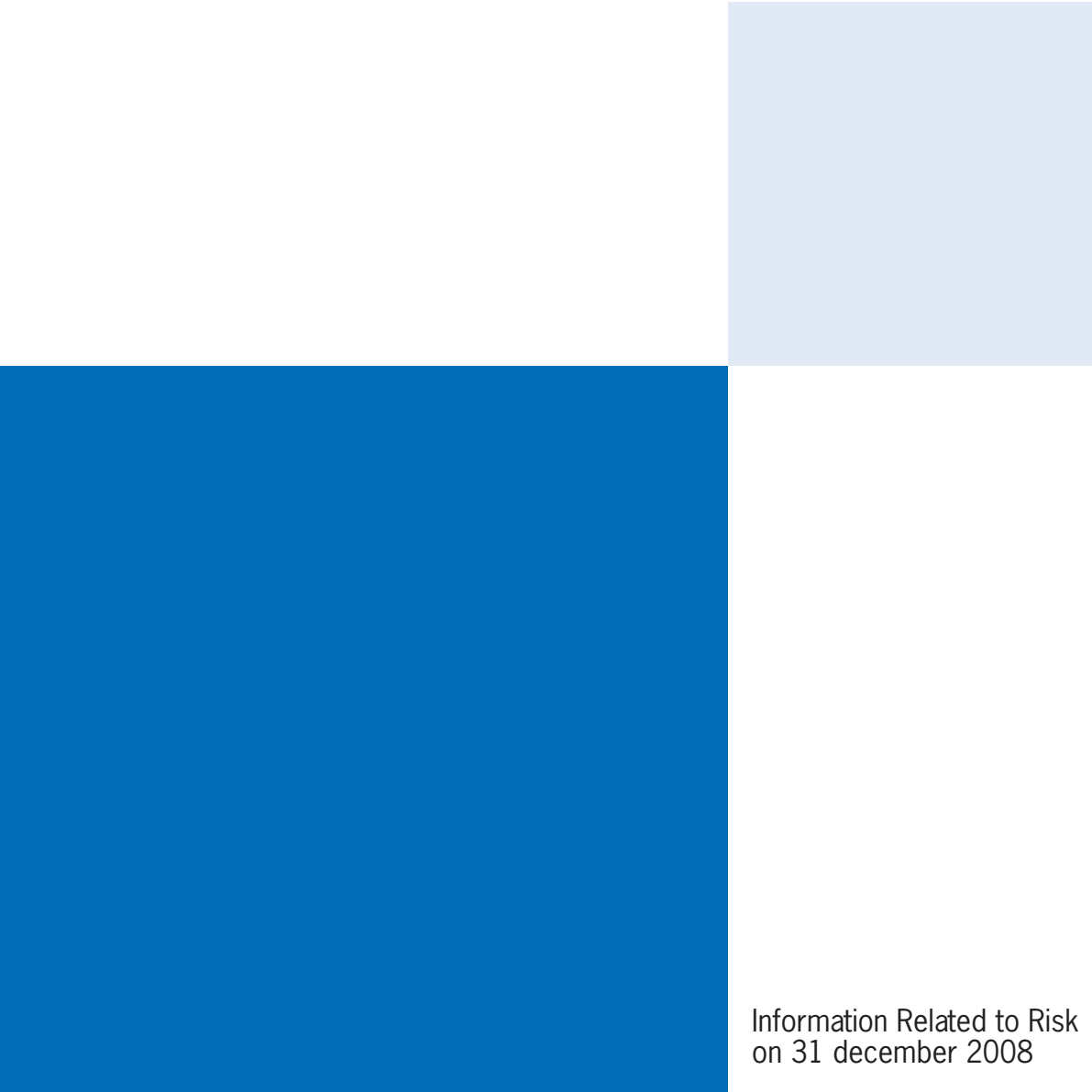




Caixa d'Enginyers





Information Related to Risk
on 31 december 2008

1 GENERAL REQUIREMENTS FOR INFORMATION

- 1.1 Introduction
 - 1.2 Caixa d'Enginyers and Companies that comprise Caixa d'Enginyers Group
 - 1.3 Conceptual definitions and description of the Consolidated Group of Credit Institutions for the Caixa d'Enginyers
 - 1.4 Other General Information
-

2 RISK MANAGEMENT POLICIES AND OBJECTIVES

3 BOOK EQUITY

- 3.1 Summary of the principal definitions and conditions of the items calculated as basic, second tier and supplementary equity
 - 3.2 Equity Amount
-

4 MINIMUM EQUITY REQUIREMENTS

- 4.1 Minimum equity requirements for credit risk
 - 4.2 Minimum equity requirements for counterparty risk, position risk and liquidation of the trading book
 - 4.3 Minimum equity requirements for exchange risk and the position in gold
 - 4.4 Minimum equity requirements for operational risk
 - 4.5 Applied procedures to evaluate sufficient internal capital
-

5 INFORMATION ON CREDIT RISK AND DILUTION

- 5.1 Accounting definitions and description of the methods used to determine corrections due to depreciation
 - 5.2 Credit risk exposure on 31 December 2008 and average exposure during the 2008 fiscal year
 - 5.3 Exposure distribution according to geography and counterparty
 - 5.4 Residual maturity of assets and liabilities
 - 5.5 Depreciated position distribution according to geography and counterparties
 - 5.6 Variations occurring in fiscal year 2008 in losses due to depreciation and in risk provisions and contingent credit risk commitments
 - 5.7 Information on the Consolidated Group's counterparty credit risk
 - 5.7.1 Operations derived from credits
-



6 CREDIT RISK: STANDARD METHOD

- 6.1 Identification of the internal assessment agencies used
 - 6.2 Description of the process of assigning credit assessments of publicly issued stock to comparable assets
 - 6.3 Effect to risk exposure upon applying risk reduction techniques
-

7 SECURISATION OPERATIONS

- 7.1 General information on securitisation operations
 - 7.2 Exposure in securitisation operations and the amount of securitised assets
-

8 INFORMATION ON MARKET RISK OF THE TRADING BOOK

9 METHODOLOGY APPLIED IN CALCULATING THE EQUITY REQUIRMENTS FOR OPERATIONAL RISK

10 INFORMATION ON SHARES AND CAPITAL INSTRUMENTS NOT INCLUDED IN THE TRADING BOOK

- 10.1 Criteria for classification, valuation, and accounting
 - 10.2 Quantitative information
-

11 INTEREST RATE RISK ON POSITIONS NOT INCLUDED IN THE TRADING BOOK

1 GENERAL REQUIREMENTS FOR INFORMATION

1.1 Introduction

The purpose of this report is to comply with the market information requirements for the Consolidated Group Caixa d'Enginyers established in Chapter 11 of Banco de España Circular 3/2008, of May 22 (henceforth referred to as the "Circular on Solvency"). This Circular is the final development, within the area of credit institutions, of the legislation on equity and consolidated base supervision established by Law 13/1985, of 25 May, on investment coefficients, equity and information obligations for financial intermediaries and other standards for the financial system, as well as the Royal Decree 216/2008, of 15 February, regarding financial institutions' equity; these two legislations together constitute the Spanish credit institutions' adoption of the European Parliament and Council's Community Directives 2006/48/CE, on June 14, regarding capital adjustments in investment services companies and credit institutions.

