

09

Information Related to Risk
on 10 December 2009

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 2009 and average exposure during the 2009 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 2009 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 with credit derivatives
-

6 CREDIT RISK: STANDARD METHOD

- 6.1 Identification of the internal rating agencies used
 - 6.2 Description of the process of assigning credit ratings 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 Bank of Spain Circular 3/2008, of May 22 (henceforth referred to as the Solvency Circular). 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 for the year ending on 31 December 2009 by 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 2009 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 Trade 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 incorporated 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 Bank of Spain 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 five companies that undertake activities that are complementary to those of Caixa d'Enginyers; these constitute Caixa d'Enginyers Group, whose key information as of 31 December 2009, as well as the activities developed are shown in the following table:

Company name	Registered offices	Corporate Purpose	Shares as of 31/12/09	Share Capital	Reserves	Profit	Share cost
Caixa Enginyers Gestió, SGLIC, SAU	Potosí, 22 08030 Barcelona	Administration and representation of Collective Investment Institutions	100%	1.800	702	105	1.800
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 institutions for insurance institutions as well as later assistance for the policyholder, the insured and the beneficiary	100%	407	790	(457)	461
Caixa Enginyers Vida, Companyia d'Assegurances i Reassegurances, SAU	Potosí, 22 08030 Barcelona	Providing insurance and reinsurance for life and all types authorised by current law. Carry 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 and, also, carry out pension fund management activities	100%	9.016	2.661	388	9.018
Consumidors i Usuaris dels Enginyers, S. Coop. C. Ltda.	Potosí, 22 08030 Barcelona	Provision of services and sale of articles and supplies for consumption	Less than 0,01% (*)	573	269	4	(**)
Caixa Enginyers Operador de Banca-Assegurances Vinculat, SLU	Potosí, 22 08030 Barcelona	Performing private insurance brokerage activities as a linked Banking-Insurance operator	100%	30	402	249	160
							12.339

Thousands of euro

* Caixa d'Enginyers holds a minority stake in 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, of 22 December, of the Bank of Spain, 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 euros.

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 Bank of Spain Circular 4/2004, of 22 December, (henceforth, 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 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 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 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 rule of the Solvency Circular establishes an “Institution consolidated by activity” to be the following:

- The Spanish credit institutions registered in the Bank of Spain'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 objective 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 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 Bank of Spain Circular 4/2004:

- In drawing up the consolidated annual accounts for Caixa d'Enginyers Group in the 2009 fiscal year, 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 Circular 4/2004, on those dependent companies that are “institutions consolidated by activity” in accordance with that detailed in the second standard of the Solvency Circular. On the other hand, those Group institutions “not consolidated by activity” were evaluated applying the “share method” as defined by standard 49 in the Circular 4/2004.

In accordance with other previously indicated criteria, below is the list, as of 31 December 2009, 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
Segurengin, SAU, Corredoria d'Assegurances
Caixa Enginyers Operador de Banca-Assegurances Vinculat, SLU
Consumidors i Usuaris dels Enginyers, S. Coop. C. Ltda.

Next is the list of shares the **Consolidated Group** owns as of 31 December 2009, belonging to its economic group, as defined in 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 Solvency Circular:

Registered Name

Caixa Enginyers Vida, Companyia d'Assegurances i Reassegurances, SAU
--

1.4 Other General Information

As of 31 December 2009, 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. As of 31 December 2009, 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 Solvency Circular, 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 Bank of Spain, 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 Solvency Circular.

2 RISK MANAGEMENT POLICIES AND OBJECTIVES

Information regarding policies and objectives of risk management that are required by the Solvency Circular to be made available to the market can be consulted in the Notes 1.6 and 27 through 30 of the Consolidated Report that includes the consolidated annual reports of Caixa d'Enginyers Group for fiscal year 2009, found in the fifth 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 Solvency Circular.

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 2009 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 Solvency Circular, 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 2009, 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 Solvency Circular.

The details of each of the items constituting the Company's equity can be consulted in Notes 20 to 24 in the Consolidated Report, part of the consolidated annual accounts of Caixa d'Enginyers Group, found in the fifth 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 2009, 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)
	83.529
1.1	Eligible capital:
1.1.1	Provision fund
1.1.2	Capital payable on sight
1.2	Eligible reserves:
1.2.1	Reserves
1.2.2	Minority interests
1.2.3	Fiscal year profits
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 stock transactions)
1.2.6	Valuation adjustments considered as basic equity
1.3	Other basic equity according to national legislation
1.4	(Other deductions to basic equity):
1.4.1	(Intangible assets)
2	Items included as second tier equity (II)
	11.453
2.1	Principal second tier equity:
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
2.1.4	Other items
2.1.4.1	Generic cover under the standard method for exposure
2.2	Additional second tier equity:
2.3	(Deduction of the second tier equity)

