CAJA MADRID S.D. FINANCE B.V.

Financial Statements
for the year ended December 31, 2006

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REPORT OF THE MANAGEMENT

The management herewith presents to the shareholder the annual accounts of Caja Madrid SD Finance B.V. (hereinafter "the Company") for the year 2006.

General

The Company is a limited liability company incorporated under the laws of the Netherlands on March 16, 1999 and acts as a finance company, issuing debt obligations guaranteed by Caja de Ahorros y Monte de Piedad de Madrid ("the Parent") and lending the proceeds to the Parent.

Overview of activities

In January 2002, the Company issued Euro 214,500,000 Interest-Bearing Subordinated Bonds due 2041, unconditionally guaranteed by Caja de Ahorros y Monte de Piedad de Madrid.

The proceeds from issuance of Subordinated Bonds were lent to the Parent in the form of long-term deposits.

The Company has contracted appropriated financial derivatives instruments to adapt the financial risk of its assets and liabilities.

Categories of Risk

The most important risks assumed by the Company are specific risks (credit risk, market risk, liquidity risk and operational risk) and reputational risks, as well as risks arising from the general business environment.

Risk Management

The policy of the Company is to continually assess the appropriateness and reliability of its quantitative tools and metrics used to measure, manage and report risk in a changing risk environment.

Results

The Company's 2006 net revenues in interest rate products amounted to EUR 15,141 thousands at yearend, which means an increase of 5,72% over 2005 figures, driven by higher margins in loans to parent company. With regard to the expenses, they mainly comprised the interests accrued for an amount of EUR 14,590 thousands from the Subordinated Bonds issued by the Company.

The total value of the assets of the Company as at December 31, 2006 amounts to 270,848 thousand of euros.

The result for the period 2006 amounts to a profit of 349 thousand euro.

Future outlook

The management is of the opinion that the present activities will be maintained during the next financial year.

Amsterdam, July 20, 2007

Statutory directors:

[redacted]

[redacted]

[redacted]

[redacted]

CAJA MADRID S.D. FINANCE B.V.

BALANCE SHEET AS OF DECEMBER 31, 2006
(after appropiation of net result)
(expressed in thousands of Euros)

	December 31, 2006	December 31, 2005
ASSETS:		
Non-Current Assets:		
Loans to parent company (Note 3)	214,500	214,500
Deferred interest income (Note 7)	54,955	44,205
Total Non-Current Assets	**269,455**	**258,705**
Current Assets:		
Interest receivable on parent company	116	72
Cash and cash equivalents	1,277	928
Total Current Assets	**1,393**	**1,000**
TOTAL ASSETS	**270,848**	**259,705**
SHAREHOLDER'S EQUITY (Note 4):		
Ordinary Shares	18	18
Retained Earnings	1,221	872
Total Shareholder's equity	**1,239**	**890**
Non-current Liabilities:		
Subordinated Bonds (Note 5)	200,463	200,076
Accrual accounts and others (Note 8)	69,101	58,701
Total Non-Current Liabilities	**269,564**	**258,777**
Current Liabilities:		
Taxes and other current liabilities (Note 6)	45	38
Total Current Liabilities	**45**	**38**
Total Liabilities	**269,609**	**258,815**
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	**270,848**	**259,705**

The accompanying notes 1 to 10 are an integral part of these financial statements.

CAJA MADRID S.D. FINANCE B.V.

STATEMENT OF INCOME FOR THE YEAR ENDED

DECEMBER 31, 2006

(expressed in thousands of Euros)

	2006	2005
Income:		
Interest income from parent company	6,820	5,042
Derivatives income from parent company	8,321	9,273
Net interest and other income	**15,141**	**14,315**
Expenses:		
Interest expense	(14,590)	(13,914)
Other operating expense	(56)	(84)
Total expenses	**(14,646)**	**(13,998)**
Income before taxes	**495**	**317**
Corporate tax income	(146)	(228)
Net income for the year	**349**	**89**

The accompanying notes 1 to 10 are an integral part of these financial statements.

CAJA MADRID S.D. FINANCE B.V.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2006
drawn up by the indirect method

(expressed in thousands of Euros)

	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income	349	89
Adjustments to reconcile net income to net cash provided by operating activities:		
Interest receivable on parent company	(44)	-
Deferred interest income	11,174	11,797
Accrual accounts and others	(11,137)	(11,789)
Taxation and other current liabilities	7	(455)
Net cash provided by (used in) operating activities	**349**	**(358)**
CASH FLOWS FROM FINANCING ACTIVITIES:		
Issuance of Subordinated bonds	-	-
Derivatives	-	-
Others	-	-
Net cash provided by (used in) investing activities	-	-
CASH FLOWS FROM INVESTING ACTIVITIES:		
Subordinated deposits lent to the Parent	-	-
Commisions paid	-	-
Net cash provided by (used in) financing activities	-	-
Net decrease in cash and cash equivalents	**349**	**(358)**
Cash and cash equivalents, beginning of year	**928**	**1,286**
CASH AND CASH EQUIVALENTS, END OF YEAR	**1,277**	**928**

The accompanying notes 1 to 10 are an integral part of these financial statements.

