

 **kutxa**

BANCAJA
Caja de Ahorros de Valencia, Castellon y Alicante

CAJA GENERAL DE AHORROS DE CANARIAS
CajaCanarias 


Caja de **Burgos**

 **cajaRioja**

Caixa  **Penedès**

Caja Duero  **CAJA GRANADA**

caja  **segovia**

 **CAIXAGALICIA**


CAJA MADRID


Caja de Guadalajara


CAIXA LAIETANA

iberCaja 

"SA NOSTRA"
CAIXA DE BALEARS

caixanova 

ct * **caixaterrassa**

 **Caixa de Girona**

 **CajadeÁvila**

 **CAJA CANTABRIA**


**Colonya
Caixa Pollença**

 **cajacírculo**

 **CAJA DE AHORROS
EL MONTE**

bbk =

 **CajaSur**

 **"la Caixa"**
CAJA DE AHORROS Y PENSIONES
DE BARCELONA


CCM
Caja
Castilla
La Mancha

cajAstur 

Caja Vital  **Vital Kutxa**



CAJA INMACULADA ■


CAJA SAN FERNANDÓ

 **CAM**
Caja de Ahorros
del Mediterráneo

 **La Caja** de CANARIAS

 **caixaManresa**

 **Caja de Badajoz**


Unicaja

 **Caja de Extremadura**

 **cajanavarra**

 **Caixa de Manlleu**

Caja España 

CAIXA 
Ontinyent

 **CAJAMURCIA**


Caixa Sabadell


CAJA DE JAEN
CAJA PROVINCIAL DE AHORROS DE JAEN

 **Caixa Tarragona**

CAIXA CATALUNYA 

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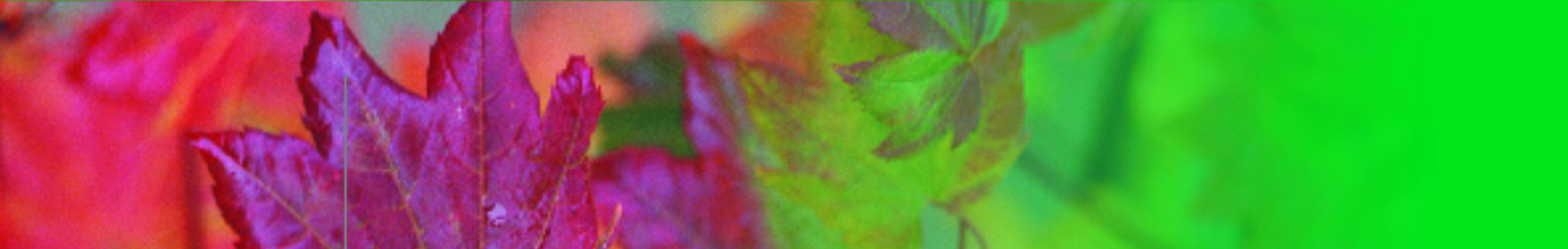
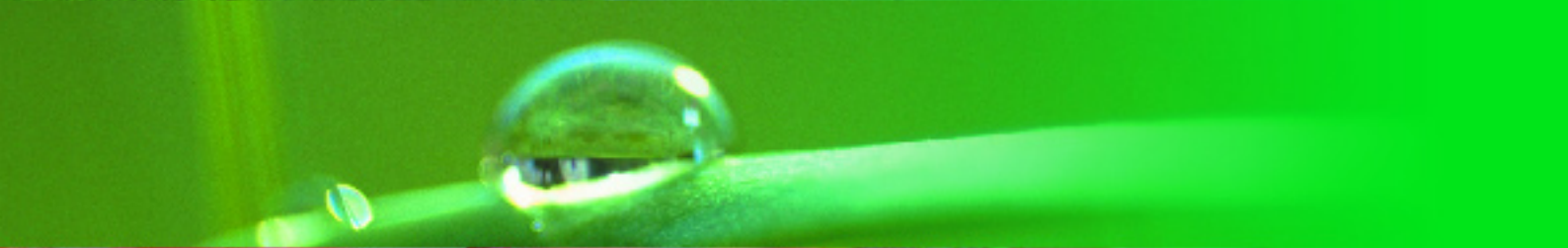
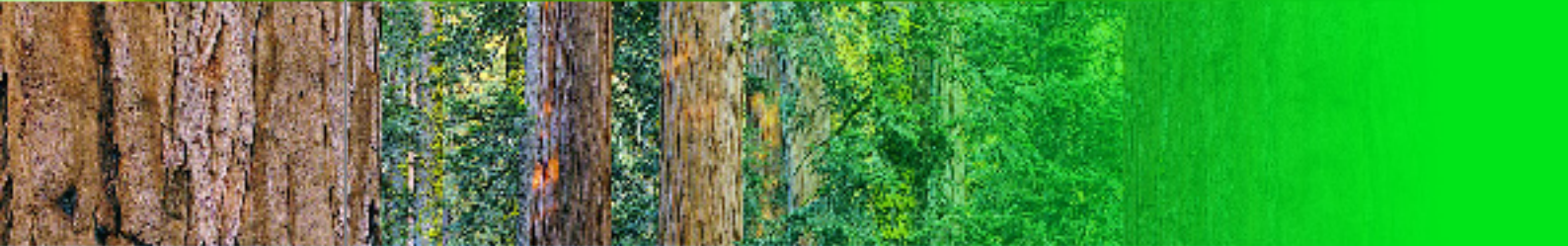
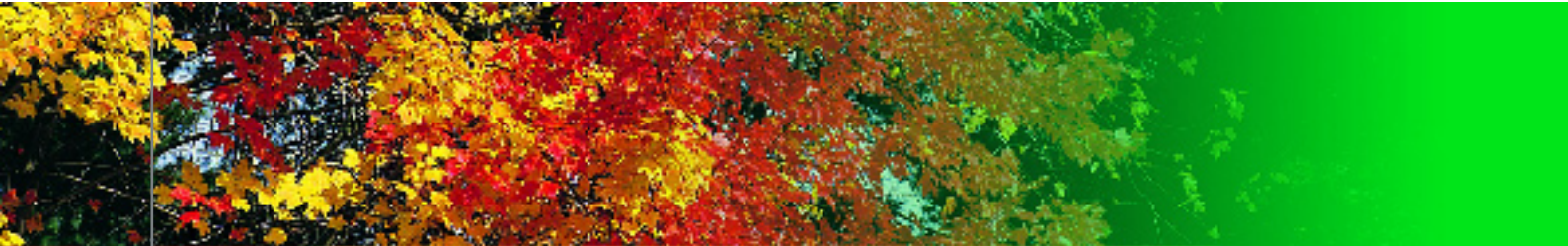
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Introduction

01





2004 ended with very positive results for Confederación Española de Cajas de Ahorro (“the Confederación” or “CECA”). Satisfactory progress was made in achieving our objectives of promoting and boosting the profiles of Spanish savings banks both in Spain and internationally. Moreover, the fact that this progress was achieved in an environment as demanding as that experienced last year makes such success even more pleasing.

The regulatory environment was the focus of constant attention for the Confederación and its member savings banks in 2004. Particular mention may be made of the enactment of the regulations governing savings bank participation certificates, the Ministerial Order on Annual Corporate Governance Reports and the Bank of Spain Circular implementing the International Accounting Standards in Spanish legislation. These are just three examples, because the chapter of this report that discusses the regulatory environment includes a vast list of national and international provisions applicable to our entities that went through parliament or were passed in the course of 2004.

This situation must be seen and dealt with not as a threat, but as a potential source of value creation for savings banks. This is how it is interpreted by the Confederación, which is applying two fundamental principles to the way it is handling the current situation. Firstly, by asserting the interests of the Spanish savings bank sector before the different regulatory authorities. And secondly, by promoting and strengthening within the sector the mechanisms of corporate governance and internal control from which the savings banks, by their very legal nature, already benefit. The Confederación itself, as a credit institution, and as set forth in this Report, invested considerable efforts in transparency and regulatory compliance in 2004, and will continue to do so in the coming years as one of its fundamental strategic lines of action.

Although the economic framework conveyed some uncertainties, the domestic and international financial situation in 2004 displayed stable behavior and comfortable financing conditions that made it possible to continue stimulating activity. Against this background, the Spanish savings banks continued to satisfy the demands of their customers, with very significant growth that strengthened their position as leaders within the Spanish financial system. This is illustrated by the market shares achieved in loans granted (leaders for the first time in 2004) and in funds taken. It is also appropriate to point out that this progress was achieved without detriment to the now traditional high degree of solvency, combined with improvements in levels of efficiency, despite the increasing competition there is in the system. The sector Balance Sheet and Statement of Income and Expenses provide clear evidence of this.

In 2004 the Confederación did not neglect the importance of its human capital, probably our sector's best asset. Aware of the importance acquired by the management of human resources in modern organizations, the Confederación has embarked on a path of strategic change in this sphere, aimed at implementing an integrated management system that seeks to have a systematic impact on aspects connected with the professional development of employees and the functional structure of the organization, among others. In its "ad extra" dimension, the Confederación continued to provide training services to the savings banks which in 2004 involved more than 42,000 students.

Last year was also significant with regard to sector partnership projects. The Confederación was the driver behind major standardization, harmonization and technological innovation projects at the savings banks. In general, this Report reflects the Confederación's commitment to sustained improvement in the quality of the services provided to the savings banks. Accordingly, in 2004 the Confederación continued its efforts to provide technical and financial guidance in practically all functional areas of savings bank activity. 2004

also saw the consolidation of the extensive range of financial and support services available to the savings banks, with particularly noteworthy advances in foreign development, investment services and sale and purchase of foreign banknotes. In relation to services of a technological nature, 2004 can be considered the year of final consolidation of electronic trading systems in place of the traditional telephone system. In short, the many projects discussed in this Report clearly illustrate that the mechanisms of dialogue and cooperation between savings banks are of key importance in promoting quality and efficiency in an economic environment characterized by competition and complexity.

Like the other entities in the sector, in 2004 the Confederación reaffirmed its commitment to society with its *Obra Social*, projects. Through the FUN-CAS (*Fundación de las Cajas de Ahorros*, Savings Banks Foundation), the Confederación successfully continued its fruitful and acknowledged work of economic and social analysis in the form of a number of events, publications and research grants.

An Annual Report can never reflect the entire activity of an organization in the course of a year. That is why this year we have tried to list the most significant events in which the Confederación took part in a chronology that invite readers to consult as proof of the spectacular activity undertaken by our entity in 2004, as always, to uphold our founding objectives.

Juan R. Quintás Seoane
Chairman





VISION

The aim for the future of Confederación Española de Cajas de Ahorros (CECA) is to **position Spanish savings banks among the most significant and highly valued entities of the Spanish and international financial system**, both in terms of financial activity and through their exercise of social responsibility.

MISSION

To reach this goal, the Confederación is committed to disseminating, upholding and representing the interests of the savings banks in all economic and social areas, and to providing them with guidance, serving as a forum for reflection and a framework for cooperation, and furnishing them with the most competitive products and services in the administrative, technological and financial fields.

The Confederación builds up the brand image of the savings banks and of their *Obra Social* projects, associated in both cases with the attributes of cooperation, efficiency, professionalism, innovation, soundness, modernness, competitiveness, and corporate social responsibility.

BASIC OBJECTIVES OF CECA

2.1

As set forth in the bylaws, the purpose of the Confederación is to promote, facilitate and increase the domestic and international operations of its member savings banks. Its philosophy is based on the significant socio-economic importance of savings, while safeguarding the general and reciprocal interests of its members. Within this framework, its main aims are as follows:

- To represent its member savings banks, individually and collectively, before public authorities, facilitating their support for government actions in matters of economic and social policy, without prejudice to any powers of representation that the savings banks may decide to exercise individually or may confer on the related federations in connection with matters that are not of general interest for member savings banks, but that particularly affect the respective savings bank or federation.

- To represent the savings banks internationally and, in particular, in the World Savings Banks Institute, the European Savings Banks Group and other international organizations.

- To provide to member savings banks such financial services as they may deem appropriate, as well as to facilitate the drawing and transfer of funds and notes between members and provide the support required for members to make proper use of their resources.

- To act as a center for operational coordination and information and counseling on legal, administrative, tax, technical and investment matters and as a supervisory body on all changes affecting savings in general and the activities and operations of member savings banks. For these purposes, it falls to the Confederación to compile the savings banks statistics and to analyze and manage them on an individual and group basis; to carry out commercial research with a view to achieving the most efficient action on the part of the savings banks; to provide them with advisory services on organization; to promote both savings and the federated savings banks; and any other action to contribute to the best achievement of the interests of the Confederation and the member savings banks.

- To cooperate with the financial authorities in the amelioration and improvement of management at savings banks and their compliance with financial regulations.
- To provide a center for the joint study of all matters affecting savings banks, endeavoring to insure that they are appropriately organized and function as efficiently as possible, including the publication of such technical and cultural publications as are considered appropriate.
- To enter into all types of agreements and arrangements with the central government, state, regional and local authorities pursuant to existing legislation in pursuit of the foregoing objectives.

HISTORY OF THE CONFEDERACIÓN

2.2

CECA was formed in 1928 to enable its members to join forces and for it to act as a representative body

Confederación Española de Cajas de Ahorros was formed in 1928 at the initiative of the Federación de Cajas de Ahorros Vasco Navarra to enable its members to join forces and for it to act as a representative body in different forums.

In 1971 the Confederación took over a large number of the functions of the ICCA (*Instituto de Crédito de las Cajas de Ahorros, Savings Banks Credit Institute*), including: the purchase and trading of securities and the investment of funds on behalf of the savings banks; the drawing and transfer of funds and passbooks between members; and acting as a subsidiary agent of the savings banks in deposits and withdrawals by their customers. At the same time, the Confederación inherited the ICCA's first coordination function, which consisted in granting loans to the savings banks, using the funds that they had deposited voluntarily.

With this, the Confederación ceased to be the merely representative institution that it had been until then and a new phase began in which it took on the services, opera-

tions and financial functions of a credit institution. In 1976 a research unit was set up, the work of which subsequently served as a basis for the reform of the Spanish financial system.

It was during these years that, in addition to recruiting new professional profiles, new training policies were introduced in the sector and the ESCA (*Escuela Superior de Cajas de Ahorros*, Saving Bank Training School) training school was set up.

With the liberalization of the Spanish financial system in 1977, the savings banks recovered their traditional model of independence and full operational capacity.

With the liberalization of the Spanish financial system in 1977, the savings banks recovered their traditional model of independence and full operational capacity. These legislative changes had a significant effect on the savings banks, both from an operating procedures and an organizational point of view, since savings banks and banks were put on an equal operational footing, deposit interest rates were liberalized, the process began to eliminate compulsory investment ratios and a new configuration of the governing bodies was put in place with the participation of depositors, employees, founding entities and local scientific, cultural or charitable entities.

Royal Decree 2290/1997 clearly defined for the first time the scope of Confederación Española de Cajas de Ahorros in relation to its member institutions. It defined CECA as the national association of all the federated savings banks and the provider of financial services to them.

The Law passed in 1985 on the Governing Bodies of Savings Banks LORCA (*Ley Órganos Rectores de las Cajas de Ahorros*), definitively established the model initiated with the reforms of the 1970s. Since then, and taking into account the major expansion undergone by the savings bank sector within the Spanish financial system as a whole, the cooperation among savings banks within the Confederación had to be reconciled with the increasing commercial competition between them in the market.

In response to this new situation and at the proposal of the Board of Directors, in 1990 the General Assembly approved a strategic and organizational shift that consisted basically of redefining the Confederación's objectives in order to adapt its services to the demands of the savings banks. With this new arrangement, it became a general practice to set rates for the operating, financial and technological services offered to the

savings banks and voluntarily purchased by them, with the ultimate aim of making them self-financing. Apart from that, the growth in productivity of the membership functions that are covered by the membership dues has made it possible to reduce these dues by 64.5% since 1995. The amount is currently set at € 0.213 for each € 6,010 of deposit balance.

The latest milestone in this evolution was the Financial Law of 2002 which, having established the legal nature of the savings banks as private-sector business foundations, set a three-fold objective: to advance even further the professionalization of the management of these entities, to facilitate their access to the capital markets and to promote cooperation through the Confederación.

STRATEGIC LINES IN 2005

2.3

The objectives that are going to be implemented in the course of 2005 have been grouped together in the following Strategic Lines:

Innovation as a driver of cooperation

Within this line, efforts will continue to foster cooperation among the savings banks, within the framework of the COAS (*Comisión de Organización, Automación y Servicios*, Organization, Automation and Services Committee), through joint projects including most notably the launch of R&D+I activities, the redefinition of banking services with the aim of improving customer service models and the definition of operating and technological platforms to enable the needs of businesses to be met more efficiently.

Attention will also be paid to the launch of new products for the savings banks, such as an agile system for distributing cash, the management of electronic payments between businesses and private individuals, the arrangement of documentary credits through a company in Hong Kong and the adaptation of the network and the necessary technology for the roll-out of smart cards.