In accordance with the information disclosure policies approved by the Caixa d'Enginyers Board of Directors on 4 June 2009, this report has been compiled annually for the Global Risk Management Department and approved by the General Directors of the Caixa d'Enginyers, after authorisation by the Internal Audit Department.

The specific information required by current regulations to be considered in this report is presented, according to that regulation, in reference to the consolidated annual accounts of Caixa d'Enginyers Group for the 2008 fiscal year, as it is included therein. These consolidated annual accounts can be consulted on the Caixa d'Enginyers website (www.caixa-enginyers.com) and in the Mercantile Registry. In addition, this document "Information Related to Risk" can be viewed on the same website.

1.2 Caixa d'Enginyers and Companies that comprise Caixa d'Enginyers Group

Caixa de Crèdit dels Enginyers, S. Coop. de Crèdit is a credit cooperative constituted on 29 September 1967 and recorded in the Ministry of Labour and Social Security under the number 14,651, code 1698 SMT and in the Banco de España Special Registry of Credit Cooperatives under the number 3,025. It falls under Law 13/1989 of 26 May, partially modified, among others, by Law 20/1990 of 19 December, regarding Tax System for Cooperatives and developed by the Royal Decree 84/1993 of 22 January. Other regulations of a general nature also apply, regulating credit institutions' activities, as well as the supplementary Law on Cooperatives.

Caixa d'Enginyers also holds shares in six companies that undertake activities that are complementary to those of the Caixa d'Enginyers; these constitute Caixa d'Enginyers Group (henceforth the Group) whose key information, starting with those available on 31 December 2008, as well as the activities developed are shown in the following table:

Company name	Registered offices	Corporate Purpose	Shares as of 31/12/08	Share Capital	Reserves	Profit	Share cost
Caixa Enginyers Gestió, SGIIC, SAU	Potosí, 22 08003 Barcelona	Administration and representation of Collective Investment Institutions	100%	1.800	604	84	1.800
Caixa d'Enginyers Pensions, EGFP, SA	Potosí, 22 08003 Barcelona	Administration of Pension Funds	99,99%	902	1.339	171	901
Segurengin, SAU, Corredoria d'Assegurances	Aragó, 141-143, Entlo 08015 Barcelona	Promotion, mediation and preparatory consulting for formalisation of private insurance contracts, between individuals and legal entities for insurance entities as well as later assistance for the policyholder, the insured and the beneficiary	100%	407	1.068	(277)	461
Caixa Enginyers Vida, Companyia d'Assegurances i Reassegurances, SAU	Potosí, 22 08003 Barcelona	Providing insurance and reinsurance for life and all types authorised by current law. Carries out all necessary activities in preparation and complementary or supplementary to private insurance or reinsurance or those that will ultimately be invested in social funds (*)	100%	9.016	161	85	9.016
Consumidors i Usuaris dels Enginyers, S. Coop. C. Ltda.	Potosí, 22 08003 Barcelona	Provision of services and sale of articles and supplies for consumption	Less than 0,01% (**)	533	247	10	(***)
Caixa Enginyers, Operador de Bancassegurances Vinculat, SLU	Potosí, 22 08003 Barcelona	Responding to the financial needs of Partners and third parties through activities undertaken by the credit institutions. With the purpose of carrying out every kind of asset, liability and service operation that are included in banking activity	100%	313	-	119	160
							12.338

Thousands of euro

(*) In the 2006 fiscal year, the Caixa d'Enginyers founded the Societat Caixa Enginyers Vida, Companyia d'Assegurances i Reassegurances, SAU, to develop business in the area of life insurance. During fiscal year 2008, the Company received authorisation from the General Directorate of Insurance to operate as an insurance company.

(**) The Caixa d'Enginyers maintains its minority share in the Cooperativa Consumidors i Usuaris dels Enginyers, S. Coop. C. Ltda. Nevertheless, the members of the Governing Board of said Cooperative Company are also members of the Governing Board of the Caixa d'Enginyers, thus complying with the conditions established in the third standard of Circular 4/2004 in order to be considered as a company that forms part of Caixa d'Enginyers Group.

(***) The current share cost is less than one thousand euro.

1.3 Conceptual definitions and description of the Consolidated Group of Credit Institutions for the Caixa d'Enginyers

According to that laid out in the first and third standards of the Banco de España Circular 4/2004, it is understood that a "Group of credit institutions" is constituted when one institution holds or may hold, directly or indirectly, control of another or other institutions, as long as the leading institution is a credit institution, or counts as its principal activity the holding of shares in one or more credit institutions that are dependent and for those groups which include one or more credit institutions, the leading institution must be the most important of the group.

To this end, the third standard of the Banco de España Circular 4/2004 establishes that an institution is considered to control another when it has the power to decide its financial and operating policies, due to legal regulation, the articles of association or by agreement, with the goal of obtaining financial benefits through its activities. Specifically, it is considered that an institution exercises control, unless proved otherwise, when it, the institution classified as the leading institution, is in a dependent position with another institution, in some of the following situations:

- a) It has the majority of voting rights.
- b) It has the ability to appoint or dismiss the majority of the administrative body members.
- c) It can call upon, due to its agreements with other partners, the majority of voting rights.
- d) Using its voting rights, it has appointed the majority of the executive body members, who hold their position at the time of formulating the consolidated accounts, and for the two fiscal years immediately preceding. Specifically, this circumstance is applicable when the majority of the members of the Board of Directors, or an equivalent body, of the dependent institution are members of the executive body or senior executives of the leading institution or another one dependent on it.

Under these circumstances, there will be no consolidation if the institutions whose executives have been named are connected with another institution, as in those cases detailed in the first two points of this section.