CAJA MADRID S.D. FINANCE B.V.

Notes to the Financial Statements
for the year ended December 31, 2006

(1) GENERAL

Caja Madrid S.D. Finance B.V. (the "Company"), is a wholly owned subsidiary directly of Caja de Ahorros y Monte de Piedad de Madrid (a Spanish saving institution, the "Parent" and part of the Caja Madrid Group). The company was established on March 16, 1999 as a private company with limited liability for an indefinite period of time under the laws of The Netherlands.

The principal executive office of the company is Naritaweg 165 Telestone 8, 1043 BW Amsterdam, The Netherlands.

The Company's principal activity is to act as a financing entity. The objectives for which the Company is established are to issue subordinated bonds guaranteed by the Parent; to enter into other financial transactions; and to lend the proceeds received to its Parent.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) *General*

The Company's financial statements are prepared in accordance with accounting principles generally accepted in Netherlands and comply the financial requirements introduced in Part 9 of Book 2 of the Netherlands Civil Code. The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The financial statements are prepared under the historical cost convention. Assets and liabilities are stated at nominal value, unless indicated otherwise. If deemed necessary, a provision is deducted from the nominal amount of accounts receivable.

b) *Interest Income and Expense*

Interest income and expense are recorded on an accrual basis.

Interest income and expense are calculated using the effective interest rate. Effective interest rate is the interest rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the net carrying amount of the financial asset or liability. The calculation of the effective interest rate includes all fees and points received or paid between the parts of the contract, transactions costs and all other premiums or discounts.

c) *Cash and Cash Equivalents*

Cash and Cash Equivalents include cash on hand and cash with banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less and that are subject to an insignificant risk of change in value. Cash is held in a current account at the parent company.

d) ***Corporate income tax***

The expense for corporate income tax of each year is calculated on the basis of income before taxes, increased or decreased, as appropriate, by the permanent differences from taxable income, net of tax relief and tax credits, excluding tax withholdings and prepayments.

In accordance with the Netherlands regulation, corporate tax income is levied at a rate of 25,5% on the first EUR 22,689 of the total taxable profit, and 29,6% on the surplus.

e) ***Investments and Liabilities***

Investments with fixed or determinable payments and fixed maturity that the Company has the positive intent and ability to hold to maturity are classified as loans to parent company.

Loans to parent company included in non-current assets unless they mature within 12 months of the balance sheet date.

Subordinated bonds issues are included in non-current liabilities unless they mature within 12 months of the balance sheet date. They are disclosed on these financial statements (see Note 5) at their amortized cost.

f) ***Derivatives***

According with Accounting Principles generally accepted in the Netherlands, the Swap agreement is carried off balance. Gains or losses arising from changes in interest rates are recognised in the statement of operations for the period in which they arise and to the extent that they hedge an asset or liability that has been recognised on the balance sheet. Gains and losses relating to derivative financial instruments entered into as hedges or firm commitments are deferred until the hedged transactions have been reflected in the balance sheet. No fair value adjustments on derivative instruments are accounted for under Dutch generally accepted accounting principles.

(3) LOANS TO PARENT COMPANY

The outstanding balance of "Loans to parent company" as of December 31, 2006 includes the proceeds from issuance of Subordinated Bonds that were lent to the Parent in the form of long-term deposit.

The main characteristic of the "Loans to parent company" outstanding as of December 31, 2006 were as follows:

	Interest Rate	Maturity	Thousands of Euros 2006
Deposits at Caja de Ahorros y Monte de Piedad de Madrid relating to Guaranteed Interest-Bearing Subordinated Bonds	1m Euribor + 0,25	12/27/41	214,500

(4) SHAREHOLDER'S EQUITY

As of December 31, 2006, the Company's sole shareholder was Caja de Ahorros y Monte de Piedad de Madrid. The authorized capital amounts to Euro 90,756 and consist of 200 shares with a par value of Euro 453.78 (NLG 1,000). The company issued 40 shares with a total value of Euro 18,151. All issued shares were fully paid-in.

The equity movement for the year 2005 and 2006 is as follows:

	Thousands of Euros		
	Ordinary Shares	Retained earnings	Total Equity
Balance as of December 31, 2004	**18**	**783**	**801**
Net income for the year 2005	-	89	89
Balance as of December 31, 2005	**18**	**872**	**890**
Net income for the year 2006	-	349	349
Balance as of December 31, 2006	**18**	**1,221**	**1,239**

(5) <u>**SUBORDINATED BONDS**</u>

The details of this caption of the balance sheet as of December 31, 2006 and 2005 are as follows:

	Thousands of Euros	
	2006	2005
Subordinated bonds	214,500	214,500
Direct costs (see Note 2-b)	(14,037)	(14,424)
	200,463	**200,076**

The balance of "Subordinated bonds-Direct costs" includes subscription commissions paid by the Company in the issuance of the subordinated bonds. Direct costs are accounted in the statement of income of the year using the effective interest rate.