Strengthening Corporate Social Responsibility

Implementation of this Strategic Line will be based on three essential pillars:

- Firstly, the deepening of the savings banks' commitment to corporate social responsibility and in order to do so, among many other actions, it is planned to organize a strategic forum on the subject with the participation of all the federated savings banks.
- Secondly, the definitive incorporation of both CECA and the savings banks in the trend of good corporate governance, by means of new elements of transparency such as an annual corporate governance report and the dissemination of financial information via Internet websites.
- Thirdly, the functional and organic structuring of the regulatory compliance function, in order to centralize and systemize the entity's regulatory risk exposure.

Renewal of CECA management & control systems

The major efforts that will be made in 2005 to develop this Strategic Line will be structured in the following areas:

- The creation of a management platform with the incorporation in a first phase of a comprehensive scorecard, the implementation of a management intranet and a system for monitoring strategic projects.
- The introduction of an integrated system for human resources management that will include the implementation of a communications plan and an executive development plan, the introduction of new organizational and pay structures, and the development of human resources policies and management tools.

- The improvement of the risk management and control systems by drawing up action plans linked to the introduction of new operational controls, implementing a new market and counterparty risk control system and adapting to Basel II.
- With regard to financial reporting systems, the preparation and redesign of the accounting structure in order to adapt appropriately to the requirements arising out of the entry into force of the International Accounting Standards.

Ongoing improvement of services

As part of the Strategic Line for improving the services that the Confederación provides to savings banks, the following strategic objectives have been set for 2005:

- The introduction of a system to diagnose the standard of quality of the services provided by the Confederación, and the adoption of actions aimed at increasing the features offered by the sector risk control tools, particularly in market risk, operational risk and credit risk.
- In technology services, the promotion of an upgrade of the connections with the savings banks, the extension of SAP functionalities, the fostering of new channel projects and the boosting of outsourcing services.
- In operating and financial services, the study of a new securities tariff structure, the introduction of the telematic coverage service with the Bank of Spain, the incorporation of an interactive system for the savings banks to access the CECA catalogue of products and services, and the installation of an electronic cash request system. Apart from that, the enhancement and alteration of the Treasury Room will make it possible to extend the range of financial services

available, such as equity securities loans and the creation of new asset and liability structured products.

- With the aim of increasing the efficiency, quality and coordination of the support services provided by the Confederación to savings banks, the setting up of a shared services center; with the progressive integration of the macroback-up, market risk, disclosure of financial statements and market data service supports.



3.1

CORPORATE
GOVERNANCE &
SAVINGS BANKS

The liberalization processes undergone by the financial sector in recent decades have transformed the classical market structures. We are now witnessing a more demanding scenario for institutions, in which the

factors of competitiveness and efficiency have taken on strategic significance. There is no doubt that this new approach has brought about considerable progress in matters relating to the specialization of management and financial functions. But it also carries risks.

Circumstances such as the increasing calls on the financial markets have brought changes in corporate governance structures. The traditional identification between owners and managers has made way for plural settings in which the different stakeholders of a company demand more transparent management and even a real say in decision taking. The market itself, as well, imposes transparent and democratic governance practices to maintain investor confidence, the ultimate pillar on which the financial system stands.

This growing pressure on the governance structures of businesses has led to the widespread conviction that formulas of equilibrium must be introduced to promote the transparent and smooth flow of information. This is the reason for the proliferation of theories, doctrines, regulatory provisions and recommendations that, in connection with

The legislative initiatives on good corporate governance constitute an excellent opportunity to publicize the merits of the savings banks' model

the common expression "corporate governance", have occupied a central place in the debate about the future of the financial system. To such a point that the trend towards good corporate governance is now seen as a fundamental element in order to rationalize financial structures and maintain investor confidence.

The savings banks have not remained indifferent to this interesting debate. Far from representing a redefinition of the savings banks' corporate model, the challenges currently involved in adopting good governance practices offer the opportunity to consolidate that model and take advantage of it.

The recent legislative initiatives that seek to incorporate the savings banks in the trend of good corporate governance are, therefore, welcome. They offer an excellent opportunity to publicize the merits of the savings banks' corporate model in both the domestic and international markets. And, of course, to improve it.

This chapter of the Report moves precisely in that direction. The aim is to offer a general overview of the internal functioning of the Confederación: the structure and functions of its governing bodies, the activities of the various bodies and committees set up pursuant to the recent regulations enacted in the framework of corporate governance and the Confederación's most significant shareholdings, among other matters.

INVESTEES

3.2

The shareholdings held by the Confederación are directed at performance of the missions set forth above. Its main investees are as follows:



■ AHORRO CORPORACIÓN, S.A.

Financial services holding company and securities broker-dealer.



■ AHORRO Y TITULIZACIÓN, SOCIEDAD GESTORA DE FONDOS DE TITULIZACIÓN, S.A.

Mortgage securitization fund manager.



■ BOLSAS Y MERCADOS ESPAÑOLES, S.A.

Financial markets and systems holding company.



■ CAJA ACTIVA, S.A.

Internet or other network links.



■ CASER GRUPO ASEGURADOR

Insurance.



■ EURO 6000, S.A.

Administration of credit and debit card systems.



■ **MASTERCAJAS, S.A. (EUROPAY6000)**

Means of payment.



■ **LICO CORPORACIÓN, S.A.**

Group of companies engaging in leasing and banking services.



■ **TINSA TASACIONES INMOBILIARIAS, S.A.**

Real estate appraisal.



■ **SWIFT**

International electronic payments.

Except for AHORRO Y TITULIZACIÓN, CAJA ACTIVA, S.A., and EUROPAY ESPAÑA, the companies detailed above are less than 15% owned by the Confederación and none of them is listed. The list of investees shows that all of them are focused on carrying out and expanding the range of financial activities and services provided by the Confederación.

GOVERNING BODIES

3.3

General Assembly

The General Assembly, comprising all the federated savings banks, is the Confederación's supreme governing and decision-making body. Its members, who are termed General Assembly Members, represent the interests of the federated savings banks and the interests of savings and savers in general.

Each of the savings banks is represented in the General Assembly by its chairman or a member of its Board of Directors and its general manager.

The General Assembly holds two ordinary meetings a year, one in each calendar half, and also holds an extraordinary meeting whenever such a meeting is called by the Board of Directors or at the request of the Control Committee, of two savings bank Federations or of a group of federated savings banks.

In 2004, the General Assembly of CECA held two ordinary meetings, on April 21 and December 15.

It is the responsibility of the CECA General Assembly, among other functions laid down in the bylaws, to appoint the members of the Board of Directors and the members of the Control Committee, and to approve the annual report and the financial statements.

At December 31, 2004, the General Assembly of CECA consisted of the following members:

Chairman:

Juan Ramón Quintás Seoane

General Assembly Members:

Vicente Sala Belló	José Luis Ros Maorad
Roberto López Abad	Carlos Jimeno Palomares
Feliciano Blázquez Sánchez	José Antonio Arcos Moya
Antonio Martín Jiménez	Dionisio Martín Padilla
José Manuel Sánchez Rojas	Mauro Pérez Varela
José Antonio Marcos Blanco	José Luis Méndez López
Antoni Serra Ramoneda	Antonio Marrero Hernández
José María Loza Xuriach	Juan Manuel García Falcón
Ricardo Fornesa Ribó	Victorino González Ochoa
Isidro Fainé Casas	José Ignacio Lagartos Rodríguez
Xabier de Irala Estévez	Fernando Beltrán Aparicio
Guillermo Ibáñez Calle	Jorge Albajar Barrón
José Ignacio Mijangos Linaza	Miguel Blesa de la Parra
Santiago Ruiz Díez	Carlos Vela García-Noreña
José María Arribas Moral	Braulio Medel Cámara
José María Achirica Martín	Miguel Ángel Cabello Jurado
Jesús Medina Ocaña	Pedro Rifá Ferrer
Florentino Reinoso González	Didac Herrero Autet
Miguel Castillejo Gorráiz	Valentín Roqueta Guillamet
Francisco Jesús Jurado Núñez	Adolfo Todó Rovira
Juan Pedro Hernández Moltó	Jaume Boter de Palau i Ràfols
Ildefonso Ortega Rodríguez-Arias	Pedro Antonio de Doria Lagunas
Arcadi Calzada Salavedra	Juan Roca Guillamón
Aleix Gimbernat Martí	Carlos Egea Krauel
Antonio María Claret García García	Rafael Soriano Cairols
Ildefonso Pastrana Sánchez-Crespo	Francisco Sanchís Penadés

Manuel Menéndez Menéndez
Felipe Fernández Fernández
Llorenç Huguet Rotger
Pere Batle Mayol
Miguel Sanz Sesma
Enrique Goñi Beltrán de Garizurieta
Martín Torrandell Orell
Jaime Amengual Llompart
Lluis Brunet Berch
Pere Rifá Pujol
Julio Feroso García
Lucas Hernández Pérez
Carlos Etxepare Zugasti
Jesús María Iturrioz Aizpuru
Rodolfo Núñez Ruano
Álvaro Arvelo Hernández
Carlos M. Saiz Martínez
Víctor Javier Eraso Maeso
Atilano Soto Rábanos
Manuel Escribano Soto
Luis Pascual Navarrete Mora
José María Ramírez Loma
José María Bueno Lidón
María Luisa Lombardero Barceló
Gabriel Ferraté Pascual
Rafael Jené Villagrasa
Francesc Astals Coma
Enric Mata Tarragó
José Luis Olivas Martínez
José Fernando García Checa
Guillermo Alonso Jáudenes
Julio Fernández Gayoso
Josep Colomer Rafols
Ricardo Pagés Font
Gregorio Rojo García
Joseba Barrena Llorente
Amado Franco Lahoz
José Luis Aguirre Loaso
Fernando Gil Martínez
Luis Calvera Serrano

**Control
Committee**

The purpose of the Control Committee is to ensure that the Board of Directors conducts its activities with the maximum efficiency and within the general lines of action set by the General Assembly and in compliance with the provisions of financial regulations. Specifically, its functions include the following:

- a) To analyze the entity's economic and financial management and submit a half-yearly report thereon to the Bank of Spain and the General Assembly.
- b) To examine the audit of the accounts that summarizes the year's activities and to submit to the General Assembly a report on the examination performed.
- c) To inform the General Assembly about the budgets and allowances allocated to *Obra Social* projects, and to monitor compliance with the investments and expenses envisaged.
- d) To insure the transparency of the procedures for the election and appointment of the members of the governing bodies.
- e) To propose the suspension of the enforceability of resolutions adopted by the Board of Directors, when it deems that they violate current legislation or unfairly or seriously affect the asset situation, results or standing of the Confederación or the member savings banks.

The Committee has six members, elected by the General Assembly from among the Chairmen and General Managers of the savings banks for a term of 4 years.

In 2004 the Control Committee met monthly on eleven occasions. At December 31, 2004, its members were as follows:

Chairman:

Rafael Jené Villagrasa

Deputy Chairman:

Rafael Soriano Cairols

Secretary:

Antonio M^a. Claret García García

Members:

Martín Torrandell Orell

Atilano Soto Rábanos

Luis Calvera Serrano

Board of Directors

The administration and representation of Confederación Española de Cajas de Ahorro is entrusted to the Board of Directors, on which all the Autonomous Communities of Spain are represented through their savings banks.

The Board of Directors of CECA has a minimum of 17 members and a maximum of 35, elected by the General Assembly in accordance with the provisions of the bylaws, of which two deserve special mention:

- a) One member for each of Spain's Autonomous Communities, with candidates being proposed by the respective savings bank federations

- b) Other members allocated in a greater number to Autonomous Communities in which the savings banks who have their registered office there administer an amount of customer funds according to the scale laid down in the bylaws.

In 2004 the Board of Directors met monthly on eleven occasions. At December 31, 2004, its members were as follows:

Chairman:

Juan Ramón Quintás Seoane

Deputy chairmen:

Ricardo Fornesa Ribó

Miguel Blesa de la Parra

Braulio Medel Cámara

Carlos Etxepare Zugasti

Secretary:

Carlos Egea Krauel

Members:

Miguel Sanz Sesma

Carlos Manuel Saiz Martínez

Vicente Sala Belló

Manuel Menéndez Menéndez

José María Loza Xuriach

Pedro Batle Mayol

Amado Franco Lahoz

Jesús Medina Ocaña

Álvaro Arvelo Hernández

Ricardo Pagés Font

Adolfo Todó Rovira

Enrique Mata Tarragó

Fernando Beltrán Aparicio

José Luis Olivas Martínez

Santiago Ruíz Díez

José María Achirica Martín

Juan Pedro Hernández Moltó

Julio Fernández Gayoso

Luis Pascual Navarrete Mora

Some years ago the Board of the Confederación set up two committees on specific topics that performed their functions on a regular basis during 2004. They are the *Obra Social* Projects Study Committee, chaired by Jesús Medina Ocaña, and the COAS, chaired by Álvaro Arvelo Hernández.

Also in 2004, as will be discussed later in this Report, the Remuneration Committee and the Investment Committee were set up with the following members:

Investment Committee

Amado Franco Lahoz (Chairman)

Manuel Menéndez Menéndez

José María Achirica Martín

Remuneration Committee

Miguel Blesa de la Parra (Chairman)

Vicente Sala Belló

Pedro Batle Mayol

3.4

CHANGES IN SENIOR OFFICERS AT SAVINGS BANKS

Independently of the structure of the entity's governing bodies, the Confederación keeps a register of the Chairmen and Managers of all the savings banks.

In 2004 the following appointments were made:

- At Caja de Ahorros de Ávila

Chairman:

FELICIANO BLÁZQUEZ SÁNCHEZ

- At Caja General de Ahorros de Granada

General Manager:

ILDEFONSO PASTRANA SÁNCHEZ-CRESPO

- At Caja de Ahorro Provincial de Guadalajara

Chairman:

JOSÉ LUIS ROS MAORAD

- At Caja España de Inversiones, Caja de Ahorros y M.P.

Chairman:

VICTORINO GONZÁLEZ OCHOA

- At Caixa d'Estalvis Laietana

Chairman:

JAUME BOTER DE PALAU I RAFOLS

- At Caja de Ahorros de Asturias

General Manager:

FELIPE FERNÁNDEZ FERNÁNDEZ

- At Caja de Ahorros y M.P. de Gipuzkoa y San Sebastián

Chairman:

CARLOS ETXEPARE ZUGASTI

- At Caja de Ahorros Provincial San Fernando de Sevilla y Jerez

Chairman:

LUIS NAVARRETE MORA

- At Monte de Piedad y Caja de Ahorros de Huelva y Sevilla

General Manager:

M.^a LUISA LOMBARDEO BARCELÓ

- At Caja de Ahorros de Valencia, Castellón y Alicante

Chairman:

JOSÉ LUIS OLIVAS MARTÍNEZ

- At Caja de Ahorros de Vitoria y Álava

Chairman:

GREGORIO ROJO GARCÍA

- At Caja de Ahorros y M. P. de Zaragoza, Aragón y Rioja

Chairman:

AMADO FRANCO LAHOZ

General Manager:

JOSÉ LUIS AGUIRRE LOASO

3.5

NEW DEVELOPMENTS IN CORPORATE GOVERNANCE

Changes arising out of law 26/2003

Law 26/2003 (the Transparency Law) amended the LORCA (by introducing two new sections numbered 20 bis and 20 ter) in order to regulate two new committees that must be set up by the savings banks: the Remuneration Committee and the Investment Committee. The regulation of these two new committees was given definitive shape a few months later with the enactment of Law 62/2003 on Fiscal, Administrative and Social Measures (the Law accompanying the State Budget for 2004), which made important changes to the arrangements originally designed by the Transparency Law.

Under this legal framework, the Investment Committee and the Remuneration Committee must be set up as committees of the savings banks boards of directors and they must have a maximum of three members.

The Investment Committee reports to the Board of Directors on investments and divestments of a strategic and stable nature made by the savings bank, either by itself or through endowed, adscribed or investee entities, and on the adaptation of such investments and divestments to the entity's budgets and strategic plans. The committee's annual report is included in the annual corporate governance report.

The function of the Remuneration Committee is to report to the Board of Directors on the general policy governing the pay and incentives for members of the Board and executive personnel. The Confederación already had a Remuneration Committee with functions very similar to those now envisaged in the Law.

According to the provisions of the legislation described above, the operating arrangements of both committees are rounded out with the provisions of the savings bank's bylaws and the committee's own internal regulations. At CECA, however, even before the bylaws were amended to make provision for their regulation, the Remuneration Committee and the Investment Committee were set up pursuant to a Board resolution of June 18, 2004, which also approved the committees' internal regulations.

Audit Committee

Another fundamental change contained in the Law accompanying the State Budget that must be mentioned for corporate governance purposes is one concerning audit committees. Under the Financial Law (Law 44/2002 on Measures to Reform the Financial System), issuers of securities that are traded on official secondary markets must have an audit committee. The Law accompanying the State Budget introduces certain clarifications of the arrangements originally envisaged by the Financial Law, including specific treatment in the case of the savings banks, consisting of allowing the functions of the audit committee to be taken on by the control committee.

The Confederación is not an issuer of securities. However, on July 21, 2004, its Board resolved that the functions of the audit committee should be assumed by the Control Committee.

3.6

REGULATORY COMPLIANCE

CECA Customer Service Office

On March 24, 2004, Order ECO/734/2004 was published dealing with customer service departments and units and the customer ombudsmen of finance entities.