Thousands of euro

Item	Amount
3 Deductions to basic and second tier equity	(10.312)
Of which:	
Basic equity (III)	(10.312)
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%	(10.312)
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 own resources for general purposes solvency (I+III)	73.217
5 Total second tier equity under general solvency (II+IV)	11.453
6 Total basic and second tier equity	84.670
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:	84.670
9 Deductions from total equity	—
10 Total equity after total deductions	84.670

Thousands of euro

4 REQUISITES 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, as of 31 December 2009, calculated, in each of the categories using the standard method, as 8% of the exposure considered for risk:

Risk category (*)	Equity requirements
Credit institutions and investment services companies	2.179
Companies	6.380
Retailers	5.518
Exposure implicated by real estate property	34.525
Exposure in instance of default	631
Exposure to high risk	3.167
Positions in securitisations	3.336
Short-term exposure with regard to institutions and companies	300
Exposure with regard to collective investment institutions	731
Additional exposure	2.429
Total requirements for credit risk calculated using the standard method	59.196

Thousands of euro

(*) The items included in each of these categories are adjusted to the regulation of the Solvency Circular.

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

The requirements for counterparty risk, for the positions held in the Consolidated Group's trading book, are already included in the credit risk requirements calculated in the above section. It is worth noting that this amount has little significance compared with the Consolidated Group's credit risk and counterparty total exposure.

With regard to the trading book liquidation risk, since there have been no delays in liquidating the operations of the aforementioned trading book and pursuant to standard ninety-one of the Solvency Circular, own resource requirements for this risk are considered null.

On the other side, the amount of the Consolidated Group's minimum own resource requirements for trading book price risk amounts to 1,351 thousand euros as of 31 December 2009.

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, as specified in the Solvency Circular. Notwithstanding the above, as of 31 December 2009, there are no differences between the own resources trading book and the accounting trading book.

Finally, it is worth noting that for risk management purposes, for trading book positions, the same measurement tools and parameters are used as for the other investments in financial markets (risk value, duration, sensitivity, etc.).

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

Pursuant to that established by standard 81.1 in the Solvency Circular, on 31 December 2009, 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 2009, the Consolidated Group's minimum equity requirements for operational risk amounts to 6,513 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 complete three fiscal years, if they are positive. There are no relevant aspects that could indicate the assignment 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 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 planning.

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

- Evaluation of capital needs for credit risk: The standard method laid out in the Solvency Circular was used to evaluate the capital needs for credit risk. As of 31 December 2009, the minimum own resource requirements associated to this risk amounted to 59,196 thousand euros (see the corresponding detail 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 Bank of Spain. As of 31 December 2009, the Consolidated Group's requirements for minimum equity for credit concentration risk amounted to 3,552 thousand euros.
- Evaluation of capital needs for liquidity risk: The standard methods laid out in the Solvency Circular were used to evaluate the capital needs for liquidity risk. As of 31 December 2009, the Consolidated Group's requirements for minimum equity for liquidity risk amounted to 1,351 thousand euros, as shown in section 4.2 of this report.

- Evaluation of capital needs for operational risk: To evaluate the capital needs for operational risk the Basic Indicator Method established by the Solvency Circular was applied, resulting in a required minimum equity for operational risk for the Consolidated Group, as of 31 December 2009, of 6,513 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, as defined in the Solvency Circular. According to this calculation, as of 31 December 2009, 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, as of 31 December 2009, 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, which, as described in the Credit Institutions Capital Selfassessment Process Guide, of 25 June 2008, of the Bank of Spain, consists in assigning 5% of the total required equity for the Consolidated Group, according to the norms of the Circular on Solvency and laid out in sections 4.1 through 4.4 of this report. As of 31 December 2009, the capital needs for other risks reached 3,371 thousand euros.

The Consolidated Group's total capital needs have been estimated by adding up the capital needs associated to each of the risks indicated above.

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. Nevertheless, following the recommendations offered in the aforementioned Capital Self-assessment Process Guide, 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 2009, included in chapter five 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 Caixa d'Enginyers Group to determine provisions for depreciation due to credit risk and note 2.10 describes the methods to calculate those provisions created for contingent risks and commitments associated with the initial risk.

5.2 Credit risk exposure on 31 December 2009 and average exposure during the 2009 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 Solvency Circular, as of 31 December 2009, reached 2,053,412 thousand euros.