The first standard of the Banco de España Circular 4/2004 defines consolidated groups of credit institutions as those groups or subgroups that must comply with any of the requirements, consolidated or subconsolidated, of the equity established by Law 13/1985, of 25 May, regarding investment coefficients, equity and information requirements for financial intermediaries as well as the procedural standards.

In addition, the second standard of the Banco de España Circular 4/2004 defines a “Consolidated group of credit institutions” as those formed by two or more institutions that are consolidated by their activities, and which are indicated in one of the following circumstances:

- The leading institution is a Spanish credit institution.
- The leading institution is a Spanish institution whose principal activities consists of holding shares in credit institutions, with at least one subsidiary (dependent institution) that is a Spanish credit institution.
- The leading institution is a Spanish institution whose principal activity consists in holding shares in financial institutions (insofar as this activity is not included in the previous paragraph), with at least one of these being a credit institution, and as long as the credit institutions are of greater dimension relative to the participating Spanish financial institutions.
- An individual, a leading institution other than those indicated in the previous points, or a group of individuals or institutions that act together as one, exercise control over various consolidated Spanish institutions through their activity, as long as one of these is a credit institution and that the credit institutions are of greater dimension relative to the participating Spanish financial institutions.

Along the same lines, the second standard Banco de España Circular 3/2008 establishes that an “Institution consolidated by activity” to be the following:

- The Spanish credit institutions registered in the Banco de España’s special Registry.
- The authorised credit institutions of other European Union member states.
- Organisms and companies, public or private, whose activity corresponds to the definition established by article 1º of the Legislative Royal Decree 1298/1986, of 28 June, and are supervised by the competent authorities in those countries.
- Investment services companies in Spain or other EU member states and private or public organisms or companies from other countries whose activity corresponds to the definition in article 62 of Law 24/1988, of 24 July and are supervised by the competent authorities in those countries.
- Investment companies, such as they are defined in article 9 of Law 35/2003, of 4 November, on Collective Investment Institutions.
- Management companies for collective investment institutions, pension funds, mortgage securitisation funds, or asset securitisation funds whose corporate objectives is the administration and management of such funds.
- Venture capital companies and venture capital fund management companies.
- Those institutions whose principal activity is the holding of stocks or shares, understood as those in which half of the institution’s assets are made up of long-term investments in stocks and other kinds of shares, no matter the activity, corporate purpose or statutes of the participating institutions, as long as these are mixed-portfolio financial companies, as defined in article 2.7 of Law 5/2005, under supervision at the financial conglomerate level, and not controlled by a credit institution.
- The institutions, no matter the classification, statutes or nationality, that carry out those activities characteristic of the institutions described in the previous points.
- Instrumental companies, even without being considered financial institutions, whose business implies the continuation of a consolidated financial institution by activity, included in the lease that complies with the definition of financial leasing of the thirteenth standard of Banco de España Circular 4/2004, or consisting fundamentally of the provision of supplementary services to these institutions, such as property holdings or tangible assets, IT service provision, tax services, representation services, mediation or other similar activities.

The information included in this report corresponds to the **Consolidated Group of Credit Institutions**, whose **leading institution** is **Caixa d’Enginyers** (henceforth **“Consolidated Group”** and the **“Company”**, respectively).

Next, we will summarise the main differences regarding consolidation parameters and the various consolidation methods applied to the Consolidated Group, to be presented in this report, and the Economic Group of Caixa d'Enginyers Credit Institutions, defined according to that outlined in the third section of third standard of Banco de España Circular 4/2004 of 22 December:

- In drawing up the consolidated annual accounts for Caixa d'Enginyers Group, all the dependent companies were consolidated applying the method of global integration, regardless of whether these fulfilled the requirements to be considered as consolidated by activity.
- Nevertheless, due to the application of solvency requirements, the consolidated information for the Consolidated Group was only consolidated in part through the application of the global integration method, as defined by the Banco de España Circular 4/2004, of 22 December, on those dependent companies that are “institutions consolidated by activity” in accordance with that detailed in the second standard of the Circular on Solvency. On the other hand, those Group institutions “not consolidated by activity” were evaluated applying the “share method” as defined by standard 49 in the Banco de España Circular 4/2004.

In accordance with other previously indicated criteria, below is the list, as of 31 December 2008, of the companies that dependent on the **Consolidated Group** to which the global integration method has been applied in order to obtain the consolidated information:

Registered Name
Caixa Enginyers Gestió, SGIC, SAU
Caixa d'Enginyers Pensions, EGFP, SA
Segurengin, SAU, Corredoria d'Assegurances
Caixa Enginyers, Operador de Bancassegurances Vinculat, SLU
Consumidors i Usuaris dels Enginyers, S. Coop. C. Ltda.

Next is the list of shares the Consolidated Group owns on 31 December 2008, belonging to its economic group, as defined in Banco de España Circular 4/2004, that have been deducted directly from the equity of the stated Consolidated Group in order to calculate the minimum equity requirements, according to that laid out in standards nine and ten of the Circular on Solvency:

Registered Name
Caixa Enginyers Vida, Companyia d'Assegurances i Reassegurances, SAU

1.4 Other General Information

On 31 December 2008, there were no impediments of a material, practical or legal nature to the immediate transfer of shareholders' equity or to the reimbursement of liabilities among the institutions dependent on the Consolidated Group and the Company, nor any evidence that such impediments could arise in the future.

In addition to the minimum equity requirements to which the Consolidated Group is subject, there are various institutions in the Consolidated Group that are subject to individual equity requirements. On 31 December 2008, the above-mentioned institutions complied with the equity requirements at the individual level established by the various applicable regulations.

In addition, according to that established by the fifth standard of the Circular on Solvency, the credit institutions included in the Consolidated Group must comply individually, and as is the case, according to subconsolidation, with the necessary minimum equity requirements for credit risk and dilution, for counterparty risk, position or liquidation of the trading book, for exchange risk, the position in gold, and operational risk; likewise they must comply with the internal corporate governance requisites and limits on concentration of significant risks, unless Banco de España, upon joint request by the institution and its parent company, removes said obligations due to compliance with the requirements established by section two of the aforementioned fifth standard of the Circular on Solvency.