This Ministerial Order was issued to implement section 31 of the Financial Law. This Law designed a new system of protection for users of financial services, divided into two stages. Firstly, it set up new public bodies whose purpose is to rule on disputes arising between financial institutions and their customers. These are three Financial Services Customer Commissioners (regulated by Royal Decree 303/2004). Secondly, it laid down that all financial entities must deal with and resolve the complaints and claims made by their customers, for which purpose they must have a Customer Service Department or Office; the possibility of them appointing a Customer Ombudsman is also addressed.

These bodies must handle and resolve complaints and claims presented by any Spanish or foreign individuals or corporate entities that are users of the financial services provided by the entities, provided that such complaints and claims refer to their legally recognized interests and rights, whether arising out of contracts, the regulations governing transparency and customer protection or good financial practice and customs, in particular, the principle of equity.

Under the provisions of Order ECO/734/2004 it is to be inferred that the Confederación is obliged to have a Customer Service Department or Office, insofar as it is a credit entity and there are users of its services (the savings banks themselves, employees or third parties) who may present complaints or claims. Accordingly, on July 21, 2004, the Board of the Confederación set up the CECA Customer Service Office and approved its internal regulations. The appointment of the Head of the Office and the internal regulations that had been approved were notified to the Bank of Spain on July 23, 2004.

No complaints or claims were processed in 2004.

"Ad Hoc" Code of Conduct Body

The Royal Decree 629/1993 on rules of conduct on the securities markets and mandatory registers, includes as an appendix the "General Securities Market Code of Conduct". This code must be observed by all issuers of securities and by entities that either provide investment services in the sphere of the securities market, or give advice or act as intermediaries in connection therewith.

On October 21, 1993, the Board of Directors approved the first CECA Rules of Conduct on the Securities Markets.

The Confederación has a body consisting of four of its executives that monitors compliance with the Internal Regulations of Conduct

Subsequently, in compliance with the reforms introduced by the Financial Law, the Confederación drew up a new set of Internal Regulations governing Conduct on the Securities Markets that was approved by the Board of Directors on July 16, 2003.

These regulations regulate the "ad hoc" body that monitors compliance at the Confederación, currently consisting of four members all of whom are CECA executives. It is the responsibility of this body to receive and examine the disclosures referred to in the regulations, to resolve cases of conflicts of interest and, in general, to insure compliance with the regulations. Periodically, and in other cases when it considers appropriate, it reports to the Board of Directors or to the committee designated by the Board, on the degree of enforcement and on any incidents occurring.

In 2004 the "ad hoc" body met quarterly, focusing particularly on the monitoring of Chinese walls to prevent and avoid the transfer of inside information, and on the changes in the personnel subject to the Internal Regulations of Conduct.

Money Laundering Prevention Committee

The Money Laundering Prevention Committee is the Confederación's internal control body for discussing and making proposals on the policy for the prevention of money laundering. The Committee is made up of representatives of all the areas involved in prevention policy and met monthly in 2004.

The Committee monitored the latest domestic and international regulatory developments; in particular, it expressed an opinion during the consultation phase of the Bill to amend the Regulations of Law 19/1993 on certain measures for the prevention of money laundering (finally passed as Royal Decree 54/2005).

In 2004, efforts were made to implement a computer application to monitor and detect suspicious transactions, and the preparation of new customer identification records continued.

The necessary arrangements were also made to prepare the knowledge records of the correspondent banks and to update the list of institutions with which the Confederación has exchanged Swift codes.

The "ad hoc" procedures for banknote sale and purchase transactions were included in the CECA Money Laundering Prevention Handbook. This procedure includes a structure of quantitative limits and the requirement for counterparty suitability.

Amendments to CECA Bylaws

The bylaws of the Confederación were amended in 2004 to adapt them to the changes in the regulatory environment described above:

With respect to the obligation of all savings banks to have two new committees to support the Board of Directors, the Remuneration Committee and the Investment Committee, and in conformity with the provisions of the two new sections in the LORCA (20 bis and 20 ter) that lay down that the arrangements governing the functioning of these Committees will be those established in the savings bank's bylaws and the

committee's own internal regulations, in December 2004 the General Assembly approved the amendment to the bylaws that gives formal accommodation to these committees in the Confederación's governance and management structure.

With regard to the Audit Committee, the bylaw amendments approved by the General Assembly in December 2004 included the provision introduced by the Law accompanying the State Budget whereby the functions of this committee may be taken on by the Control Committee.

In addition, given the need for these bylaw amendments, the Board of Directors deemed it appropriate to take the opportunity to introduce certain technical improvements to the bylaws which were necessary to bring them into line with current Mercantile Register Regulations.

The CECA General Assembly approved a bylaw amendment to accommodate the Investment and Remuneration Committees

Accordingly, the amendments to the bylaws and the new revised text of the bylaws proposed by the CECA Board of Directors were approved by the 90th Ordinary General Assembly of the Confederación.

Once the aforementioned resolutions adopted by the General Assembly have been registered with the Mercantile Register, the CECA bylaws will contain three new chapters in Part II, numbers six, seven and eight, relating to the Audit Committee, the Remuneration Committee and the Investment Committee, respectively.



THE ECONOMIC ENVIRONMENT

4.1

The International Economy

The **world economy** strengthened its recovery in 2004, achieving the highest rate of growth for the past three decades and spreading to most regions. The pace of activity was particularly intense in the first quarter of the year, led by the United States and Asia, although it slowed down thereafter as a result of the high oil prices, the appreciation of a number of currencies against the dollar and the more restrictive nature of macroeconomic policies in the United States and China.

There was a considerable upturn in **world trade** in comparison with 2003, with volume growth rates of nearly 10%. Noteworthy was the increased dynamism of the developing countries, especially China, which accounted for 20% of **world trade** in the year and a large part of the increase in commodity prices on international markets.

WORLD GDP GROWTH AND INFLATION

%

	GDP		INFLATION	
	2003	2004	2003	2004
United States	3.0	4.4	2.3	2.7
Japan	1.4	2.6	-0.3	0.0
Euro area	0.8	1.8	2.0	2.0
Germany	-0.1	1.0	1.0	1.8
France	0.6	2.3	2.2	2.3
United Kingdom	2.2	3.1	1.4	1.3
Latin America	1.8	6.0	10.6	6.5
Argentina	8.8	8.8	14.7	4.4
Brazil	0.5	5.2	14.8	6.6
Emerging Asia	7.7	7.3	2.6	4.5
China	9.1	9.5	1.2	4.0

Source: IMF & National Statistics Offices

The **US** economy grew by 4.4% in 2004, the highest rate since 1999, although the quarterly trend was downward throughout the year. Growth was supported by the dynamism of consumer spending and business investment, particularly in capital goods, whereas foreign trade drained 0.7 percentage points from the advance of GDP. The decline in net exports compared with 2003 was largely attributable to the rise in oil prices.

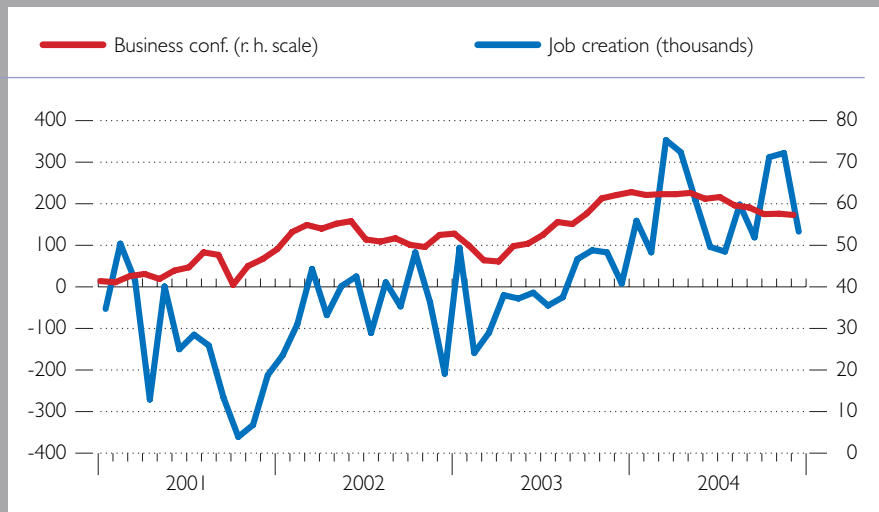
Job creation picked up in comparison with 2003, although the rate was uneven. The average 170,00 jobs created each month barely made up for those lost since the start

The US unemployment rate was 5.4% at the end of the year, 0.5% lower than at the end of 2003.

of the recession in 2001, although the unemployment rate stood at 5.4% at the end of the year, which was a half-point down on the end of 2003. Labor productivity slowed in comparison with the previous two years, but the average growth rate for the last five years remained at 4%, leading to only a slight increase in unit labor costs and fostering an environment of moderate inflation.

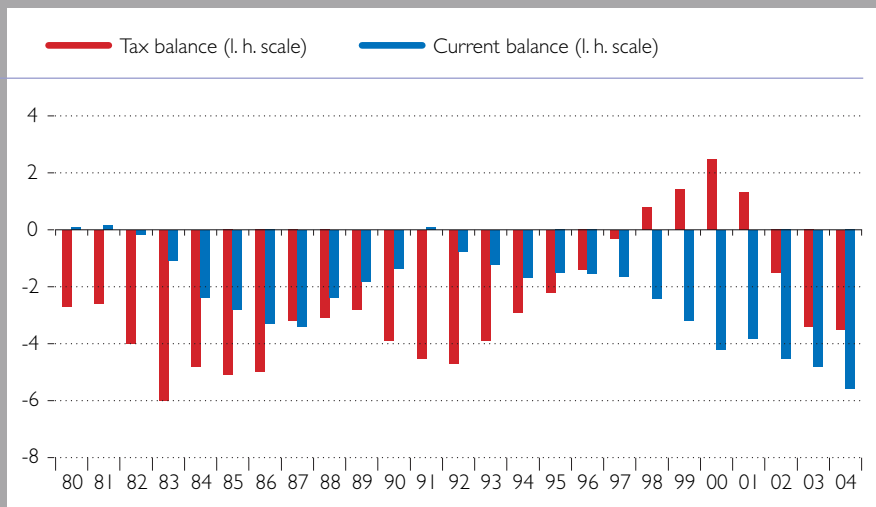
The US budget deficit rose by 0.1% in 2004 (3.5% of GDP) and household indebtedness, although rising more slowly than in 2003, remained at very high levels when measured as a percentage of gross disposable income. Although the increase in corporate earnings made it possible to absorb the fall in national saving, this was insufficient and the economy's increasing need for financing was reflected in a deficit on the current account balance of more than 5.5% of GDP.

USA:
EMPLOYMENT
& BUSINESS
CONFIDENCE



Source: ISM & Bureau of Labor Statistics

USA: TWIN
DEFICITS



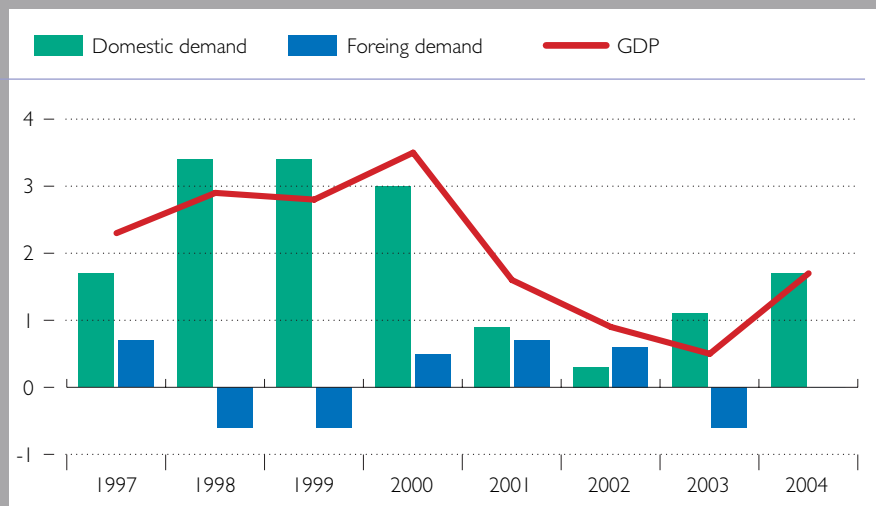
Source: Congressional Budget Office

The **euro area** emerged from the virtual stagnation of the economy of the previous two years, although with only modest growth (1.7%), the result of a gradually downward revision of the optimistic expectations at the beginning of the year. By country, Italy, Portugal and Holland grew by almost 1%, Germany by slightly more than 1.5%, and only Ireland and the Scandinavian countries recorded growth of more than 3%.

The economy rallied in the first half of the year, driven by exports and industrial production, whereas private consumer spending continued to be held back by the weakness of job creation - the unemployment rate remained stable at 8.9% of the active population. In the second half the appreciation of the euro and the rise in oil prices, together with the slower growth in the United States, curbed the progress of foreign trade and, in the absence of a revival of domestic demand, especially in Germany, the initial expectations of recovery were thwarted.

Labor productivity picked up in the euro area in 2004, although at a much slower rate than in the United States, thereby demonstrating the scant effectiveness of the Lisbon strategy to dynamize the European economy, as Wim Kok's report makes clear. However, the area's main countries - France, Italy and Germany - have embarked on partial structural reforms, mainly directed at making the labor market more flexible, although the results will only be visible in the medium term.

**EURO AREA:
GDP AND
CONTRIBUTION
OF DOMESTIC
AND FOREIGN
DEMAND**



Source: Eurostat

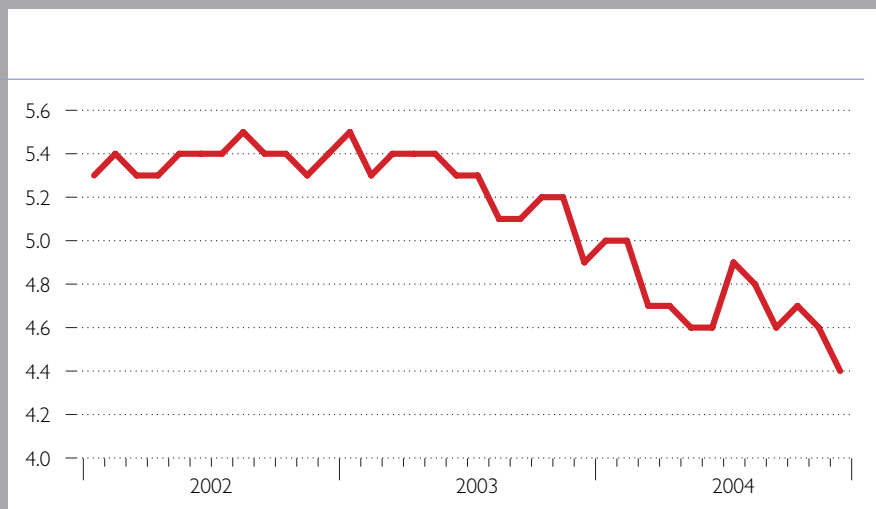
The **Japanese** economy continued to recover in 2004, with GDP up by almost 2.5% and no increase in prices, after five years of deflation. However, the dynamism of activity in the first quarter, supported by the strength of exports and private sector investment, lost momentum in the course of the year, due to the adverse effect of the rising

The Japanese economy continued to recover, with GDP up by almost 2.5% and no increase in prices

energy prices, the appreciation of the yen and the fall in public sector investment.

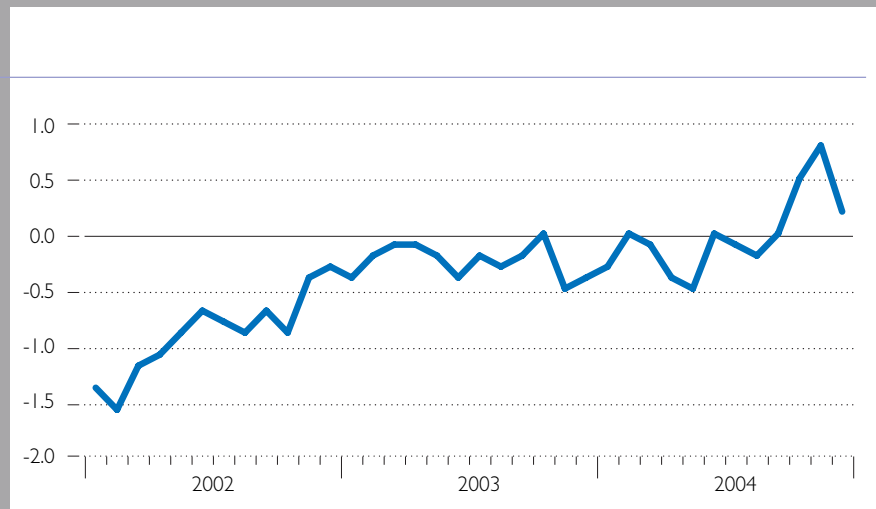
Even so, job creation made good progress throughout the year, and the financial situation of businesses improved considerably, which is a positive differentiating factor in comparison with the recovery in the early 90s: corporate indebtedness fell to record lows, there were fewer nonperforming loans, and the financial restrictions on small and medium-size enterprises were relaxed.