Below is the average for the 2009 fiscal year of the exposure to credit risk, the net value with adjustments and repricings for accounted depreciation, to which the standard method laid out in the Solvency Circular was applied:

Type of Risk	Average amount for exposure
Central administrations and banks	77.600
Regional administrations and local authorities	30.434
Public sector institutions and non-profit organisations	20.442
Credit institutions and investment services companies	126.452
Companies	62.679
Retailers	264.676
Exposure implicated by real estate property	1.167.566
Exposure in instance of default	6.947
Exposure to high risk	2.524
Positions in securitisations	66.808
Short-term exposure with regard to institutions and companies	21.953
Exposure with regard to collective investment institutions	8.779
Additional exposure	25.022
Average exposure for fiscal year 2009	1.881.882

Thousands of euro

5.3 Exposure distribution according to geography and counterparty

Below is the list, as of 31 December 2009, 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 Solvency Circular to estimate the own resource requirements for credit and dilution risks, broken down by geographic area:

Geographic Area	Amount of exposure
Spain	1.930.598
Other countries in the European Union	88.372
Rest of Europe	5.048
USA	26.756
Rest of America	2.195
Rest of the World	443
Exposure as of 31 December 2009	2.053.412

Thousands of euro

On the other hand, below is the list, as of 31 December 2009, 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 Solvency Circular to estimate the own resource requirements for credit and dilution risk:

Type of Risk	Amount of exposure
Central administrations and banks	64.768
Regional administrations and local authorities	53.296
Public sector institutions and non-profit organisations	21.358
Credit institutions and investment services companies	118.524
Companies	65.617
Retailers	323.392
Individuals	206.798
Small and medium-sized enterprises	116.594
Exposure implicated by real estate property. Of which:	1.279.111
Individuals	1.174.633
Small and medium-sized enterprises	104.478
Exposure in instance of default	9.845
Exposure to high risk	3.167
Positions in securitisations	53.293
Short-term exposure with regard to institutions and companies	18.758
Exposure with regard to collective investment institutions	9.138
Additional exposure	33.145
Exposure as of 31 December 2009	2.053.412

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, as of 31 December 2009, the net value with adjustments and corrections for asset depreciation, determined according to the standard method established in the Solvency Circular:

Type of Risk	Residual maturity term as of 31 December 2009					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	20.178	—	3.993	28.630	11.967	64.768
Regional administrations and local authorities	—	11.664	2.992	38.640	—	53.296
Public sector institutions and non-profit organisations	—	—	—	21.358	—	21.358
Credit institutions and investment services companies	—	5.313	31.819	53.964	27.428	118.524
Companies	2.766	6.155	3.285	19.473	33.938	65.617
Retailers	13.632	30.337	16.190	95.972	167.261	323.392
Exposure implicated by real estate property	—	4.999	10.679	136.782	1.126.651	1.279.111
Exposure in instance of default	9.845	—	—	—	—	9.845
Exposure to high risk	—	—	—	—	3.167	3.167
Positions in securitisations	—	—	—	—	53.293	53.293
Short-term exposure with regard to institutions and companies	18.758	—	—	—	—	18.758
Exposure with regard to collective investment institutions	—	—	—	—	9.138	9.138
Additional exposure	—	1.899	—	6.743	24.503	33.145
Exposure as of 31 December 2009	65.179	60.367	68.958	401.562	1.457.346	2.053.412

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 as of 31 December 2009, itemised by counterparty and determined using the standard method established by the Solvency Circular, 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 2009:

Counterparty	Exposure in instance of default	Repricing due to depreciation and provisions for contingent risks and commitments
Credit institutions and investment services companies	2.027	2.027
Companies	3.765	1.669
Retailers	7.105	2.773
Exposure implicated by real estate property	5.608	2.191
Amount as of 31 December 2009	18.505	8.660

Thousands of euro

Exposure depreciated by geographic area

Below is the value of depreciated exposures and those that are found in instance of arrears as of 31 December 2009, itemised by relevant geographic area and determined using the standard method established by the Solvency Circular, together with the losses due to depreciation and provisions for contingent risks and commitments related to these:

Geographic Area	Exposure in instance of default	Repricing due to depreciation and provisions for contingent risks and commitments
Spain	16.437	6.592
Rest of Europe	37	37
USA	2.031	2.031
Amount as of 31 December 2009	18.505	8.660

Thousands of euro

5.6 Variations occurring in fiscal year 2009 in losses due to depreciation and in risk provisions and contingent credit risk commitments

Variations occurring in fiscal year 2009 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, 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 2009, included in Chapter five of the Annual Report published on the website of the Bank, there is a list of the modifications carried out in fiscal year 2009 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 as of 31 December 2009, estimated as the amount of credit risk of the Consolidated Group due to the financial instruments listed above, 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	304.379
Minus: Effect of netting agreements	_____
Credit risk after netting	304.379
Minus: Effect of received guarantees	_____
Credit risk in derivatives after netting and guarantees	304.379

Thousands of euro

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

5.7.1 Operations with credit derivatives

As of 31 December 2009, the Consolidated Group had no contracted credit derivative operations.