2 RISK MANAGEMENT POLICIES AND OBJECTIVES

Information regarding policies and objectives of risk management that are required by the Circular on Solvency to be made available to the market can be consulted in the Notes 1.7 and 27 to 30 of the Consolidated Report that includes the consolidated annual reports of Caixa d'Enginyers Group for fiscal year 2008, found in the sixth chapter of the Annual Report published on the Company's website. In addition, in the Risk Management section in the Management Report forming part of the first chapter of the aforementioned Caixa d'Enginyers Group Annual Report, the policies and objectives the Company has implemented regarding risk management are thoroughly explained.

3 BOOK EQUITY

3.1 Summary of the principal definitions and conditions of the items calculated as basic, second tier and supplementary equity

In the calculations of the minimum equity requirements, the Consolidated Group defines its basic equity using the corresponding items, and their deductions, according to the eleventh standard of the Circular on Solvency.

The basic equity is defined as components of the equity that can be utilised immediately and without restrictions to cover risks or losses when they occur; this quantity is recorded free of any possible tax at the moment it is calculated. These items demonstrate stability and continuity in the long-term, a priori greater than second tier equity, which is explained below. As indicated in the following section, 3.2, the basic equity of the Consolidated Group on 31 December 2008 is essentially formed by initial funds from the Company and the explicit and effective reserves.

For its part, second tier equity is defined according to the eleventh standard of the Circular on Solvency, with the limits and deductions established in that standard. This equity, if adjusted to the definition of equity established by current legislation, implies, a priori, a lower volatility or a degree of permanence than those items considered as basic equity.

As detailed in the following section 3.2, on 31 December 2008, the Consolidated Group's second tier equity comprises the revalorised asset reserves and the generic cover for exposure to insolvency risk, calculated using the standard method defined in the Circular on Solvency.

The details of each of the items constituting the Company's equity can be consulted in Notes 20 to 23 in the Consolidated Report, part of the consolidated annual accounts of Caixa d'Enginyers Group for fiscal year 2008, found in the sixth chapter of the Annual Report published on the Company's website.

3.2 Equity Amount

Detailed below is the Consolidated Group's equity on 31 December 2008, with each component and deduction indicated, and itemisation of the basic equity, as well of second tier and supplementary equity:

Item	Amount	
1	Items included as basic equity (I)	77.359
1.1	Eligible capital:	36.913
1.1.1	Provision fund	—
1.1.2	Other instruments considered as capital	36.913
1.2	Eligible reserves:	44.342
1.2.1	Reserves	45.697
	Of which, in exchange rates	
1.2.2	Minority interests	719
1.2.3	Fiscal year profits	2.715
1.2.4 a	(Unaudited fiscal year losses)	—
1.2.4 b	Fiscal year profits to be applied to reserves or current fiscal year losses	—
1.2.5	(Net earnings generated applying future income from from stock transactions)	—
1.2.6	Valuation adjustments considered as basic equity	(4.789)
1.3	Other basic equity according to national legislation	—
1.4	(Other deductions to basic equity):	(3.896)
1.4.1	(Intangible assets)	(3.896)
1.4.2	(Excess on limits for non-innovative instruments)	—
1.4.3	(Excess on limits for innovative instruments)	—
1.4.4	(Other deductions from the basic equity)	—
2	Items included as second tier equity (II)	8.876
2.1	Principal second tier equity:	8.876
2.1.1	Excess on limits for basic equity transferred to principal second tier equity	—
2.1.2	Correction on valuation adjustments for basic equity transferred to principal second tier equity	—
2.1.3	Regularisation of reserves, readjustment or revalorisation of assets	1.816

Thousands of euro

Item	Amount
2.1.4 Other items	7.060
2.1.4.1 Generic cover under the standard method for exposure	7.060
2.1.4.2 Generic cover under IRB method for exposure	—
2.1.4.3 Other	—
2.1.5 Subordinate financing for indefinite periods and similar instruments	—
2.1.6 Positive amounts resulting from IRB method of comparison between valuation adjustments for asset depreciation and provisions for expected losses	—
2.1.7 Principal second tier equity according to national legislation:	—
2.1.7.1 Correction of minority interests related to revaloured reserves transferred to principal second tier equity	—
2.1.7.2 Correction of minority interests related to non-voting stock and preferential stock adapted to subordinate financing for an indefinite period and transferred to principal second tier equity	—
2.1.7.3 Other corrections to minority interests transferred to principal second tier equity	—
2.1.7.4 Savings Banks funds for social projects	—
2.2 Additional second tier equity:	—
2.2.1 Accumulative preferential stocks with a specific maturity period	—
2.2.2 Standard subordinate financing and similar instruments	—
2.2.3 Additional second tier equity according to national legislation	—
2.2.3.1 Correction to minority interests related to preferential stock adapted to standard subordinate financing transferred to additional second tier equity	—
2.2.3.2 Other corrections to minority interests transferred to additional second tier equity	—
2.2.4 (Excess on limits for additional second tier equity)	—
Which: results in temporary extension of the limits for additional second tier equity	—
2.3 (Deduction of the second tier equity)	—
2.3.1 (Excess on limits for second tier equity)	—
Which: results in temporary extension of the limits for additional second tier equity	—
2.3.2 Other deductions to second tier equity in accordance with national legislation	—
3 Deductions to basic and second tier equity	(9.101)
Of which:	
Basic equity (III)	(9.101)
Second tier equity (IV)	—
3.1 Shares in non-consolidated financial institutions, holding a least a 10% interest of capital	—
3.2 Subordinate financing and other values calculated as equity for non-consolidated financial institutions, holding at least a 10% interest of capital	—
3.3 Excess of shares, subordinate financing and other values calculated as equity for non-consolidated financial institutions other than those included in the two previous points regarding 10% of the institution's equity	—
3.4 Shares in insurance companies and similar, holding at least a 20% interest of capital	(9.101)
3.5 Subordinate financing or other values calculated for insurance companies or similar in which the "Company" holds at least a 20% interest	—
3.6 Deductions of equity and second tier equity according to national legislation	—
3.7 Specific exposure to securitizations not included in the equity requirements	—
3.8 Expected losses due to exposure to variable income under the IRB method and negative amounts resulting from comparison of the IRB method between value corrections for asset depreciation and provisions for expected losses	—
3.9 Excess of shares in non-financial institutions	—
3.10 Operations incomplete after 5 business days beginning the date of the second payment or upon contractual delivery	—
3.11 Other deductions from basic and second tier equity according to national legislation	—
4 Total basic equity under general solvency (I-III)	68.258