**JAPAN:
UNEMPLOYMENT**



Source: Bank of Spain

JAPAN: INFLATION



Source: Bank of Spain

In **China**, the economy grew by more than 9% for the second year running. The measures taken by the government to contain expenditure barely succeeded in curbing the strong rate of investment (17%) and domestic credit (8%), and in October the authorities resorted to increasing the official interest rate (5.6%), with the intention of relieving the upward pressure on prices that took inflation to its maximum since 1996. The foreign trade sector maintained the strength of the previous year, with advances of 30% and 40%

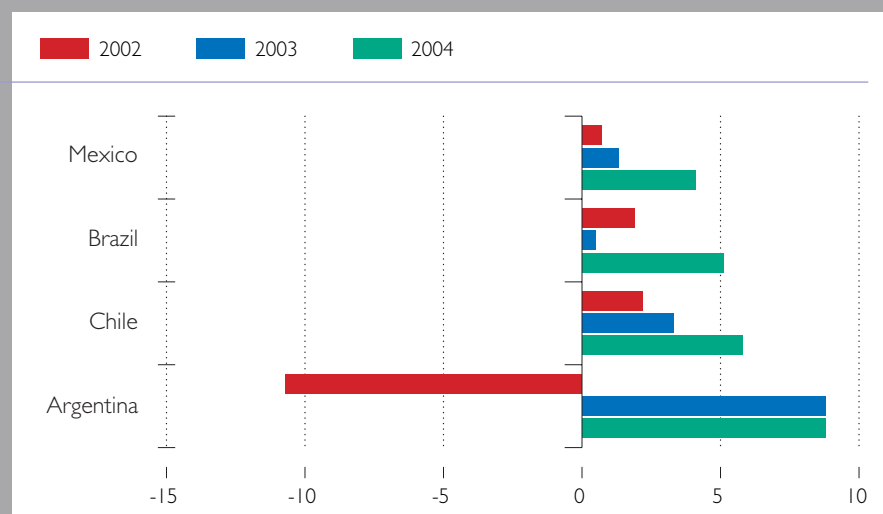
In China, for the second year running, the economy grew by more than 9%, while the Latin American economies grew by around 6%

in exports and imports, respectively, which boosted growth in the rest of Asia and in Latin America.

The year's results were also very favorable for the **Latin American** economies, which recorded growth of almost 6% in 2004. The growth was based on the decrease in sovereign risk premiums and the increase in prices of the raw materials they produce, against a background of greater fiscal and monetary control and more competitive exchange rates. Currency depreciation, combined with a better foreign environment and, particularly, the strength of Chinese imports fostered export growth of more than 20%, which meant that for the second year running the recovery was accompanied by a surplus in the current account balance.

Argentina, Mexico and Brazil grew by more than 4%, and there were improvements in the unemployment, budget deficit and inflation indicators. However, inflationist tensions led to a tightening of monetary policy in the second half of the year in Mexico and Brazil. In Argentina, after more than three years in suspension of payments, in 2004 the government launched an offer to restructure the outstanding debt of more than \$80 billion dollars.

LATIN AMERICA: GDP GROWTH BY COUNTRY



Source: Bank of Spain

The Spanish Economy

The Spanish economy grew by 2.7% in 2004, continuing the trend of slightly faster **growth** since 2002, although the positive gap between the growth in Spain and in the euro area was reduced by 1 percentage point. Spanish per capita income remained at around 87.4% of the EU-15 average, the same as in 2003, since the relative improvement in the employment rate offset the decline in productivity.

The current environment of low interest rates has fostered the continuity of a pattern of growth based on domestic demand, at the expense of greater drag on the foreign trade sector. Particularly noteworthy were the strength of consumption and investment in construction, although the latter displayed less dynamism, but this was offset by the revival of investment in capital goods.

MACROECONOMIC
TABLE

Year-on-year variation

(1) Contribution to
growth of GDP

	2003	2004
Private consumption	2.9	3.5
Public sector spending	3.9	4.9
GFCF	3.2	4.6
Capital goods	1.0	5.8
Construction	4.3	4.4
Domestic demand (1)	3.3	4.4
Foreign demand (1)	-0.8	-1.7
Exports of g&s	2.6	4.5
Imports of g&s	4.8	9.0
GDP	2.5	2.7
GVA agriculture & fisheries	-1.4	-0.6
GVA industry	1.3	2.2
GVA energy	1.3	1.7
GVA construction	4.3	3.7
GVA services	2.4	2.8

Source: INE

The sharp rise in **consumption** in the year (3.4%) was driven by the growth in employment and the increase in disposable income and household wealth, both real - mainly in real estate - and financial. Consumption was led by expenditure on durable goods, particularly automobiles, with a 10% increase in registrations year on year, against a background of a slight improvement in consumer confidence.

The favorable financing conditions continued to drive household **indebtedness**, mainly through credit for home purchases, so that in September 2004 the aggregate debt reached 100% of gross disposable income. Despite the recovery of financial wealth since the low of 2002, the acceleration of indebtedness impaired household financial saving, which as a percentage of GDP was at its lowest in 2004 since September 1993.

Investment in equipment proved to be an important driver of growth in 2004. Its acceleration was particularly marked in the third quarter with a rate of almost 10%, the highest for five years. The substantial increase in corporate earnings and the improvement in the industrial climate as a result of the decrease in geopolitical uncertainty

boosted corporate investment. Specifically, the net ordinary income of non-financial companies increased by 19% until the third quarter, due to the moderation of personnel expenses and financial costs, and the increase in revenues from subsidiaries in other countries.

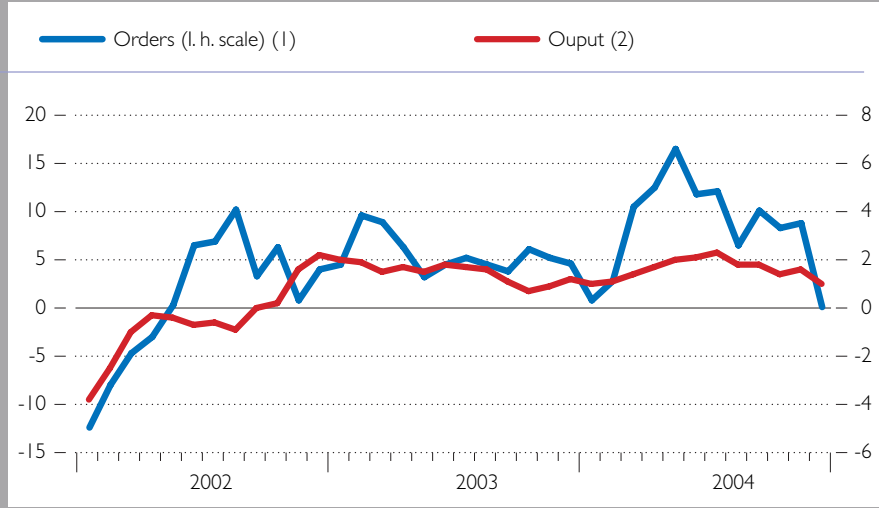
On the supply side, a slight increase (1.6%) in **industrial activity** was apparent in 2004, with a fall in the production of consumer goods - although there was a sharp surge in imports of these types of goods -, and a substantial rise in the production of capital goods.

Activity in the construction industry maintained a high level of growth, although there are signs of a slowdown

Activity in the **construction** industry maintained a high level of growth, although there were signs of a slowdown, particularly in the residential building sector. The consumption of cement fell by 1.5 percentage points year on year and the creation of employment in the industry remained stable. By subsector, the Conjunctural Construction Survey showed a deceleration in civil engineering works in the second half of the year, coinciding with the post-electoral period. As regards residential building, for the second year running more than 600,000 housing units were begun in 2004, although the rate slowed in the last few months, particularly in coastal areas, in line with the slowdown in foreign investment in real estate. In any case, demand for housing remained strong, exerting upward pressure on prices which continued to increase at rates of slightly more than 17%.

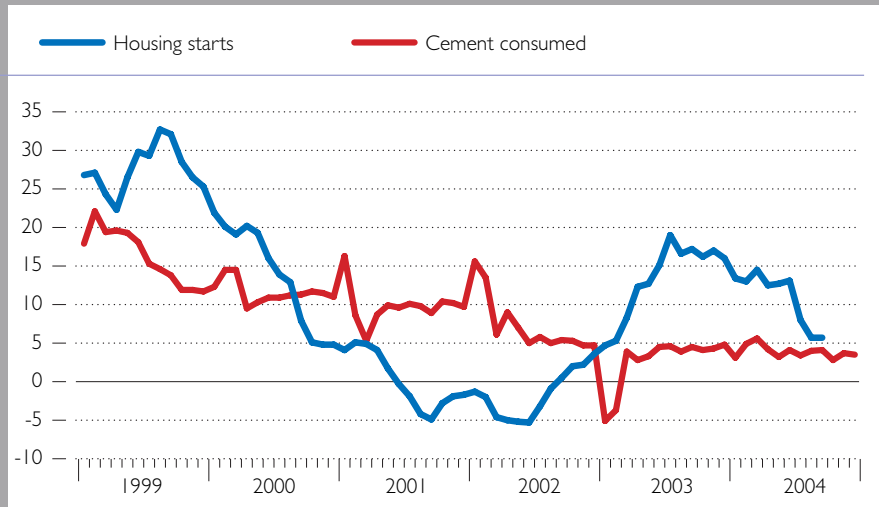
CAPITAL GOODS

(1) Levels
(2) Year-on-year variation
(filtered index & ECV)



Source: INE & Ministry of Industry

CONSTRUCTION

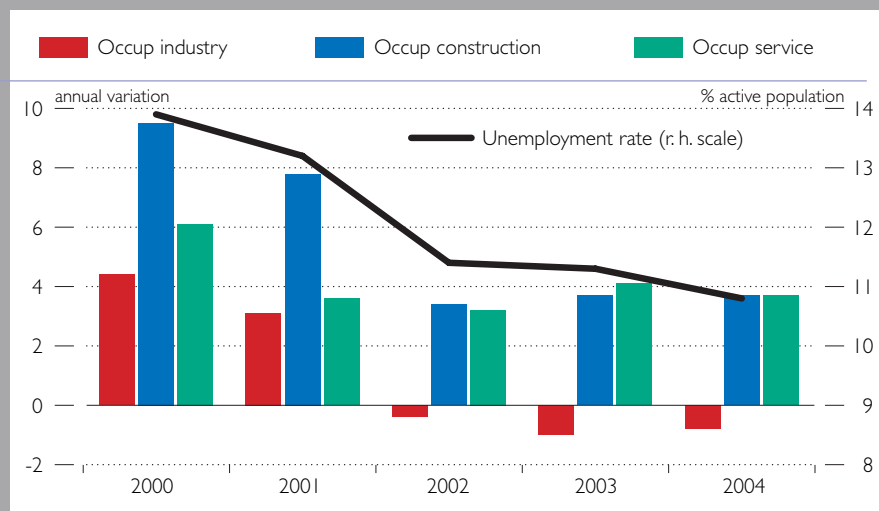


Source: OFICEMEN & Ministry of Housing

There was moderate growth in **services** in comparison with 2003, although the quarterly trend was downward, due to the weakness of the tourist industry in the middle of the year. In any event, the main tourism indicators - domestic overnight hotel stays, entry of tourists and air traffic - were better than in 2003.

The **labor market** was characterized by slower growth in the active population compared with the previous year (2%), a slighter slowdown in the occupied population (2.5%), and a drop in the number of unemployed (-2.5%), all of which led to a 0.5% decrease in the unemployment rate (10.8% average rate in 2004).

LABOR MARKET



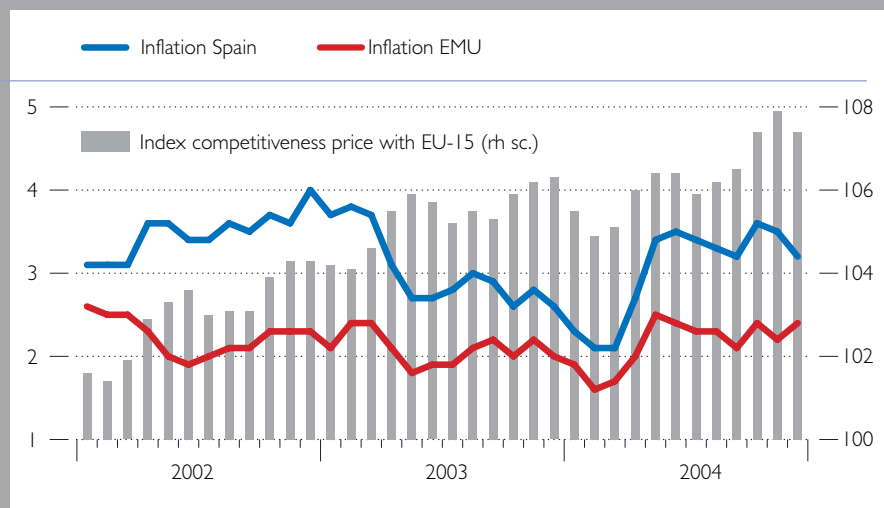
Source: EPA (*Encuentro de Población Activa, Survey of Active Population*)

However, employment was not uniform throughout the year: it performed appreciably better in the second half. By sector, the good performance of industrial employment was noteworthy, with a slower fall in occupation and a reduction in unemployment, whereas employment in the construction industry remained virtually the same as in 2003.

Growth in **wages** was more moderate in 2004, contributing to the advance in hiring. The wage rise agreed in the collective agreements was half a percentage point lower than in 2003 (3%), and a slight slowdown in pay per employee was also observed, which meant that despite the scant increase in productivity (0.5%), unit labor costs rose more slowly in the year as a whole. However, they were still rising faster than the average for the euro area (3.2% compared with the euro area average rate of 0.5%), with the consequent negative effect on competitiveness.

There continued to be a 1 percentage point difference between **inflation** rates in Spain and the euro area in 2004. Spain's average rate of 3% was the same as in 2003, but registered an upward trend from the second quarter onwards, coinciding with the rise in oil prices. The energy component accelerated from then on, rising by an average of 7.2%, which was responsible for the 0.7% increase in the overall annual inflation rate. This effect was partially offset by the moderation of the prices of unprocessed foods, especially in the second half of the year. Underlying inflation was 0.2% lower in 2004 (2.7%), although it began to climb slightly from April, showing the indirect effects of the rise in energy prices on industrial goods and particularly transport.

COMPETITIVENESS

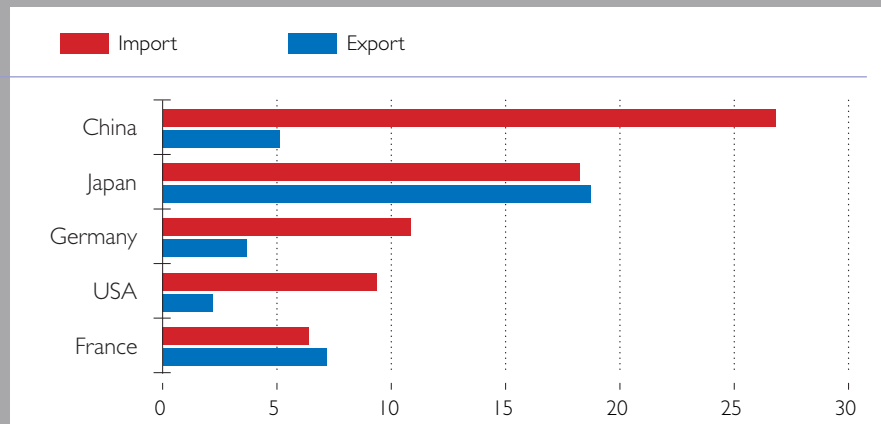


Source: INE and Bank of Spain

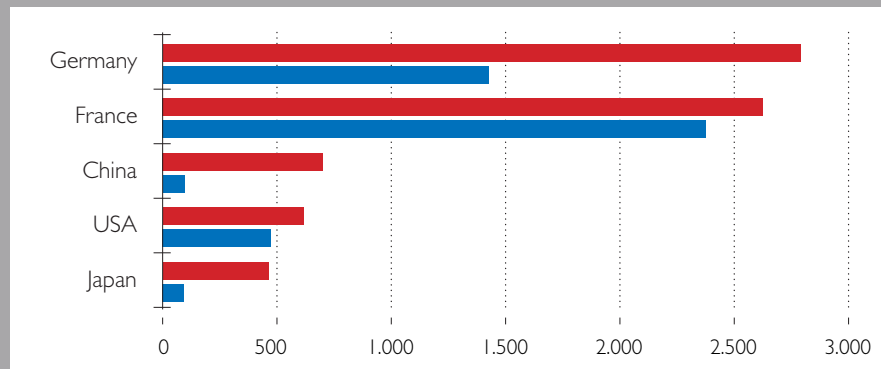
The context of the weak activity of our main European partners, in contrast with strong domestic demand in Spain, and the loss of competitiveness associated with the appreciation of the euro were the reason for the sharp worsening of the **foreign trade sector** in 2004. There was a big increase in the trade deficit, 77% of it concentrated in the euro area and China, which took over from the US as Spain's main non-EU supplier. The poorer trade results, combined with a lower surplus of the services' sub-balance, was reflected in an increase in the current account deficit, which was more than 4% of GDP in 2004.