6 CREDIT RISK: STANDARD METHOD

6.1 Identification of the external rating agencies used

As of 31 December 2009, the Consolidated Group uses ratings of the eligible external rating agencies Standard & Poor's, Moody's Investors Service and Fitch Ratings, with no changes during the fiscal year.

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

As of 31 December 2009, the Consolidated Group has not carried out assignment of credit ratings 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, as of 31 December 2009, the Consolidated Group has not applied risk reduction techniques.

7 SECURITISATION OPERATIONS

7.1 General information on securitisation operations

The Bank 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 Bank has acted as the originator of five multi-creditor mortgage asset securitisation operations. In general, and in the aforementioned transactions, the Bank 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.

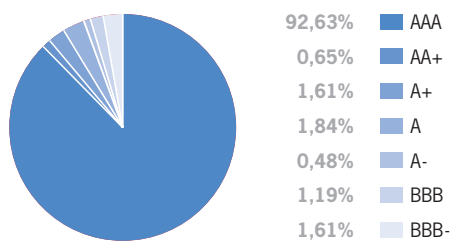
These five multi-creditor mortgage asset securitisation in which the Bank has taken part in the past contributed a total initial amount of 341 million euros.

Also, during the 2009 fiscal year, the Institution originated and issued a uni-creditor mortgage asset securitisation, the Caixa d'Enginyers TDA 1, Asset Securitisation Fund. The issuance was made for an initial amount of 270 million euros. As of 31 December 2009, the amount pending amortisation is 259,714 thousand euros.

As of 31 December 2009, pending nonmatured capital for the entire mortgage asset portfolio securitised through the aforementioned six programmes amounts to 369,331 thousand euros, with a total of 3,552 ongoing transactions.

The following includes the rating distribution (rating given by the Moody's agency in all cases) of the bonds issued by the aforementioned securitisation programmes, held by the Bank in its portfolio since 31 December 2009:

Distribution by rating



The management of the securitisation funds of which the Bank is originator is carried out by Ahorro y Titulización, SGFT, SA and by Titulización de Activos, SGFT, SA, while the Bank maintains management of the securitisation operations after their transfer to the corresponding securitisation funds.

In Note 2.7 of the Consolidated Report of the consolidated annual accounts of Caixa d'Enginyers Group for fiscal year 2009, included in Chapter five of the Annual Report published on the Bank'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 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 Bank of Spain, 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 as of 31 December 2009, to which, for purposes of the calculation of its requirements of own resources due to credit risk, the treatments set forth in the sixtieth standard 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-credant securitisations	—
Positions in other securitisations	—
Positions in synthetic securitisations	—
Positions acquired in transactions in which the Consolidated Group does not act as originator	53.293
Positions in traditional securitisations	53.293
Positions in multi-credant securitisations	53.293
Positions in other securitisations	—
Positions in synthetic securitisations	—

Thousands of euro

The list of the positions in securitisation transactions maintained by the Consolidated Group as of 31 December 2009, 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	53.293
Level 1 credit status (weighted by 20%)	45.457
Level 2 credit status (weighted by 50%)	1.601
Level 3 credit status (weighted by 100%)	4.011
Level 4 credit status (weighted by 350%)	—
Positions weighted by 1250% or subtracted directly from the own resources of the Consolidated Group	2.224

Thousands of euro

Below is the list of the outstanding balance as of 31 December 2009 of the securitised assets by the Consolidated Group in transactions in which the procedure included in the sixtieth standard 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 2009	Outstanding balance transactions in arrears and depreciated	Amount of losses due to depreciation registered in the period
Traditional securitisation	61.341	—	(347)
Assets with mortgage guarantee	61.341	—	(347)
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

As of 31 December 2009, the Consolidated Group, as indicated in the foregoing Section 4.2, was subject to own resource requirements associated with the trading book for an amount of 1,351 thousand euros.

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.

The following is a detailed list of the aforementioned requirements, all of them calculated by means of the standard method:

Type of Risk	Own resources requirement amount
Fixed-income portfolio position risk	1.156
Share and stake position risk	195
Raw material position risk	—
Liquidation risk	—
Amount as of 31 December 2009	1.351

Thousands of euro

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 sixtieth standard of the Solvency Circular, meaning that a weighted coefficient of 15% has been applied to the product average of the relevant income of the profit and loss accounts of the last three complete fiscal years, when they are positive.

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 2009, found in the fifth chapter of the Annual Report published on the Bank'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 2009 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 the management of the positions in these companies, 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 "Group companies" category, 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, specifically in the category "Other capital instruments".

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 2009, found in the fifth chapter of the Annual Report published on the Bank'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 interest rate shifts are analysed, in parallel and instantaneously, of ± 100 basis points.
- For each term, 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 2009, included in chapter five of the Annual Report published on the Bank's website, information relating to the level of exposure to interest rate risk is included, as well as certain information pertaining to sensitivity to interest rates.