Thousands of euro

Item	Amount	
5	Total second tier equity under general solvency (II+IV)	8.876
6	Total basic and second tier equity	77.134
7	Supplementary equity	—
7.1	Excess on limits for second tier equity transferred to supplementary equity for the cover of price and exchange rate risks	—
7.2	Subordinate financing in the short term	—
7.3	(Excess on limits for supplementary equity for the cover of price and market risks)	—
8	Total equity	77.134
9	Deductions from total equity	—
10	Total equity after total deductions	77.134

Thousands of euro

4 REQUIREMENTS FOR MINIMUM EQUITY

4.1 Requirements for minimum equity for credit risk

Herein is the amount for the minimum equity requirements for the Consolidated Group for the purposes of credit risk, on 31 December 2008, calculated, in each of the categories using the standard method, as 8% of the exposure considered for risk:

Risk category (*)	Equity requirements
Central administrations and banks	—
Regional administrations and local authorities	—
Public sector institutions and non-profit organisations	—
Multilateral development banks	—
International organisations	—
Institutions	1.248
Companies	13.267
Retailers	5.024
Exposure implicated by real estate property	29.665
Exposure in instance of default	397
Exposure to high risk	1.038
Guaranteed bonds	—
Positions in securitisations	4.158
Short-term exposure with regard to institutions and companies	375
Exposure with regard to collective investment institutions	705
Additional exposure	1.427
Total requirements for credit risk calculated using the standard method	57.304

Thousands of euro

(*) The items included in each of these categories are adjusted to the regulation of the Banco de España's Circular on Solvency.

4.2 Minimum equity requirements for counterparty risk, position risk and liquidation of the trading book

According to that established by standard 82.2 of the Circular on Solvency, on 31 December 2008, the Consolidated Group is not subject to minimum equity requirements for risk related to the trading book.

It should be stated that according to the calculation of own resource requirements associated with the trading book, the Consolidated Group thus considers those positions in financial instruments and commodities maintained for purposes of negotiating or serving as covers for items of said trading book.

4.3 Minimum equity requirements for exchange risk and the position in gold

Pursuant to that established by standard 81.1 in the Circular on Solvency, on 31 December 2008, the Consolidated Group's equity requirements for exchange risk and the position in gold is considered null, as it did not surpass 2% of the total book equity.

4.4 Minimum equity requirements for operational risk

On 31 December 2008, the Consolidated Group's minimum equity requirements for operational risk increased to 5,784 thousand euros. These requirements were calculated using the Basic Indicator Method, that is, applying a weighted coefficient of 15% to the product mean for the relevant income from the profit and loss account in the last three fiscal years. There are no relevant aspects that could indicate the assignation of additional capital.

4.5 Applied procedures to evaluate sufficient internal capital

Pursuant to that established in the Circular de Solvency, the Consolidated Group applies a series of procedures for identification, mediation and accumulation of risks that, in addition to the maintenance of the minimum equity that is indicated in the previous sections of this chapter, allows it to define and uphold a level of equity (the "Equity goal") in light of the risks inherent to its activity, the economic climate, the applied systems for risk management and control, the governing mechanisms available, the business strategy, as well as the concrete possibility of gaining greater equity or, equally, carry out an evaluation of the internal capital, both at the moment and by projecting into the future based on planification.

To evaluate its internal capital, the Consolidated Group applies the following procedures based on each one of its risks:

- Evaluation of capital needs for credit risk: To evaluate the capital needs for credit risk, the standard method established in the Circular on Solvency was applied to calculate the requirements for the minimum equity in function of this risk, which on 31 December 2008, increased to 57,304 thousand euros (see the corresponding list in section 4.1 of this report).
- Evaluation of capital needs for credit concentration risk: To evaluate the capital needs for credit concentration risk, a simplified option was used, applying the sector and individual rates of concentration as established by the Banco de España. On 31 December 2008, the Consolidated Group's requirements for minimum equity for credit concentration risk increased to 3,438 thousand euros
- Evaluation of the capital needs for market risk: to evaluate the capital needs for market risk, the standard methods as established by the Circular on Solvency were applied to estimate the minimum equity requirements associated with this risk. However, on 31 December 2008, these requirements, as indicated in section 4.2 of this report, are considered to be null.
- Evaluation of capital needs for operational risk: To evaluate the capital needs for operational risk the Basic Indicator Method established by the Circular on Solvency was applied, resulting in a required minimum equity for operational risk for the Consolidated Group, on 31 December 2008, of 5,784 thousand euros, as indicated in section 4.4 of this report.
- Evaluation of capital needs for balance sheet structural interest rate risk: To evaluate the capital needs associated with this risk, the simplified option was applied. According to this calculation, on 31 December 2008, there is no additional allocation of capital for this risk.
- Evaluation of capital needs for liquidity risk: Upon analysing the liquidity policies, liquidity oversight systems and contingency plans, which demonstrated that the Consolidated Group maintains an adequate degree of liquidity, as well as monitoring its liquidity position and long-term financing strategies, it was deemed unnecessary, on 31 December 2008, to allocate additional capital to cover this risk.
- Evaluation of the capital needs for other risks: the capital needs associated with risks other than those above were estimated, using the simplified option to be 5% of the total required equity for the Consolidated Group, according to the norms of the Circular on Solvency. On 31 December 2008, the capital needs for other risks reached 3,237 thousand euros.

The total capital needed by the Consolidated Group is estimated by an aggregate of the capital needs for each risk, calculated according to the methods previously described.

In addition, in order to implement appropriate planning for the Consolidated Group's future capital needs, corresponding projections were created related to earnings and allocation to reserves and the Education and Promotion Fund, as well as to use of capital generated from estimated activity growth.

In terms of solvency management, the Consolidated Group also elaborated these projections for different stress scenarios, evaluating the impact on capital use and earnings generation. In addition, following the recommendations offered by Guia PAC, the Consolidated Group has additionally allocated 10% of its total required minimum equity to the capital requirements associated with these stress scenarios.

5 INFORMATION ON CREDIT RISK AND DILUTION

5.1 Accounting definitions and description of the methods used to determine corrections due to depreciation

In Note 2.9 of the Consolidated Report, part of Caixa d'Enginyers Group's consolidated annual accounts for fiscal year 2008, included in chapter six of the Annual Report published on the Company's website, the definition for "depreciated positions" is explained, as it is used in various sections of this report. Also, the same Note describes the methods used by the Caixa d'Enginyers Group to determine provisions for depreciation due to credit risk and those provisions created for contingent risks and commitments associated with the initial risk.