FOREIGN TRADE BY COUNTRY

Annual variation



€ Million



Source: Spanish Customs Authorities

This increase in **financing requirements** was covered by the net inflow of foreign portfolio investment that reversed the trend of net outflows in previous years, and offset the sharp fall in inward direct investment, including the real estate caption. This change in the structure of capital flows was detrimental, because portfolio investments are less stable.

The State registered a **deficit** of 1.8% of GDP in the year as a whole, much more than was originally envisaged, due to the inclusion of items such as the debts of RENFE (railways) and RTVE (television & radio). However the surplus achieved in the Social Security system made it possible to end the year with a Public Authorities surplus of 0.8% of GDP.

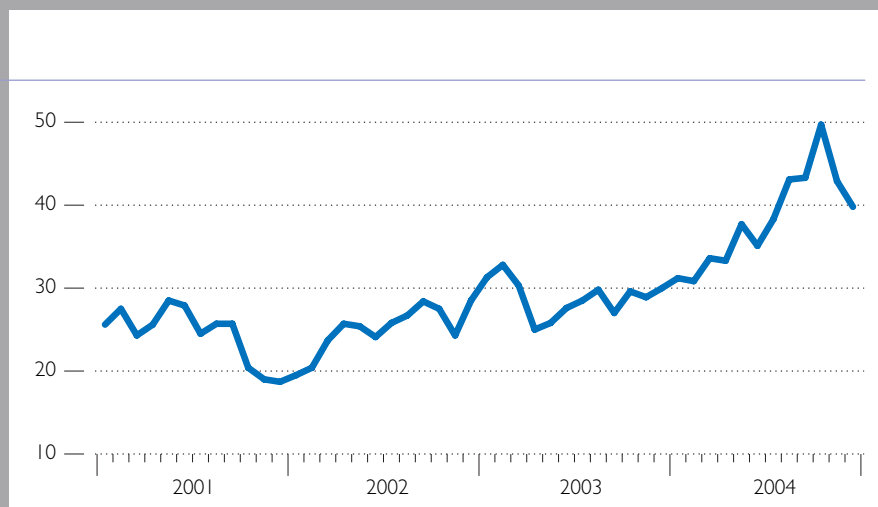
Financial Markets

The **international financial situation** in 2004 was characterized by the stable behavior of the financial markets and comfortable financing conditions that made it possible to continue stimulating activity. Movements on the markets were largely marked by the uncertainty about the effects of the rise in energy prices on world economic growth and the performance of exchange markets. These doubts lay behind the prevalence of low long-term interest rates, compared with a slight tightening of short-term rates. Both corporate and emerging debt performed positively during the year.

The **Brent oil** price started to climb sharply in June until it reached a record high of \$52 per barrel in October, thereby registering a rise of nearly 30% in the year as a whole. This rise in oil prices was due to a sharp increase in demand, against a background of scant spare production capacity, combined with extraordinary factors - geopolitical and conjunctural restrictions on supply - that limited supply. The return to normality of the latter in October and the consequent reduction of the risk premium permitted a moderation of prices in the last quarter of the year.

The **dollar exchange rate** fell effectively by nearly 7% in the year, most heavily against sterling (9%), followed by the euro (8%) and to a lesser extent by the yen (4%), whereas it remained stable against the Chinese yuan, despite international pressure in favor of greater flexibility in China's exchange policy, which would be detrimental to the

OIL
(\$/barril Brent)



Source: Financial Times

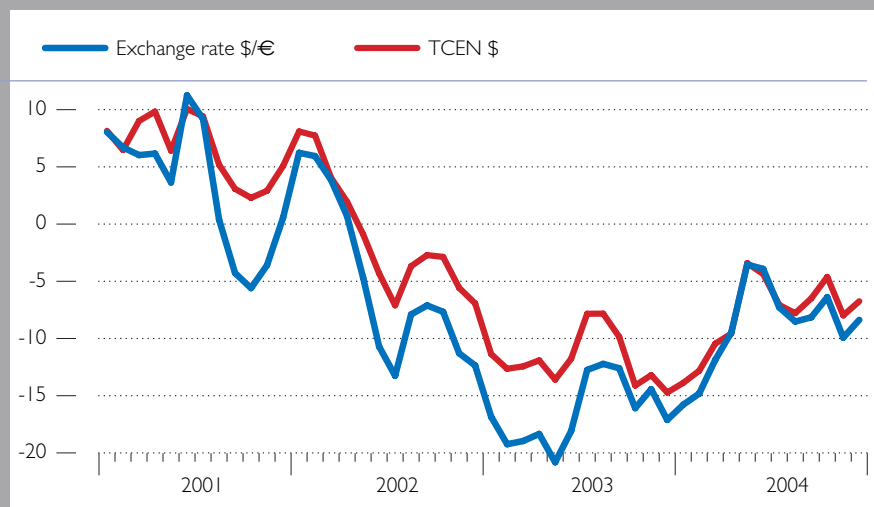
country's exports. The growing US current account deficit and investors' fears about the financing of it were what lay behind the fall in the dollar, which was particularly marked in the last quarter of the year.

The US's increasing **current deficit financing** requirements led to an increase in the country's net foreign debt, from 7% of GDP in 1992 to more than 25% in 2004. Capital inflows more than made up for the negative current balance, but their structure deteriorated in terms of their future sustainability. Outward direct investment far exceeded inward direct investment and equity financing was minimal, with most of the financing coming from the purchase of American Treasury Bonds, largely by Asian central banks which intervened in the exchange market to prevent their respective currencies from appreciating.

Flows of **Foreign Direct Investment** (FDI) rose by 6% in 2004, with a sharp increase being observed in investments in developing countries which now account for 42% of the total - compared with 27% between 2001 and 2003. Asia was the principal recipient of FDI (55%), with China in the lead, followed by Latin America (37%). Of the developed countries, the EU received flows that were 50% below those of 2003, while the United States quadrupled its 2003 figure, regaining the lead as the biggest recipient worldwide that it had temporarily lost to China.

EXCHANGE RATE

(Variation from year to year)



Source: Bank of Spain

Despite the rise in oil prices, the outlook for inflation in the medium term remained relatively stable, making it possible to maintain accommodating **monetary policies** with short-term interest rates that are still low. In June 2004, the Federal Reserve began a

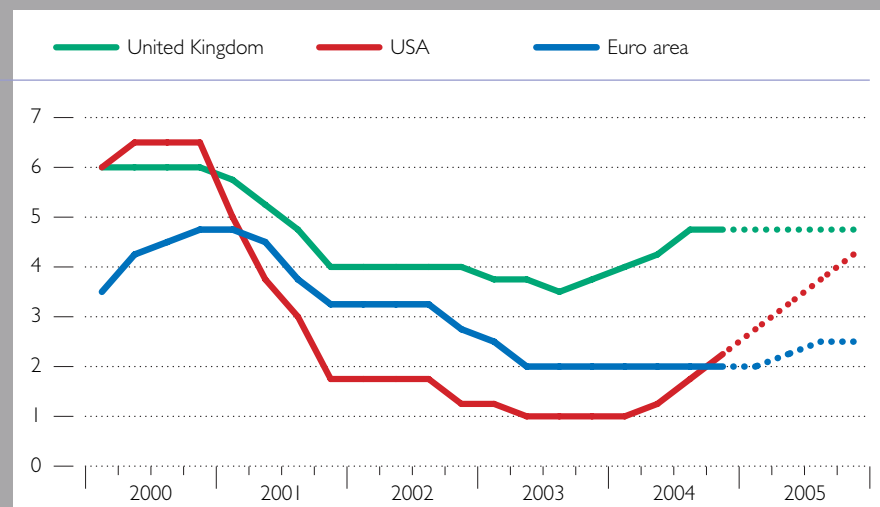
Flows of Foreign Direct Investment (FDI) increased by 6% in 2004, especially those directed at developing countries.

cycle of gradual increases in interest rates, which were discounted by the markets and which placed the reference rates above those of Europe (2.25%) by the end of the year. The ECB maintained a neutral stance in response to the forecasts of weak growth and the moderate outlook for inflation, largely favored by the appreciation of the euro.

Meanwhile, the Bank of England changed the upward trend initiated in 2003 to neutral, leaving the repo rate at 4.25% from August.

Money market interest rates evolved in line with the market's expectations in relation to the slant of monetary policy. 3-month interbank rates followed an uneven pattern throughout the year, rising in spring and then slowing again in July in response to the uncertainties raised by the sharp increase in energy prices. Thus, the 3-month Euribor ended the year at 2.17%, which was 4 basis points more than in December 2003, while the US 3-month interbank rate rose by 1.4 percentage points, in line with the expectation that the Federal Reserve would raise interest rates. In any event, real rates remained negative, which meant that the financial conditions continued to boost activity.

INTERVENTION RATES

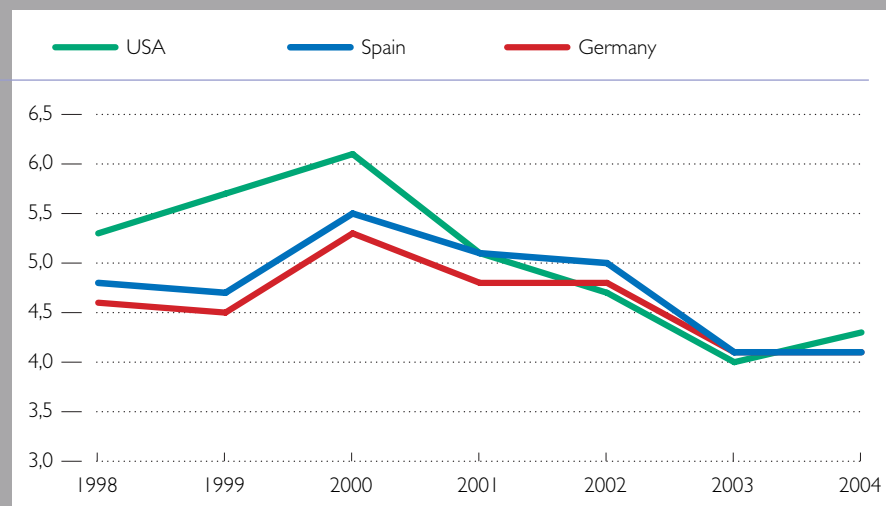


Source: Bank of Spain & JPMorgan

Despite the increase in short-term interest rates in the United States, the **yield on government debt** remained very low, and this is a differentiating factor of the current phase of the global economic cycle. With the exception of a momentary interruption in the second quarter, yields fell progressively in the euro area down to 3.7%, more than 1 percentage point lower than in December 2003, and the evolution was practically identical in Spain. Meanwhile, in the United States yields on 10-year government debt ended the year at 4.3%, just 0.3% less than in December 2003. There was also a flattening in the yield curve, since yields on longer-term debt (30 years) were at record lows.

The principal **equity** markets ended the year with gains, although these were lower than in 2003 and there was no clear trend in the course of the year. The Ibex-35 achieved the best results, whereas the Dow Jones rose by barely 3%. On the latter, the upturn in interest rates and the rise in oil prices in the second half of the year put a brake on the rise in share prices in the United States, despite the strong business results.

YIELD ON GOVERNMENT DEBT



Source: Bank of Spain & ECB

PUBLIC BALANCE SHEET OF THE SAVINGS BANK SECTOR

Consolidated Group of Savings Banks

As of December 31, 2004

ASSETS

	€ Million	% structure	Annual % of variation
I. CASH & DEPOSITS AT CENTRAL BANKS	9,516	1.5	-11.1
1.1. Cash on hand	4,811	0.8	8.6
1.2. Bank of Spain	4,594	0.7	-25.6
1.3. Other central banks	111	0.0	6.1
2. GOVERNMENT DEBT SECURITIES	43,050	6.8	-9.0
3. DUE FROM CREDIT INSTITUTIONS	58,300	9.2	11.6
3.1. Demand deposits	1,993	0.3	24.4
3.2. Other	56,307	8.8	11.2
4. LOANS & DISCOUNTS	444,592	69.8	20.5
Pro memoria: Central counterparties	497	0.1	-
5. DEBENTURES & OTHER FIXED-INCOME SECURITIES	24,596	3.9	-6.9
5.1. Issued by the public sector	3,896	0.6	2.8
5.2. Other	20,700	3.3	-8.5
Pro memoria: Own securities	0	0.0	-
6. COMMON STOCKS & OTHER EQUITY SECURITIES	5,733	0.9	18.3
7. SHAREHOLDINGS IN NON-GROUP COMPANIES	7,663	1.2	11.1
7.1. Credit institutions	306	0.0	0.6
7.2. Other	7,358	1.2	11.6
8. SHAREHOLDINGS IN GROUP COMPANIES	14,322	2.2	9.4
8.1. Credit institutions	541	0.1	6.0
8.2. Other	13,781	2.2	9.5
9. INTANGIBLE ASSETS	213	0.0	-17.8
9.1. Formation expenses	7	0.0	-19.4
9.2. Other amortizable expenses	206	0.0	-17.7
10. PROPERTY & EQUIPMENT	10,075	1.6	2.6
10.1. Land and buildings for own use	5,100	0.8	5.2
10.2. Other buildings	1,813	0.3	4.3
10.3. Furniture, fixtures and other	3,163	0.5	-2.3
11. UNPAID SUBSCRIBED CAPITAL	0	-	-
12. TREASURY STOCK	0	-	-
13. OTHER ASSETS	11,750	1.8	10.8
14. ACCRUAL ACCOUNTS	6,858	1.1	19.7
15. DEFICIT FOR THE YEAR	0	-	-
TOTAL ASSETS	636,668	100.0	14.3

EQUITY &
LIABILITIES

	€ Million	% structure	Annual % variation
1. DUE TO CREDIT INSTITUTIONS	62,764	9.9	15.4
1.1. Demand deposits	3,118	0.5	57.4
1.2. Time or notification deposits	59,646	9.4	13.9
2. CUSTOMER DEPOSITS	447,669	70.3	12.3
2.1. Savings Deposits	403,930	63.4	13.3
2.1.1. Demand	194,144	30.5	12.3
2.1.2. Time	209,786	33.0	14.2
2.2. Other deposits	43,739	6.9	3.9
2.2.1. Demand	40	0.0	-9.0
2.2.2. Time	43,699	6.9	3.9
Pro memoria: Central counterparties	1,386	0.2	-
3. MARKETABLE DEBT SECURITIES	45,455	7.1	45.4
3.1. Outstanding bonds and debentures	32,511	5.1	37.9
3.2. Commercial paper & other securities	12,944	2.0	68.3
4. OTHER LIABILITIES	12,286	1.9	4.5
5. ACCRUAL ACCOUNTS	7,098	1.1	23.7
6. PROVISIONS FOR CONTINGENCIES & EXPENSES	3,622	0.6	17.1
6.1. Pension allowance	1,759	0.3	42.7
6.2. Provision for taxes	175	0.0	1.6
6.3. Other provisions	1,688	0.3	0.0
6.bis GENERAL RISK ALLOWANCE	523	0.1	43.6
7. SURPLUS FOR THE YEAR	4,153	0.7	10.3
8. SUBORDINATED LIABILITIES	21,212	3.3	14.3
9. CAPITAL STOCK	222	0.0	0.0
10. PAID-IN SURPLUS	0	-	-
11. RESERVES	30,923	4.9	9.7
12. REVALUATION RESERVES	743	0.1	-0.1
13. PRIOR YEARS' SURPLUS	0	-	-
TOTAL EQUITY & LIABILITIES	636,668	100.0	14.3

MEMORANDUM
ACCOUNTS

1. CONTINGENT LIABILITIES	52,318		2.7
1.1. Rediscounts, endorsements & acceptances	0		-
1.2. Assets assigned to sundry commitments	38		30.6
1.3. Guarantees & other sureties	50,408		2.0
1.4. Other contingent liabilities	1,872		22.1
2. COMMITMENTS	128,629		1.0
2.1. Asset repos	0		-
2.2. Unused portion of credit lines	121,793		20.8
2.3. Other commitments	6,836		-74.2
Net Asset Value	32,410.5	5.1	9.8

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SAVINGS BANK
SECTOR
STATEMENT OF
INCOME &
EXPENSES

2004

	€ Million	Annual % of variation	% of average balance sheet
1. Interest and similar revenues	20,571	-0.1	3.45
Of which: fixed-income securities	2,740	-9.3	0.46
2. Interest and similar expenses	-8,943	-2.4	-1.50
3. Revenues from equity securities	1,746	38.3	0.29
3.1. Common stocks and other equity securities	288	64.0	0.05
3.2. Investments in non-group companies	272	13.0	0.05
3.3. Investments in group companies	1,185	40.2	0.19
A) NET INTEREST REVENUE	13,374	5.4	2.24
4. Fee revenues	4,234	12.6	0.71
5. Fee expenses	-728	11.3	-0.12
6. Gains(losses) on financial transactions	685	12.6	0.12
B) ORDINARY REVENUE	17,566	7.1	2.95
7. Other operating revenue	167	31.4	0.03
8. General administrative expenses	-9,308	5.2	-1.56
8.1. Personnel expenses	-6,368	4.9	-1.07
Of which: Salaries and wages	-4,754	5.5	-0.80
Social security expenses	-1,357	3.3	-0.23
of which: Pensions	-346	-0.3	-0.06
8.2. Other administrative expenses	-2,941	5.8	-0.49
9. Deprec. & amort. of property & equip. & intang. assets	-937	-0.8	-0.16
10. Other operating expenses	-175	18.8	-0.03
C) NET OPERATING INCOME	7,312	10.9	1.23
15. Bad debt writeoffs & credit loss provisions (net)	-2,107	8.5	-0.35
16. Write-down of long-term financial investments (net)	12	-	-
17. Provision to the general risk allowance	-162	-	-
18. Extraordinary income	1,112	25.9	0.19
19. Extraordinary losses	-1,349	47.1	-0.26
D) SURPLUS BEFORE TAXES	4,818	5.8	0.81
20. Corporate income tax	-662	-15.8	-0.11
21. Other taxes	-3	-	-
E) SURPLUS FOR THE YEAR	4,153	10.3	0.70
AVERAGE BALANCE SHEET	595,421	12.8	

STATEMENT OF
INCOME AND
EXPENSESConsolidated Group
of Savings Banks

	€ Million	% of Average Balance Sheet
Interest revenues	22,699	3.68
Interest expenses	-8,945	-1.45
NET INTEREST REVENUE	13,754	2.23
Net fee revenues	4,018	0.65
BASIC REVENUE	17,772	2.88
Gains(losses) on financial transactions	989	0.16
ORDINARY REVENUE	18,761	3.04
Operating expenses	-10,831	-1.75
Personnel expenses	-6,757	-1.10
General expenses & taxes other than income tax	-3,040	-0.49
Amortization & depreciation of fixed assets	-1,034	-0.16
NET OPERATING INCOME	7,930	1.29
Consolidation income	1,119	0.18
Writeoffs & credit losses	-2,272	-0.37
Extraordinary income	-63	-0.01
SURPLUS BEFORE TAXES	6,714	1.09
Corporate income tax	-1,182	-0.19
SURPLUS AFTER TAXES	5,532	0.90
of which attributed to the group	5,181	0.84
Average balance sheet	616,469	

4.2

**SPANISH SAVINGS
BANKS IN 2004**

Against this economic background, Spanish savings banks boosted their activity, responding effectively to the demands of their customers and increasing their participation in Spain's productive fabric and their importance within the financial system, which translated into significant improvements in their market shares.