In January 2002, the Company issued Euro 214,500,000 Interest-Bearing Subordinated Bonds due 2041, unconditionally guaranteed by Caja de Ahorros y Monte de Piedad de Madrid.

The main characteristics of the Subordinated Bonds outstanding as of December 31, 2006, were as follows:

Currency of Issue	Date of Issue	Date of Maturity	Interest Payments	Thousands of Euros 2006
Euros	01/28/02	12/27/41	Fixed interest payments	214,500
				214,500

Interest on the subordinated bonds is paid on a monthly basis in accordance with the payment schedule as is included in the bond subordinated bond offering circular. The monthly interest payments increase over the interest period ending May 27, 2035. Starting May 27, 2035 the principle amount of the subordinated bonds will be repaid in monthly terms based on the payment schedule included in the subordinated bond offering circular. The final payment will be made on December 27, 2041.

In order to hedge the monthly interest payments, the Company entered into a swap agreement (hereinafter, the "Swap agreement") with the parent. Based on the swap agreement the company pays a floating interest of 1- month Euribor to the parent company and receives a fixed rate equal to the fixed rate to be paid under the bond agreement. The payments dates as included in the swap agreement are the same to the payment dates as included in the bond agreement. The fixed interest rate increases during the term of the loan. The Swap agreement is considered a hedge transaction.

As of December 31, 2006, the fair value of the Swap agreement amounts to approximately Euro 121.3 million.

(6) TAXATION

Corporate income tax for the year is calculated on the basis of the income per books determined by application of generally accepted accounting principles as described in Note 2.

The breakdowns of the corporate tax income caption of the statement of income as of December 31, 2006 and 2005 are as follows

	Thousands of Euros	
	2006	2005
Current year	146	158
Adjustment in respect of prior years	-	70
	146	**228**

No provision for taxes on the Company's income is recorded.

(7) DEFERRED INTEREST INCOME

The "Deferred interest income" caption of the balance sheet as of December 31, 2006 includes interest accrued and not due of the Swap agreement entered by the Company with the Parent (see Note 2-f). The deferred interest income is the result of the difference between the effective interest income based on the Swap agreement of approximately 6% and the actual interest income under the fixed payment schedule in the Swap agreement.

(8) ACCRUAL ACCOUNTS

Non-current liabilities-

The breakdowns of the "Accrual accounts and others" caption of the balance sheet as of December 31, 2006 and 2005 are as follows:

	Thousands of Euros	
	2006	2005
Interest of Subordinated bonds	55,064	44,277
Amounts of Swap agreements	14,037	14,424
	69,101	**58,701**

The balance "Accrual accounts and others – Interest of Subordinated bonds" includes accrued interest and not due of subordinated bonds issued by the Company as of December 31, 2006 (see Note 5). The Interest of Subordinated bonds is the result of the difference between the effective interest expense on the subordinated bonds of approximately 6% and the actual interest income based on the payment schedule.

The balance "Accrual accounts and others – Amounts of Swap agreements" includes amounts received and not accrued of the Swap agreement entered by the Company with the Parent (see Note 5). The amount relates to a payment received based on the swap agreement which is included in the interest income as part of the effective interest income over the term of the subordinated bonds.

(9) PERSONNEL

The Company did not employ any personnel during 2006 (2005: nil).

(10) REMUNERATION OF DIRECTORS

As of December 31, 2006 the remuneration of the statutory directors amounts to nil (2005: nil).

Amsterdam, July 20, 2007

Statutory directors:

[redacted]

[redacted]

[redacted]

Additional information

(1) AUDITORS' REPORT

The auditors' report is included on the next page.

(2) APPROPRIATION OF INCOME

The Articles of Association of the Company provide that the appropriation of the net income for the year is decided upon at the Annual General Meeting of Shareholders.

Management proposes to add the net income for the year 2006 to the retained earnings. This proposal has been reflected in the accompanying financial statements.

Deloitte.

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To the shareholders of
Caja Madrid S.D. Finance B.V.

Date	From	Reference
20 July 2007	A.J. Kernkamp	3100204794/OP9997/gdb

Auditor's report

Report on the financial statements

We have audited the accompanying financial statements 2006 of Caja Madrid S.D. Finance B.V., Amsterdam, which comprise the balance sheet as at December 31, 2006, the profit and loss account for the year then ended, the cash flow statement for the year then ended and the notes.

Management's responsibility

Management is responsible for the preparation and fair presentation of the financial statements and for the preparation of the management board report, both in accordance with Part 9 of Book 2 of the Netherlands Civil Code. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Dutch law. This law requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

Deloitte.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Caja Madrid S.D. Finance B.V.as at December 31, 2006, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under 2:393 sub 5 part e of the Netherlands Civil Code, we report, to the extent of our competence, that the management board report is consistent with the financial statements as required by 2:391 sub 4 of the Netherlands Civil Code.

Deloitte Accountants B.V.

[redacted]

A.J. Kernkamp