5.2 Credit risk exposure on 31 December 2008 and average exposure during the 2008 fiscal year

The total value of the Consolidated Group's exposure to credit risk, the net value of the corresponding adjustments and corrections due to asset depreciation, determined according to the standard method established in the Circular on Solvency, on 31 December 2008, reached 1,758,201 thousand euros.

Below is the average for the 2008 fiscal year of the exposure to credit risk, the net value with adjustments and losses for accounted depreciation, to which the standard method to determine the required equity for credit risk and dilution were applied.

Type of Risk	Average amount for exposure
Central administrations and banks	53.413
Regional administrations and local authorities	9.376
Public sector institutions and non-profit organisations	20.207
Multilateral development banks	—
International organisations	—
Credit institutions and investment services companies	141.833
Companies	84.831
Retailers	234.881
Exposure implicated by real estate property	1.042.512
Exposure in instance of default	4.453
Exposure to high risk	517
Guaranteed bonds	—
Positions in securitisations	103.474
Short-term exposure with regard to institutions and companies	26.100
Exposure with regard to collective investment institutions	9.710
Additional exposure	23.633
Average exposure for fiscal year 2008	1.754.940

Thousands of euro

5.3 Exposure distribution according to geography and counterparty

Below is the list, on 31 December 2008, of the Consolidated Group's exposure to credit risk, the net value with adjustments and corrections for asset depreciation, determined according to the standard method established in the Circular on Solvency, broken down by geographic area:

Geographic Area	Amount of exposure
Spain	1.694.206
Other countries in the European Union	25.013
Rest of Europe	16.219
United States	22.763
Exposure as of 31 December 2008	1.758.201

Thousands of euro

Following is the distribution of the Consolidated Group's exposure to credit risk, on 31 December 2008, according to category of counterparty, the net value with adjustments and corrections for asset depreciation, determined according to the standard method established in the Circular on Solvency:

Type of Risk	Amount of exposure
Central administrations and banks	52.290
Regional administrations and local authorities	11.945
Public sector institutions and non-profit organisations	20.968
Multilateral development banks	—
International organisations	—
Credit institutions and investment services companies	118.117
Companies	82.223
Retailers	234.771
Individuals	152.642
Small and medium-sized enterprises	82.129
Exposure implicated by real estate property. Of which:	1.090.947
Individuals	1.020.268
Small and medium-sized enterprises	27.077
Companies	43.602
Exposure in instance of default	5.252
Exposure to high risk	1.038
Guaranteed bonds	—
Positions in securitisations	85.156
Short-term exposure with regard to institutions and companies	25.618
Exposure with regard to collective investment institutions	8.810
Additional exposure	21.066
Exposure on 31 December 2008	1.758.201

Thousands of euro

5.4 Residual maturity of exposure

Following is the distribution by residual maturity term of the Consolidated Group's exposure to credit risk, on 31 December 2008, the net value with adjustments and corrections for asset depreciation, determined according to the standard method established in the Circular on Solvency:

Type of Risk	Residual maturity term as of 31 December 2008					Total
	Immediate	Up to 3 months	Between 3 months and 1 year	Between 1 and 5 years	More than five years	
Central administrations and banks	27.564	6.482	3.727	14.517	—	52.290
Regional administrations and local authorities	—	10.950	995	—	—	11.945
Public sector institutions and non-profit organisations	—	20.968	—	—	—	20.968
Multilateral development banks	—	—	—	—	—	—
International organisations	—	—	—	—	—	—
Credit institutions and investment services companies	2.027	15.421	27.667	73.002	—	118.117
Companies	751	1.976	1.468	8.474	69.554	82.223
Retailers	2.144	5.641	4.192	24.196	198.598	234.771
Exposure implicated by real estate property	—	2.909	13.076	85.296	989.666	1.090.947
Exposure in instance of default	5.252	—	—	—	—	5.252
Exposure to high risk	—	—	—	—	1.038	1.038
Guaranteed bonds	—	—	—	—	—	—
Positions in securitisations	—	227	1.021	6.658	77.250	85.156
Short-term exposure with regard to institutions and companies	17.925	7.693	—	—	—	25.618
Exposure with regard to collective investment institutions	—	—	—	—	8.810	8.810
Additional exposure	—	21.066	—	—	—	21.066
Exposure on 31 December 2008	55.663	93.333	52.146	212.143	1.344.916	1.758.201

5.5 Depreciated position distribution according to geography and counterparties

Exposure depreciated by counterparty

Below is the value of depreciated exposures and those that are found in instance of arrears on 31 December 2008, itemised by counterparty and determined using the standard method established by the Circular on Solvency, together with the losses due to depreciation and the provisions for contingent risks and commitments for the same date, as well as the losses due to depreciation and provisions for contingent risks and commitments taken into account in net terms for the fiscal year 2008:

Counterparty	Depreciated exposure (*)	Exposure in instance of default	Losses due to depreciation and provisions for contingent risks and commitments	Loss allocations due to depreciation and the contingent risks and commitments of the fiscal year (net)
Central administrations and banks	—	—	—	—
Regional administrations and local authorities	—	—	—	—
Public sector institutions and non-profit organisations	—	—	—	—
Multilateral development banks	—	—	—	—
International organisations	—	—	—	—
Credit institutions and investment services companies	2.027	2.027	1.416	1.416
Companies	82.957	1	997	158
Retailers	236.937	1.960	1.620	1.237
Exposure implicated by real estate property	1.099.841	4.842	4.536	647
Exposure to high risk	1.959	—	921	—
Guaranteed bonds. Of which:	—	—	—	—
Central administrations and banks	—	—	—	—
Regional administrations and local authorities	—	—	—	—
Public sector institutions and non-profit organisations	—	—	—	—
Multilateral development banks	—	—	—	—
International organisations	—	—	—	—
Credit institutions and investment services companies	—	—	—	—
Real estate	—	—	—	—
Vehicles for securitisation of assets	—	—	—	—
Positions in securitisations	85.706	20	550	—
Short-term exposure with regard to institutions and companies	—	—	—	—
Credit institutions and other companies and investment services	—	—	—	—
Companies	—	—	—	—
Exposure with regard to collective investment institutions	—	—	—	—
Additional exposure	—	—	—	—
Amount on 31 December 2008	1.509.427	8.850	10.040	3.458

(*) Includes all those entries related to the allocation of depreciated provisions (specific or general) and the operations in arrears.