These advances were also achieved without detriment to their high degree of solvency, far above that required by the Bank of Spain, with improvements in their levels of efficiency, and despite the strong competition in the sector.

Specifically, the savings banks ended 2004 with a volume of total assets under management of € 636,668 million, up by 14.3% year on year, which was well above the growth of GDP, in both real and nominal terms.

Investments (loans and securities portfolio)

Savings banks' investments in 2004 for the first time totaled more than € 500,000 million: the overall volume at year end was € 533,270 million, representing an increase of 15.7%.

Once again the increase in investment was due to the substantial growth of the lending activity, since the demand for credit rose substantially during the year, particularly in the private sector, leading to annual growth of 20.7% in 2004, which was well above that of the total balance sheet. As a result, loans now account for nearly 70% of assets.

LOANS & DISCOUNTS (*)

(Balances in € million)

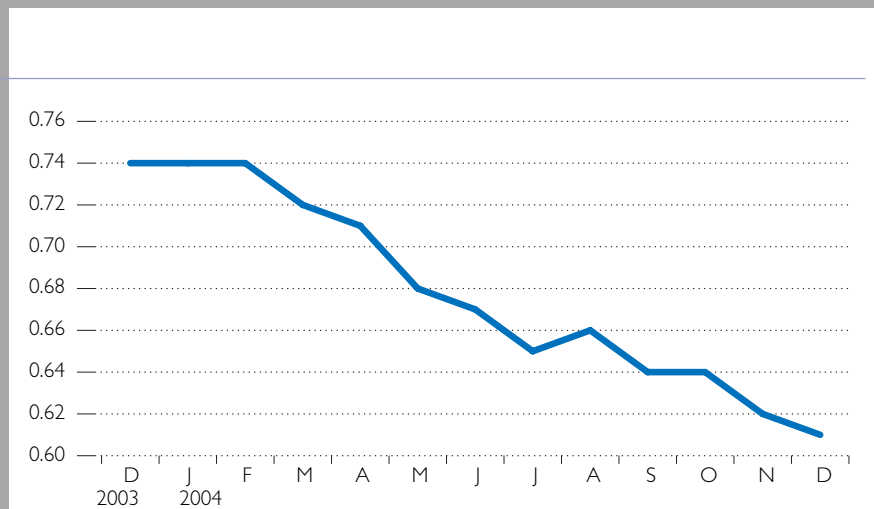
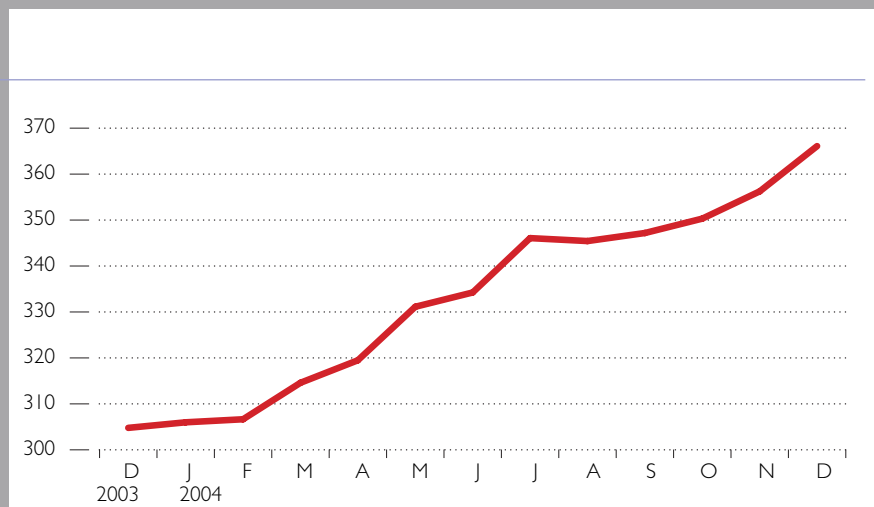
(*) Without deducting the Credit Loss Allowance

Loans	Balances 31/12/04	% structure	% variation	Balances 12/31/03
To public authorities	12,589	2.8	4.7	12,026
To other resident sectors	429,232	95.2	21.3	353,791
To nonresidents	9,085	2.0	17.3	7,749
TOTAL	450,906	100.0	20.7	373,566

As can be seen from the breakdown presented in the previous table, the main recipients of the loans granted by the savings bank were private-sector residents who accounted for almost 95% of the total, and also recorded the highest rate of growth. Most of the credit granted to private-sector residents (67.5%) related to mortgage loans, mainly for home purchase.

Special mention should be made of the fact that, for the first time ever, in 2004 loans by savings banks exceeded those of banks, thereby placing them in the lead within the Spanish financial system, a position they already occupied in customer funds.

This strong growth of loans and discounts was achieved while maintaining extraordinarily low levels of nonperforming loans. This is another case of a record low, since the total nonperforming loans ratio of the savings banks was 0.51% in December, 8 basis points lower than in 2003.

**NONPERFORMING
LOANS****% CREDIT LOSS
ALLOWANCES
Doubtful assets**

The most significant rate, that of loans, also presented a downward trend throughout the year, falling to another record low of 0.61% at the end of 2004.

In spite of such low nonperforming ratios, the savings banks did not neglect the allocation of credit loss provisions and as a result the credit loss allowance coverage of doubtful assets rose without interruption throughout the year to reach 366% following an increase of more than 60 points in 2004.

With respect to the securities portfolio, the trend of previous years was sustained, with reductions in both public and private sector fixed-income securities and increases in equities, with investments being made in all cases according to criteria of maximum prudence.

INVESTMENT SECURITIES (*)

(Balances in € million)

(*) Without deducting the Security price fluctuation allowance

	Balances at 12/31/04	% structure	% variation	Balances at 12/31/03
Fixed income	67,828	69.9	-8.3	73,939
Public sector	45,052	46.4	-9.1	49,535
Private sector	22,776	23.5	-6.7	24,405
Equities	29,180	30.1	9.7	26,595
TOTAL	97,008	100.0	-3.5	100,534

Funds taken

The total amount of funds managed by all Spanish credit institutions in 2004 was more than 1 trillion, of which almost 49% related to the savings banks, which meant that they also consolidated the lead they took in 2003 as regards savings taken.

Throughout the year the savings banks displayed greater dynamism than the other entities in taking new funds and, at the end of December they were managing a total of € 514,452 million, after recording progress in the year of 14.6%.

In contrast with the previous year, in 2004 the increase in deposits held to maturity was greater than that of demand deposits, with particular growth in time deposits.

CUSTOMER DEPOSITS & BORROWED FUNDS

(Balances in € million)

	Balances at 12/31/04	% structure	% variation	Balances at 12/31/03
Public authorities	18,094	3.5	31.9	13,722
Other residents	401,102	78.0	13.7	352,809
Demand deposits	83,837	16.3	13.6	73,770
Savings deposits	93,360	18.1	9.1	85,561
Time deposits	183,799	35.7	18.8	154,709
Assets sold under repurchase agreements	40,100	7.8	4.0	38,561
Other residents	6	0.0	--	207
Nonresidents	28,589	5.6	-11.7	32,375
Bonds & other marketable debt securities	45,455	8.8	45.4	31,265
Subordinated financing	21,212	4.1	14.3	18,558
TOTAL CUSTOMER DEPOSITS & BORROWED FUNDS	514,452	100.0	14.6	448,729

There was also a significant 12.6% increase in the off-balance sheet funds raised by the savings banks, mainly through mutual funds, though this was less than in 2003.

Although market shares have remained very stable over time for this type of product, the performance in 2004 gave the savings banks a gain of half a point in their share.

SECURITIES MUTUAL FUNDS

(Balances in € million)

	Assets at 12/31/2004	% structure	% variation	Assets at 12/31/2003
F.I.M.	42,670	70.6	16.3	36,680
F.I.A.M.M.	17,810	29.4	4.5	17,050
TOTAL	60,480	100.0	12.6	53,730

Statement of income and expenses

The surplus obtained by the savings banks parent entities in 2004, net of taxes, was € 4,153 million, which was 10.3% more than in 2003 and represented 0.70% of their average balance sheet.

Analysis of the main headings of the statement reveals an increase of 5.4% in net interest revenue which, together with an improvement in operating expenses and a reduction in the provisions for writeoffs, led to an increase in the net operating income of almost 11%.

With regard to the items comprising the lower part of the income statement, the

€ 2,956 million of the surplus after taxes obtained by the savings banks were allocated to reserves, and € 1,194 million will be used to finance *Obra Social* projects.

amortization and depreciation charges and the credit loss provisions removed € 2,107 million from the statement, giving a pre-tax surplus of € 4,818 million.

€ 2,956 million of the savings banks' surplus after taxes were allocated to reserves, as a contribution to consolidate the solvency of these entities, and € 1,194 million were allocated to finance *Obra Social* projects, which are of benefit to both savings bank customers and society in general.

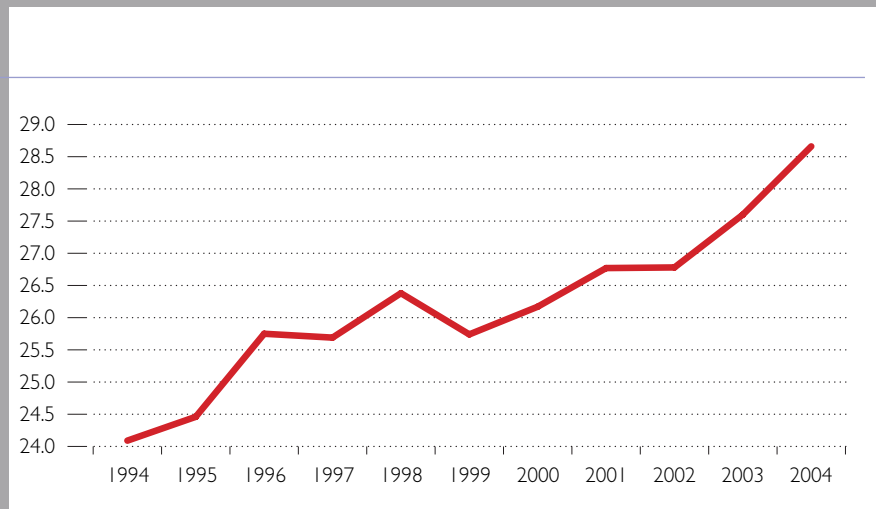
DISTRIBUTION OF SURPLUS

(Balances in € million)

	2004 Distribution	% structure	% variation	2003 Distribution
Reserves	2.956	71,2	8,6	2.721
<i>Obra Social</i> projects	1.194	28,8	14,5	1.043
Other purposes	2	0,0	-2,6	2
TOTAL	4.153	100,0	10,3	3.766

It should be noted that the proportion of the 2004 surplus that has been allocated to *Obra Social* projects is more than 1% more than the proportion allocated in 2003.

VARIATION IN THE %
OF THE SURPLUS
ALLOCATED TO OBRA
SOCIAL PROJECTS



The savings banks' consolidated statement of income shows a net surplus attributed to the group of € 5,181 million, which is 15% more than in 2003.

**Branches,
employees
and means of
payment**

The savings banks continued to expand their network of branches, with 636 more than in 2003, and to contribute to the creation of employment by increasing their headcounts by 3,123 employees, more than 80% of whom are women.

There was also a substantial increase in the number of ATMs, 1,691 more than in 2003, and the number of cards issued rose by 1,300,000 to more than 34 million.

BRANCHES,
EMPLOYEES
AND MEANS
OF PAYMENT

	2004	DIFFERENCE		2003
		Number	%	
Branches	21,560	635	3.0	20,925
Operational branches	21,528	636	3.0	20,892
In Spain	21,502	634	3.0	20,868
Abroad	26	2	8.3	24
Representation	32	-1	-3.0	33
Employees	113,408	3,165	2.9	110,243
In Spain	113,217	3,123	2.8	110,094
Men	71,019	526	0.7	70,493
Women	42,198	2,597	6.6	39,601
Abroad	191	42	28.2	149
ATMs	30,856	1,691	5.8	29,165
Cards	34,030,952	1,299,547	4.0	32,731,405

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4.3

THE
REGULATORY
ENVIRONMENT

Once again there was intense legislative activity in 2004 both in Spain and internationally. Against this background of veritable regulatory ferment, the Confederación was very actively involved in upholding the

interests of the Spanish savings banks, serving as a conduit for the various concerns and initiatives of the sector and raising them with the different political decision-makers.

Turning now to the analysis of legislative activity in 2004, as regards the **domestic environment**, the year brought completion of the final elaboration of two of the pieces of legislation that to a large degree defined the activity of the financial regulators during the last parliamentary term: the Financial Law and the Transparency Law.

Most noteworthy in relation to the first, because of its importance for the Spanish savings bank sector, was the Royal Decree on Participation Certificates, which rounded out technical aspects of the extensive regulation already enacted by the Financial Law itself, such as: the obligation of being quoted on organized secondary markets (based on the fact that they are equity instruments); the procedure for issuance, including

calculation of the savings bank's economic value and its connection with determining the issue price of the certificates; the formula for distribution of the additional paid-in capital; or the arrangements for the voluntary creation and operation of the certificate-holders syndicate.

In the field of customer protection, the Regulations on Commissioners for the Protection of the Customers of Financial Services, referred to earlier, were enacted, and a Ministerial Order was issued regulating the Customer Service Departments and Offices of financial institutions. The provisions introduced by the Financial Law on the transparency of related-party transactions on the securities markets were also elaborated on by a Ministerial Order. Finally, mention should be made of the Order on the Central Credit Register and the related Bank of Spain Circular:

In the domestic environment, legislative activity in 2004 focused on the implementation of the Financial Law and the Transparency Law

In relation to the Transparency Law, the Economy Minister issued an Order regulating the annual corporate governance reports of savings banks issuing securities that are listed on official markets. These comprise nine sections: structure and operation of governing bodies, specifying their functions, membership and the way they work; credit or guarantee transactions with certain persons closely related to the savings bank; credit transactions with public institutions that have appointed general assembly members; related-party and intra-group transactions; business structure of the group; risk control systems; annual report of the Investment Committee; compensation received by Board members and executives; and the degree of compliance with good governance recommendations. The regulatory implementation of this Order in the form of a Circular issued by the (CNMV, *Comisión Nacional del Mercado de Valores*, Spanish Securities & Exchange Commission) is scheduled for early 2005.

There was also intense legislative activity relating to the insurance industry, with publication of the consolidated text of the Law on Private Insurance, the amendment of the related regulations, and the enactment of new regulations governing pension plans and funds.

In relation to tax matters, mention should be made of the new Regulations governing personal income tax, non-residents income tax and corporate income tax and,

particularly, the new regulations governing disclosures on preferred shares and other debt instruments. In point of fact, preferred shares are subject to specific arrangements implemented under Law 19/2003, both from the point of view of the solvency of credit institutions (for the purpose of including them as shareholders' equity in the solvency ratio), and from a tax standpoint. In relation to the latter, there is specific inclusion of the duty of disclosure to the tax authorities and to the financial supervisors. The new Royal Decree elaborates on this obligation, which will be the responsibility of the parent credit entity of the consolidable group and will relate to the activities carried on by subsidiaries issuing preferred shares and the identify of the holders of the securities issued by them.