Exposure depreciated by geographic area

Below is the value of depreciated exposures and those that are found in instance of arrears on 31 December 2008, itemised by relevant geographic area and determined using the standard method established by the Circular on Solvency, together with the losses due to depreciation and provisions for contingent risks and commitments related to these:

Geographic Area	Depreciated exposure (*)	Exposure in instance of default	Losses due to depreciation and provisions for contingent risks and commitments
Spain	1.443.364	6.782	8.499
Other countries in the European Union	25.050	37	96
Rest of Europe	16.223	4	5
United States	24.790	2.027	1.440
Amount as of 31 December 2008	1.509.427	8.850	10.040

Thousands of euro

(*) Includes those positions subject to the appropriation of provisions for depreciation (specific or generic) and transactions in arrears.

5.6 Variations occurring in fiscal year 2008 in losses due to depreciation and in risk provisions and contingent credit risk commitments

Variations occurring in fiscal year 2008 in losses caused by depreciation due to credit risk entered into the accounts by Caixa d'Enginyers Group, and in the risk provisions and contingent credit risk commitments, are adjusted to that stipulated in Circular 4/2004 of the Banco de España, in the type of losses and provisions represented as well as in the methodology applied for their calculation (see foregoing Section 5.1 of this report).

Additionally, in Notes 8 to 10 of the Consolidated Report of the consolidated annual reports of Caixa d'Enginyers Group for fiscal year 2008, included in Chapter six of the Annual Report published on the website of the Bank, there is a list of the modifications carried out in fiscal year 2008 to the value adjustments due to the depreciation of assets and to the risk provisions and contingent commitments relating to credit risk. Lastly, in Note 9.5 of the aforementioned Report, there is a list of the information regarding the financial assets removed from the balance sheet due to their depreciation.

5.7 Information on the Consolidated Group's counterparty credit risk

Counterparty credit risk is considered credit risk incurred by the Consolidated Group in the transactions that it carries out with financial derivative instruments and in transactions with repurchase agreements, of securities lending or commodities, in those of deferred settlement and in those of guarantee financing.

Below is the information regarding the credit risk of the Consolidated Group to the counterparty risk due to its operations in derivatives on 31 December 2008, estimated as the amount of credit risk of the Consolidated Group due to these financial instruments, clear of the effects of the corresponding contractual netting agreements and of the guarantees received from the counterparties of the operations:

Positive Fair Value of the contracts	213.776
Minus: Effect of netting agreements	—
Credit risk after netting	213.776
Minus: Effect of received guarantees	—
Credit risk in derivatives after netting and guarantees	213.776

Thousands of euro

The exposure value has been calculated in accordance with that set forth in the regulations included in the Second Section of Chapter Five of the Circular on Solvency

5.7.1 Operations with credit derivatives

On 31 December 2008, the Consolidated Group had no contracted credit derivative operations.

6 CREDIT RISK: STANDARD METHOD

6.1 Identification of the internal assessment agencies used

On 31 December 2008, the Consolidated Group used assessments of external assessment agencies eligible only for securitisation positions. The assessment agencies used are Standard & Poor's, Moody's Investors Service and Fitch Ratings, and no changes occurred during the fiscal year.

6.2 Description of the process of assigning credit assessments of publicly issued stock to comparable assets

On 31 December 2008, the Consolidated Group has not carried out assignment of credit assessments of publicly issued stocks to comparable assets.

6.3 Effect to risk exposure upon applying risk reduction techniques

In the calculation of the capital needed for credit risk, on 31 December 2008, the Consolidated Group has not applied risk reduction techniques.

7 SECURITISATION OPERATIONS

7.1 General information on securitisation operations

The Entity carries out asset securitisation operations, basically, as a mechanism for obtaining liquidity in the short term through the mobilisation of part of its credit investment portfolio, as well as a mechanism that allows for the homogenising of heterogeneous assets of its asset portfolio to carry out their more efficient management before third parties and the market.

The Entity has acted as the originator of diverse multi-cedant mortgage asset securitisation operations. In general, and in the aforementioned transactions, the Entity provides coverage for part of the credit risk associated with the issues carried out for the asset securitisation funds, through acquisition of certain subordinate tranches of said issues ("First loss tranches") issued for the securitisation funds.

The management of the securitisation funds of which the Entity is originator is carried out by Ahorro y Titulización, S.G.F.T., S.A. and by Titulización de Activos, S.G.F.T., S.A., while the Entity maintains management of the securitisation operations after their transfer to the corresponding securitisation funds.

In the calculation of the exposure derived from their securitisation activities, the Consolidated Group has applied the standard method of securitisation.

In Note 2.7 of the Consolidated Report of the consolidated annual accounts of Caixa d'Enginyers Group for fiscal year 2008, included in Chapter six of the Annual Report published on the Entity's website, the key hypotheses and criteria used to assess the risks retained in transfers of financial assets are explained. Said criteria are those which determine the accounting treatment, among others, of the financial asset securitisation operations, followed by the Caixa d'Enginyers Group.

When, as a result of the criteria cited in the previous paragraph, Caixa d'Enginyers Group removes the securitisation assets from its balance sheet and, in accordance with that stipulated in the Forty-sixth Rule of Circular 4/2004 of the Banco de España, it does not carry out the consolidation of the asset securitisation fund to which said assets have been transferred; likewise, it proceeds to record in the consolidated profit and loss account the difference between the book value of the transferred assets and the sum of any consideration received in exchange, including any new asset obtained less any liability assumed, and of any accumulated result recognised directly as adjustments for assessment in the consolidated net worth attributable to the transferred financial asset.

All of the securitisation operations carried out by Caixa d'Enginyers Group are considered traditional securitisation transactions; synthetic securitisation transactions have not been carried out.

Caixa d'Enginyers Group calculates its requirements of own resources in the positions maintained in the securitisation transactions in which it has been concluded that there exists effective and significant transfer of the risk, through the application of the standard method of securitisation defined in the sixtieth rule of the Solvency Circular. In said calculation, the assessments carried out by the following eligible ECAI have been used: Fitch Ratings and Moody's Investors Service.

7.2 Exposure in securitisation operations and the amount of securitised assets

Below is a list of the positions maintained in securitisation transactions by the Consolidated Group on 31 December 2008, to which, for purposes of the calculation of its requirements of own resources due to credit risk, the treatments set forth in the Fourth Section of the Fourth Chapter of the Solvency Circular are applied:

	Amount of exposure
Positions retained in transactions in which the Consolidated Group acts as originator	—
Positions in traditional securitisations	—
Positions in multi-cedent securitisations	—
Positions in other securitisations	—
Positions in synthetic securitisations	—
Positions acquired in transactions in which the Consolidated Group does not act as originator	85.156
Positions in traditional securitisations	85.156
Positions in multi-cedent securitisations	85.156
Positions in other securitisations	—
Positions in synthetic securitisations	—

Thousands of euro

The list of the positions in securitisation transactions maintained by the Consolidated Group on 31 December 2008, broken down by ranges that are weighted for the risk to which they are assigned, is as follows:

	Amount of exposure
Exposures to which the Standard Method has been applied	85.156
Level 1 credit status (weighted by 20%)	74.801
Level 2 credit status (weighted by 50%)	3.825
Level 3 credit status (weighted by 100%)	4.046
Level 4 credit status (weighted by 350%)	—
Positions weighted by 1250% or subtracted directly from the own resources of the Consolidated Group	2.484

Thousands of euro

Below is the list of the outstanding balance on 31 December 2008 of the securitised assets by the Consolidated Group in transactions in which the procedure included in the Fourth Section of the Fourth Chapter of the Solvency Circular is applied for the calculation of the exposures weighted by credit risk for purposes of determining the requirements due to credit risk of the positions maintained in these transactions:

	Outstanding balance on 31 December 2008	Outstanding balance transactions in arrears and depreciated	Amount of losses due to depreciation registered in the period
Traditional securitisation	71.553	—	(550)
Assets with mortgage guarantee	71.553	—	(550)
Corporate banking transactions	—	—	—
Remaining assets	—	—	—
Synthetic securitisations	—	—	—
Assets with mortgage guarantee	—	—	—
Corporate banking transactions	—	—	—
Remaining assets	—	—	—

Thousands of euro

8 INFORMATION ON MARKET RISK OF THE TRADING BOOK

On 31 December 2008, the Consolidated Group, as indicated in the foregoing Section 4.2, was not subject to own resource requirements associated with the trading book.

It should be stated that according to the calculation of own resource requirements associated with the trading book, the Consolidated Group thus considers those positions in financial instruments and commodities maintained for purposes of negotiating or serving as covers for items of said trading book.

9 METHODOLOGY APPLIED IN CALCULATING THE EQUITY REQUIREMENTS FOR OPERATIONAL RISK

The methodology applied by the Consolidated Group to calculate the requirements of own resources due to operational risk is that corresponding to the method of the basic indicator described in the Solvency Circular of the Banco de España, meaning that a weighted coefficient of 15% has been applied to the product average of the relevant income of the profit and loss account of the last three fiscal years.

10 INFORMATION ON SHARES AND CAPITAL INSTRUMENTS NOT INCLUDED IN THE TRADING BOOK

10.1 Criteria for classification, valuation, and accounting

In Notes 2.1 and 2.2 of the Consolidated Report of the consolidated annual accounts of the Caixa d'Enginyers Group for fiscal year 2008, found in the sixth chapter of the Annual Report published on the Entity's website, there is a description of the portfolios in which the shares and capital instruments owned by Caixa d'Enginyers Group are classified, together with the accounting criteria of recording and assessment that are applied to each of them. In said Notes, the models and assumptions applied to determine the value of the instruments included in each portfolio are also indicated. During the 2008 fiscal year, there was no change significantly affecting the practices and hypothesis used by Caixa d'Enginyers Group in the assessment of its shares and capital instruments.

Caixa d'Enginyers Group owns shares and capital instruments with different objectives. In this sense, it owns shares in companies in which it intervenes on a larger or smaller scale in its management and decision-making processes, with which it pursues the securing of objectives integrated into the strategy and aims of Caixa d'Enginyers Group as a whole and/or that make up an important or relevant part of the activity, of risk management or of the profit of Caixa d'Enginyers Group and/or where there exists the intention to maintain a relationship of permanence as a shareholder ("strategic shares"). Likewise, it also owns shares in other companies with different objectives, basically consisting of maximising the profits obtained through its management, in a manner coordinated with the aims and strategies of risk management of Caixa d'Enginyers Group ("portfolios maintained with the intention of sale").

In general, the shares and capital instruments owned by Caixa d'Enginyers Group with strategic ends are classified at book value in the category of companies of the Caixa d'Enginyers Group, while shares owned with the intention of sale and which do not form part of the trading book are classified in the category of financial assets available for sale.

10.2 Quantitative information

All economic information regarding the shares and capital instruments owns by Caixa d'Enginyers Group can be consulted in Notes 1 and 8 of the Consolidated Report of the consolidated annual reports of Caixa d'Enginyers Group for fiscal year 2008, found in the sixth chapter of the Annual Report published on the Entity's website.

11 INTEREST RATE RISK FOR POSITIONS NOT INCLUDED IN THE TRADING BOOK

The interest rate risk is the risk to which Caixa d'Enginyers Group is exposed in its activity for having asset and liability operations with different interest rates (fixed and variable interest rates or those references in different indexes) and with different periods of maturity, so that the upward and downward variations of the interest rates of reference of said transactions may provoke asymmetrical effects on its assets and liabilities with effects on the profit and loss account and on the equity of Caixa d'Enginyers Group.

The interest rate risk is managed by the Bank in an integrated manner for all of the companies of Caixa d'Enginyers Group with important positions exposed to this risk. The measurement and analysis by the Bank of this risk is carried out with consideration to the following aspects and in accordance with the following premises:

- Risk analysis and measurement is carried out in a permanent manner.
- The effects on the results of the Consolidated Group and on the different margins of the profit and loss account are analysed where they could have variations in the interest rates.
- All positions that are sensitive to interest rate risk are included in the analyses, with the exception of the positions that form part of the trading book.
- The effects of parallel and instant shifts in interest rates, defined from 1% to 99% of interest rate fluctuations of each currency, calculated with a time horizon of 240 days and a historic period of 5 years, are analysed.
- Separate measurements of the interest rate risk are not carried out for each one of the positions maintained in each currency, given that the positions maintained in currencies other than the euro are insignificant.

Based on prior analyses, Caixa d'Enginyers Group adopts necessary measures that guarantee optimum management of said risk.

In Note 27 of the Consolidated Report of the consolidated annual accounts of Caixa d'Enginyers Group for fiscal year 2008, included in chapter six of the Annual Report published on the Entity's website, information related to the level of exposure to interest rate risk is included, as well as certain information pertaining to sensitivity to interest rates.