Likewise, the entry into force of the new regulations governing invoicing requirements made it necessary to reach agreements with the tax authorities to re-validate the special invoicing rules applied by the savings banks. With regard to the amendment of the VAT regulations, the proposals submitted by the Confederación received a positive response from the central Tax Agency, as did those on the Canaries Indirect General Tax from the Economy and Finance Department of the Canary Islands regional government.

In the accounting field, the new Bank of Spain Circular on public and prudential financial reporting rules and formats for financial statements and returns, the purpose of which is to adapt the accounting system of Spanish savings banks to the new environment arising out of the European Union's adoption of the International Financial Reporting Standards (IFRS) was finally issued. The Circular introduces four particularly significant changes, two of a general nature and two that are specific. The first relates to the greater protagonism of the management in setting an entity's accounting policy: this greater flexibility, warns the Bank of Spain, will be matched by greater accountability of the managers when setting accounting policy. The second aspect to highlight is the role given to transparency, which will require managers to take responsibility for the accounting policy, to explain it appropriately, to disclose it to the market and to supplement it with specific reports. Finally, the technical changes include the new treatment of securitization and the application of fair value.

Meanwhile, in 2004 there was occasion to discuss a number of draft legislative proposals that will very probably see the light in 2005. Most of them seek to transpose the various initiatives included in the European Commission's Financial Services Action Plan. Draft legislation on the supervision of financial conglomerates and on the reorganization and winding-up of credit institutions reached the parliamentary debate stage. The Ministry of Economy and Finance also put out to consultation the draft texts of the proposed law on Contractual Compensation Agreements and Financial Guarantees, and the Royal Decree elaborating on the Securities Markets Law in matters relating to market abuse.

But undoubtedly the most significant of the initiatives taken by the Ministry of Economy and Finance was that relating to the Regulations of the Law on Undertakings for Collective Investment, which clarify and elaborate on essential aspects that the Law preferred to leave for rules of a more technical nature. Mention should also be made of the draft Ministerial Order determining the future collection rights that may be included in asset securitization funds.

With regard to the **EU environment**, the Financial Services Action Plan was on the verge of entering a new phase at the end of 2004. The Confederación is conscious of the fact that the future of financial regulation is being designed as part of the ambitious project for the integration of Europe's financial markets and it was therefore also active lobbying the European regulators.

Last year saw the adoption of the Directives on takeover bids, markets in financial instruments and the harmonization of transparency requirements relating to information on securities issuers. Level 2 legislation passed within the framework of the "Lamfalussy procedure" included regulations implementing the prospectuses directive and a Directive relating to the implementation of the market abuse Directive.

Finally, it should be noted that work continued in 2004 on the draft Directive on the capital adequacy of credit institutions and investment service companies, following adoption of the related New Accord by the Basel Committee, and the draft Directive on preventing the use of the financial system for money laundering, including terrorist financing.

On a Spanish **regional government** level, work continued to adapt legislation to the changes made in the national regulations governing savings banks. In this area also the Confederación is assisting the regional regulatory authorities, when asked to do so, in fulfillment of its aim to uphold the interests of savings banks. A total of five laws were passed specifically aimed at regulating these entities in the autonomous communities

On a regional government level, the adaptation of legislation to the changes made in the national regulations governing savings banks continued

of Galicia, Murcia, La Rioja, Cantabria and Castile-Leon; to these must be added three other laws containing provisions relating to savings banks in Extremadura, Andalusia and Galicia; in the latter case, Galician Law 14/2004 is particularly significant, since it has eliminated the minimum requirement for allocation to *Obra Social* projects. Also noteworthy are four decrees regulating certain aspects relating to governing bodies (in Valencia, Catalonia, Extremadura and Galicia) and a decree and an order regulating *Obra Social* projects (in Castile-Leon and Extremadura, respectively).

MAIN LEGISLATION
ADOPTED AND
PROPOSALS DEBATED
IN 2004

All the legislation listed here may be consulted (in Spanish) on the www.ceca.es website ("legislation" menu). This website address houses the CECA Financial Legislation Database, which may be accessed by savings banks experts and the general public. The database contains all the central government, regional government and EU legislation, whether in force or repealed, that affects the savings banks and the Spanish financial sector, as well as the basic laws that regulate credit activity in the different Latin American financial systems. All of them not only appear in the original version, they are also updated whenever any amendment is made to them.

I. CENTRAL GOVERNMENT LEGISLATION

I. Main provisions enacted in 2004

a) *Customer Protection*

- Royal Decree 303/2004 enacting the Regulations governing Commissioners for the protection of the customers of financial services.
- Order ECO/734/2004 on the customer service departments and units and customer ombudsmen of finance entities.

b) *Savings Banks*

- Royal Decree 302/2004 on participation certificates of savings banks.

c) *Insurance and pension fund industry*

- Legislative Royal Decree 6/2004 approving the consolidated text of the Private Insurance Law.
- Royal Decree 297/2004 amending the Regulations governing Private Insurance enacted by Royal Decree 2486/1998.
- Royal Decree 304/2004, enacting the Regulations governing Pension Schemes and Funds.

d) *Corporate Governance*

- Order ECO/354/2004 on the annual corporate governance reports and other information of savings banks issuing securities listed on official markets.

- CNMV Circular I/2004, on the annual corporate governance reports of listed corporations and other issuers of securities that are traded on official secondary markets, and other reporting instruments of listed corporations.

- Order EHA/3050/2004 on the information on related-party transactions that must be supplied by issuers of securities listed on official secondary markets.

e) *Tax regulations*

- Royal Decree 1778/2004 establishing reporting requirements relating to preferred shares and other debt instruments and certain income obtained by private individuals resident in the European Union.
- Royal Decree 1775/2004 enacting the Personal Income Tax Regulations.
- Royal Decree 1776/2004 enacting the Non-Residents Income Tax Regulations.
- Royal Decree 1777/2004 enacting the Corporate Income Tax Regulations.
- Royal Decree 2063/2004 enacting the General Regulations on the Tax Penalty System.
- Royal Decree 1496/2003 enacting the Regulations governing invoicing requirements and amending the VAT Regulations.

2. Other provisions enacted in 2004

a) Securities markets and investment service firms

- Order ECO/764/2004 regulating certain aspects of securities loans as referred to in Section 36.7 of Law 24/1998 on the Securities Markets.

b) Insurance and pension fund industry

- Royal Decree 298/2004 amending the accounting system for insurance undertakings and rules for preparing the financial statements of insurance groups, as enacted by Royal Decree 2014/1997.
- Royal Decree 299/2004 amending the Regulations governing motor vehicle traffic third party liability and insurance, as enacted by Royal Decree 7/2001.
- Royal Decree 301/2004 regulating the record books and the requirement to provide statistical and accounting information of insurance brokers.

c) Credit institutions

- Order ECO/697/2004 on the Central Credit Register.
- Bank of Spain Circular 1/2004 to credit institutions amending Circular 3/1995 on the Central Credit Register.

- Bank of Spain Circular 2/2004 to institutions participating in TARGET-SLBE, on updating the clearing system in the event of malfunction of the TARGET system.

- Bank of Spain Circular 3/2004 to credit institutions extending the list of Multilateral Development Banks contained in Circular 5/1993 on the determination and control of the minimum capital of credit institutions.

- Bank of Spain Circular 4/2004 to credit institutions on public and prudential financial reporting rules and formats for financial statements and returns.

- Bank of Spain Circular 5/2004 to recognized appraisal firms and services amending Circular 3/1998 on returns to be filed with the Bank of Spain.

e) Payment Systems

- Law 2/2004 on the State Budget for 2005 (additional provisions 39 and 40).

3. Main legislative proposals drafted in 2004

a) Transposition of the Financial Services Action Plan

- Draft law on the supervision of financial conglomerates and amending other financial sector laws.
- Draft law on the reorganization and winding-up of credit institutions.
- Draft law on contractual compensation agreements and financial guarantees.

- Draft Royal Decree implementing Law 24/1988 on the Securities Markets, in matters relating to market abuse.

b) Undertakings for Collective Investment

- Draft Regulations of Law 35/2003 on Undertakings for Collective Investment.

c) Other provisions

- Draft law on insurance broking.
- Draft Ministerial Order determining the future collection rights eligible for inclusion in asset securitization funds.

II. INTERNATIONAL LEGISLATION

1. Main EU provisions passed in 2004

- Directive 2004/25/EC of the European Parliament and of the Council of 21 April 2004 on takeover bids.
- Directive 2004/39/EC of the European Parliament and of the Council of 21 April 2004 on markets in financial instruments amending Council Directives 85/611/EEC and 93/6/EEC and Directive 2000/12/EC of the European Parliament and of the Council and repealing Council Directive 93/22/EEC.
- Commission Regulation 809/2004 of 29 April 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council as regards the information contained in, the format of, incorporation by reference in and publication of, prospectuses, and the dissemination of advertisements.

- Commission Directive 2004/72/EC of 29 April 2004 implementing Directive 2003/6/EC of the European Parliament and of the Council as regards accepted market practices, the definition of inside information in relation to derivatives on commodities, the drawing up of lists of insiders, the notification of managers' transactions and the notification of suspicious transactions.

- Commission Recommendation of 14 December 2004 fostering an appropriate regime for the remuneration of directors of listed companies.

- Directive 2004/109/EC of 15 December 2004 on the harmonization of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market

2. Main draft EU legislative proposals discussed in 2004

- Draft Directive of the European Parliament and of the Council re-casting Directive 2000/12/EC of the European Parliament and of the Council of 20 March 2000 relating to the taking up and pursuit of the business of credit institutions, and Council Directive 93/6/EEC of 15 March 1993 on the capital adequacy of investment firms and credit institutions.
- Draft Directive of the European Parliament and of the Council on the prevention of the use of the financial system for the purpose of money laundering, including terrorist financing.

3. Other international provisions approved

- New Accord on the capital adequacy rules of credit institutions published by the Basel Committee on June 26, 2004.

III. SPANISH REGIONAL LEGISLATION

Main provisions relating to savings banks passed in 2004

- Law 1/2004 amending Laws 7/1985 and 4/1996 on Galician Savings Banks to bring them into line with Law 44/2002 on Measures to Reform the Financial System.
- Decree 39/2004 regulating the *Obra Social* projects of the savings banks of Castile-Leon.
- Law 1/2004 amending Law 3/1998 on the savings banks of the Region of Murcia.
- Decree 86/2004 of the regional government of Valencia partially amending the regulations governing savings banks in matters relating to the governing bodies and the customer ombudsman.
- Law 3/2004 reforming the financial system of Extremadura.
- Decree 311/2004 amending Decree 190/1989 of the regional government of Catalonia enacting the rules governing procedures for appointing members of the governing bodies of savings banks and the convening of meetings and operation of these bodies.
- Law 4/2004 of the regional government of Cantabria amending Law 4/2002 on Savings Banks in Cantabria.
- Decree 159/2004 amending Decree 26/1996 on the governing bodies of savings banks in the autonomous community of Extremadura.
- Law 6/2004 on Savings Banks in La Rioja.
- Decree 276/2004 amending Decree 153/1989 on the governing bodies of Galician savings banks.
- Law 6/2004 amending the Law on Savings Banks of Castile-Leon.
- Order of December 23, 2004, establishing instruments for the materialization of *Obra Social* projects of savings banks from other autonomous communities (Extremadura).
- Law 3/2004 of the regional government of Andalusia on tax, administrative and financial measures (Section 62).
- Law 14/2004 of the regional government of Galicia on tax measures and administrative arrangements (Section 15).

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The International Institutions of the Savings Banks

International Action Taken by CECA in 2004

Domestic Profile

Government Forums

Interbank Forums

Other Organizations and Associations



5.1

THE
INTERNATIONAL
INSTITUTIONS
OF THE SAVINGS
BANKS

The Confederación represents Spanish savings banks internationally, particularly in the WSBI and the ESBG

International Profile

The Confederación is the representative of the Spanish savings bank sector internationally. Its international activities center mainly on the **WSBI (World Savings Banks Institute)** and the **ESBG (European Savings Banks Group)**. Both of these organizations represent the interests of savings bank both globally and specifically in Europe, and they share headquarters in Brussels. Their work is organized by means of committees involving representatives of the member associations, one of which is CECA, on behalf of Spanish savings banks.

One of the highlights of 2004 was the setting up of the **EBIC (European Banking Industry Committee)**, under the auspices of the European Commission, with the aim of serving as a forum to represent the interests of the European financial sector and to act as an interlocutor with EU bodies. In point of fact, the EBIC brings together the Banking Federation of the EU, the European Savings Banks Group, the European Association of Cooperative Banks, the European Mortgage Federation, the European Federation of Building Societies, the European Association of Public Banks, Eurofina/Leaseurope. Its purpose, therefore, is to insure the coordinated and consistent presence of the European industry in the processes of preparation, adoption, implementation and enforcement of EU financial services legislation. CECA plays a very active part both in the plenary meetings and in the working groups of the EBIC.

Also noteworthy in 2004 was the setting up of the **Consultative Panel** of the **CEBS (Committee of European Banking Supervisors)**. This Panel has come into being with the vocation of advising the CEBS on its functions and insuring that the consultation procedures accurately reflect the proposed objectives. The contributions made by the Confederación to the consultation processes undertaken by the CEBS and to the functioning of the Consultative Panel were particularly significant in 2004.

Within the institutional framework through which CECA carries on its international activities in defense of the interests of Spanish savings banks, a final mention must go to the **EPC (European Payments Council)**, which brings together the entire European payments industry. With its analyses, reports, proposals and decisions the EPC is building the new framework known as the Single European Payments Area.

5.2

INTERNATIONAL ACTION TAKEN BY CECA IN 2004

The Confederación participates in the committees and working groups of all these organizations. The contribution it makes to the activities of these forums can be arranged in six major areas of work:

- With respect to the **field of regulation** the EU initiatives that form part of the final stages of the Financial Services Action Plan occupied a large part of the work in 2004. Special importance must be placed on the adoption of the New Basel Capital Accord and, accordingly, the design of a new EU directive on capital requirements, which was the subject of negotiation throughout 2004. Also within the context of the Action Plan, the prevention of money laundering was the subject of European Commission initiatives regarding its proposed Third Directive on the subject. As regards the measures already approved but yet to be elaborated on, such as the Market Abuse Directive, the implementation of the "Lamfalussy" procedure has encouraged the participation of the economic players in the legislative process, from the time of a provision's conception until it is implemented into domestic law. This is especially the case of matters relating to securities markets' regulation and, more recently, banking supervision.

Since the Financial Services Action Plan is nearing completion, with practically all of the proposed measures now adopted, the debate on

*In the regulatory field
the international
actions of the
Confederación focused
on the Financial
Services Action Plan,
the amendments to
the bylaws of the
ESBG and the WSBI
and the work on
consumer and
mortgage loans*

the future of the European financial market is shifting towards new approaches. There is a more or less acknowledged consensus that the Action Plan has generated a certain regulatory fatigue and that the European financial market integration process must take a new direction. In European forums there is discussion of the success of the Plan's underlying strategy, of the model of integration most advantageous for Europe, on the strengths and weaknesses of the processes of banking consolidation, and on the best possible alternatives. The importance of this debate escapes no one. That is why the ESBG has been particularly active in this field, as illustrated by the organization of an International Conference on "The future of retail markets in Europe" which took place in Brussels on December 8/9. This conference aimed to serve as a forum for reflection on the success of the Action Plan and on what type of integrated market is being sought, with the focus placed on the role of savings banks in the European retail market. The Confederación made a significant contribution to the discussions on the supervisory framework for this integrated market.

Apart from the Action Plan, mention must also be made within the field of the EU regulatory environment of the work done on consumer credit and mortgage loans. Another highlight of 2004 was the introduction of electronic processing of the consolidated database of persons subject to financial sanctions, under the auspices of the European Commission.

Within the area of regulation, final mention should be made of the fact that due to the requirements of Belgian legislation, in 2004 both the ESBG and the WSBI began the process of amending their bylaws. The Confederación made very significant contributions to this debate, particularly in relation to the criteria for membership of these institutions and the organization of their governing bodies.

- From the point of view of **accounting standards**, 2004 was the year of the discussions on the implementation and application of IAS (International Accounting Standards), numbers 32 and 39. With respect to the latter, the EU institutions opted for partial application, excluding the provisions regarding the application of the fair value rule and hedge accounting. The ESGB Accounting Committee focused its work on the application of the principle of fair value and its consistency with the Directive on fair value and the implications for financial stability.

- In the area of **financial and business relationships** within the framework of the WSBI and the ESGB, there is a Capital Markets Committee that serves as a platform for developing bilateral or multilateral joint business projects that are open to such diverse possibilities as securitization or possible syndicated loans.

- In the field of financial cooperation, within the ESGB and the WSBI, regular meetings are arranged between representatives of savings banks from different countries to discuss capital markets business issues. The purpose of these meetings is either to act as a forum for the exchange of information and experience or as a platform for a possible joint business development. As an example of some of the operations worked on in 2004, mention may be made of some of the international bond issues by Spanish savings banks or a pan-European securitization project using mortgage loans as the underlying asset.

- The topic of **corporate social responsibility** also occupied a large portion of the discussions in international forums. In 2004, the Multi-stakeholder Forum sponsored by the European Commission completed its work. The ESBG followed the discussions with attention and itself contributed to emphasizing the importance of the social responsibility of businesses at a local level. In this respect, the ESBG, jointly with the Committee of the Regions, organized a round table on local and regional social responsibility that took place on November 18 in Brussels. At the round table it was highlighted that this commitment of European savings banks to society has been an intrinsic part of their reason for being from the time they came into existence. It is not, therefore, a recent commitment arising out of the trends of the moment, but a genuine distinguishing feature of savings banks.

Following the Madrid Declaration (issued during the World Congress of Savings Banks held in Madrid in 2003) the WSBI organized jointly with the World Bank an international conference on “Access to finance”. This conference, which took place in Brussels on October 28 and 29, addressed the problems posed by financial exclusion in both developing and developed countries. The participation of representatives of the Spanish savings banks served to illustrate specific cases that are evidence of the savings banks' commitment in the fight against financial exclusion. After this conference, the WSBI issued a statement underlining the important role of savings banks in the fight against financial and social marginalization.

The commitment of European savings banks to society has been an intrinsic part of their reason for being right from the start

The Asociación Internacional de Entidades de Crédito Prendario y Social in which the Confederación represents the 23 Spanish pawnbroking institutions, has amended its bylaws to accommodate entities specializing in social credit

To conclude the comments on the *Obra Social* area, it should be pointed out that Confederación Española de Cajas de Ahorros represents the 23 pawnbroking institutions there are in Spain in the **Asociación Internacional de Entidades de Crédito Prendario y Social** [International Association of Social and Collateral Credit Institutions], whose Chairman is the Chairman of a Spanish savings bank, Antonio M^a Claret García García), which currently has 50 member entities from 14 countries. The principle task performed in 2004 by the Confederación in this Association was to contribute to the amendment of its bylaws in order to accommodate entities specializing in social credit, mainly taking the form of microcredits. This intensification of the social nature of collateral loans is responsive to the new needs and risks of financial exclusion that are arising in developed societies. The new objectives of the Association allow for the possibility of non-collateral credit entities becoming members, provided they can provide evidence of a clear social orientation or that they specialize in microcredits for sectors of the population that have difficulties in accessing the financial system.

- In the **technological** area, the Confederación also participated in the work of a number of committees. Mention should first be made of the **Banking Technology Committee**. This committee promotes the exchange of experiences, best practice and the dissemination of information in the different areas of organization and technology, seeking the maximum efficiency of its members in information technology management. In this respect, two of the most important issues dealt with in 2004 were the design of a database of open software programs and methods of banking authentication. The importance should also be highlighted of the **Technical Cooperation Committee**, whose purpose is to identify the needs of WSBI-ESBG members in

relation to technical support. In order to do so, the Committee supports the Joint Office of the WSBI-ESBG in its dealings with the competent authorities in the sector and in the governance structures of members. It also fulfils this role with agencies that supply funds for the financial sector in general and the savings banks in particular.

- Finally, in the field of payments, the **Payments Committee** was particularly busy throughout 2004, focusing mainly on issues relating to the Single European Payments Area and the account services portfolio. This committee discussed the changes in structure and governance of the major European organizations in this field: the EPC referred to above and the ECBS (European Committee for Banking Standards).

Meanwhile, the Confederación was also busy in Latin America publicizing the nature and experience of Spanish savings banks. The aim is to share with the region's popular savings banks the strategies and experiences that have enabled Spanish savings banks to achieve the unquestionable success that they enjoy in the Spanish financial system. Evidence of this was the large number of representatives of supervisory bodies and financial entities from various Latin American countries who visited the Confederación in 2004.

The main action taken during the year was to consolidate the Partnership Project for FEDECRÉDITO (a system made up of 48 Credit Banks and 7 Workers' Banks in El Salvador), which was initiated in 2003. Particular mention should be made of the following activities:

- Implementation of the new organizational structure of FEDECRÉDITO and also of the majority of Credit Banks and Workers' Banks belonging to the FEDECRÉDITO system.

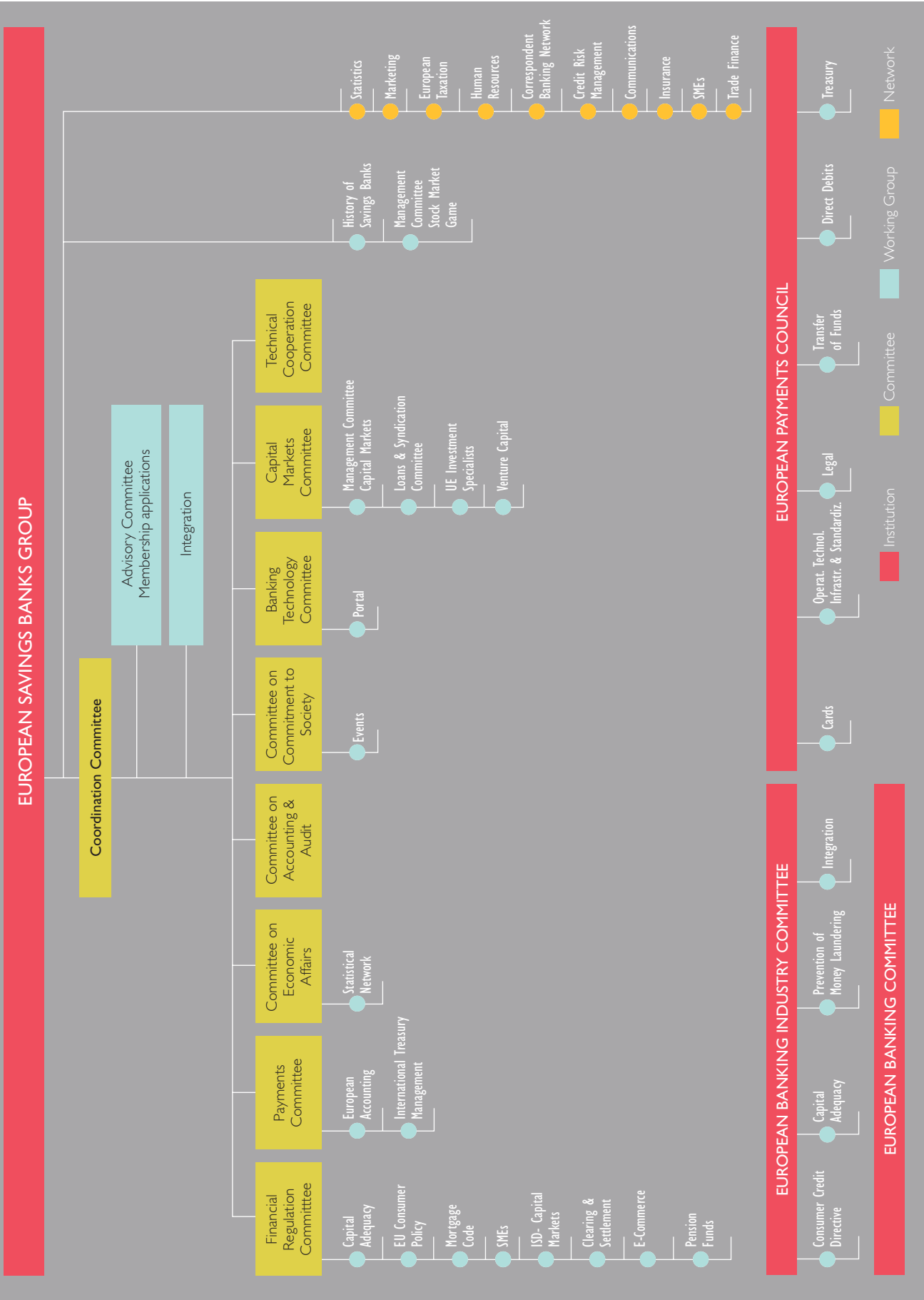
- Implementation of the Project training by means of training courses and distance learning. During the year more than four hundred people were trained in Systems, Market Research and Benchmarking.

The Confederación also participated in a number of forums connected with the region by presenting papers on our institutions. Particular mention must be made here of the significant contribution made by the Confederación to a variety of activities carried out by the Group of Latin American and Caribbean Savings Banks (GRULAC), including, most notably the Annual Assembly and the 3rd International Microfinance Conference.

Noteworthy in Latin America is CECA's contribution to various activities carried out by the Group of Latin American and Caribbean Savings Banks (GRULAC).

At the Assembly, representatives from CECA and a number of Spanish savings banks explained various aspects of how their respective entities handle immigrant remittances and, in particular, the sector project being developed by the Confederación in this field. At the Conference, different papers were presented and discussed in relation to the financial management of microcredits.

With regard to training activities, several executives from the Municipal Savings & Loan Banks of Peru that belong to the Peruvian Federation of Municipal Savings & Loan Banks (FEPCMAC), continued to receive training on matters relating to their areas of specialization, at both the Confederación and certain Spanish savings banks. In turn, coinciding with the seminar organized in Madrid by the Instituto de Crédito Oficial (ICO), the Confederación offered a practical training session to all the delegates from the Latin American Association of Financial Institutions for Development (ALIDE).



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Domestic Profile

As the federated savings banks' representative in dealings with the public authorities, the Confederación is present in a number of domestic forums, in fulfillment always of the objectives laid down in the bylaws and reflected in this Report.

For exposition purposes the domestic forums in which the Confederación represents the savings banks have been divided into three groups. Firstly, the central government forums in which the Confederación conducts its dealings with the Government. Secondly, the interbank forums that are the setting in which the different banking sector representatives present their views and opinions on matters directly connected with the business. Finally, other organizations and associations of a diverse nature are described. Only the most significant or those which were particularly relevant in 2004 have been included.

5.3

GOVERNMENT FORUMS

The Confederación participates in the following central government-related strategic forums:

- The Confederación is a Plenary member of the **Economic and Social Council (CES)**, on behalf of "group 2" (CEOE-CEPYME). The CES is the Spanish government's advisory body on socioeconomic and labor matters.
- The **Taxation Commission** is attended by representatives of the central tax authorities, the Confederación and the AEB (*Asociación Española de Banca*, Spanish Banking Association) as well as the four biggest credit institutions in the market. The Commission analyzes the tax problems that affect credit institutions and discusses possible solutions. In

The Confederación participates in a number of official forums in which it acts as the savings banks' interlocutor with the Government

2004, the priority task was to establish the basis for analyzing the tax implications of the Bank of Spain's new Accounting Circular and adopting solutions. The Commission's discussions led to the presentation of an amendment to the draft Budget Law so that credit institutions could make the first installment payment of Corporate Income Tax for 2005 without difficulty. A working group of representatives of the Ministry of Economy and Finance and the credit institutions was also set up to propose the regulatory changes that might be necessary and any appropriate official clarifications.

- The **Commission for Monitoring Garnishment Proceedings** is made up of representatives from the central tax agency (AEAT), the Confederación, the AEB and the UNACC (*Unión Nacional de Cooperativas de Crédito*, National Union of Credit Cooperatives). It receives information on official garnishment proceedings being taken against accounts held at credit institutions, and discusses and resolves, as appropriate, any problems arising out of such proceedings. In 2004 the Commission met to be briefed on and to analyze the statistics on the centralized garnishment proceedings taken by the tax authorities against accounts held by debtors at credit institutions.
- The Confederación also belongs to the **Group of Housing Agreement Institutions**, together with representatives from the Government, the AEB and the UNACC. This group provides a forum for discussion of problems and proposals relating to the financing of public sector low-cost housing that affect credit institutions. In 2004 the Director General for Housing reported on the measures included in what was termed the "Emergency Housing Scheme", which were subsequently enacted by Royal Decree.

- The **Commission for Monitoring the Arrangement for Financing the Improvement of Agricultural Structures**, which brings together representatives from the Ministry of Agriculture, Fisheries and Food and the Confederación, adopted a number of resolutions in 2004 on matters concerning the implementation of the Arrangement, such as payment in advance of grants to the savings banks and the increase in the maximum number of loans to be granted by the savings banks.

In the relations with the central government authorities, as with other authorities, labor unions, public opinion and other political and social players, a noteworthy role is played by the **CEOE (Confederación Española de Organizaciones Empresariales, Spanish Confederation of Business Organizations)**, with which CECA collaborates actively in its function of upholding the interests of the savings banks.

5.4

INTERBANK FORUMS

Within the banking sector forums, mention should be made of the activities in 2004 of the committees and working groups set up by the supervisory bodies as vehicles for dealings with the industry. Likewise, CECA's participation in the Interbank Cooperation Center, the Spanish Mortgage Association, the multi-sectoral credit institution forums and the Spanish Quality Association also deserve mention in this Report.

- The Confederación's relations and cooperation with the **Bank of Spain** are constant. Last year topics relating to the clearing houses, the handling of cash, customer relations, regulatory implementation or the evolution of systems were the subject of ongoing debate and gave rise to a number of projects. In addition, the Confederación participates directly in two commissions, the **Advisory Commission of the National Electronic Clearing System** and the **Payment Systems Commission**.

- The Confederación also liaises very closely with the CNMV. Through the group of issuers the Confederación is represented on the CNMV's Consultative Committee, whose purpose is to report on proposals for legislation concerning the securities markets and on certain penalizing proceedings. In 2004 reports were produced on all the proposals for domestic and international legislation on which the Committee was consulted.
- The Confederación sits on the Executive Board and belongs to several working groups of the **Center for Interbank** Cooperation, a forum for the cooperation of all Spanish banks, which addresses projects of mutual interest. Matters such as the RAI (Register of Unpaid Acceptances), extra-banking information, the handling of cash, the standardization of the exchange of information for subsidized loans, computer security, electronic invoicing or shared software are all projects that are being taken forward in this forum.
- The Confederación participates in the activities of the **Spanish Mortgage Association** and is represented at its General Meeting. Particularly noteworthy in 2004 was the assistance given to the Association in providing coordination within the framework of the Forum Group on Mortgage Loans, an EU-initiative that took place in Brussels.

Within the banking sector forums, mention should be made of the activities in 2004 of the committees and working groups set up by the supervisory bodies as vehicles for dealings with the industry

- The Confederación is also actively involved in the **Multi-Sectoral Forums of the AEB, CECA and UNACC**, which are ad-hoc committees set up by and consisting of representatives of the three associations in order to address issues of importance to the system. These forums include the **Committee of Public Bodies** (whose mission is to deal with and assist the public authorities - on a national, regional and local level - and the Social Security authorities in aspects of collection and operating procedures) and the **Clearing, Standardization and Foreign Committee** (which deals mainly with issues relating to standardization and clearing systems).
- The Confederación belongs to the **Committee of Financial Entities** of the AEC (*Asociación Española para la Calidad* **Spanish Quality Association**), whose purpose is serve as a forum for the dissemination, promotion and information of quality and excellence in the management of financial entities and to promote continuing improvement and excellence through the exchange of quality management experiences and expertise in the financial sector and other interested organizations.

5.5

OTHER ORGANIZATIONS AND ASSOCIATIONS

Finally, reference is made below to other forums in which the Confederación's participation deserves highlighting.

- The AUTELsi (*Asociación Española de Usuarios de las Telecomunicaciones y de los Sistemas de Información*, Spanish Association of Telecommunications and Information Systems Users), and the **Commission for the Development of Telecommunications**. In this case, the Confederación's involvement consists of conveying the needs identified in the sector (particularly of a regulatory nature) in order to try to obtain feedback and solutions from any of their bodies.

- The Confederación is also a founding Trustee and a member of the Board of Trustees of the **Fundación EOI**, a not-for-profit entity set up in 1955, "to enhance the training of companies' executive staff or of those who may reach executive positions in the future".
- The Confederación holds the Presidency of the employers' part of the Savings Banks Sector Joint Committee of the **Tripartite Foundation for Employment Training** which is responsible for managing the training initiatives envisaged in the 3rd National Agreement for Continuing Training.
- There are two Confederación representatives in the GREF (*Grupo de responsables de Formación de Entidades Financieras*, Group of Financial Institution Training Managers), a group consisting of the Training and Development managers of Banks, Savings Banks and Credit Cooperatives.
- The Confederación sponsors the **Fundación Carolina**, set up in October 2000 to promote cultural relations and educational and scientific cooperation between Spain and the countries of the Latin American Community of Nations, as well as other countries with special historical, cultural or geographical links. The Foundation's preferred fields of action are education, science and culture.





The management of human resources has acquired strategic significance in the management of business organizations. The improvement in the quality of the service provided depends increasingly on the professional standard and qualification of individuals. As a result, human resources is now one of the main features distinguishing one organization from another.

These reasons are ample justification for giving CECA's human capital its own chapter in this Report. The aim therefore is to describe the main events in 2004 that characterized the evolution of the Confederación's human resources, and the principal objectives that have been set for the short and medium term. This chapter also gives details of the most significant activities in the human resources training service that the Confederación provides to savings banks.

6.1

PROJECT FOR STRATEGIC CHANGE IN THE INTEGRATED MANAGEMENT OF HUMAN RESOURCES

In the past decade staff rotation at CECA reached 48%; 50% of the staff have degrees

The progress made by the Confederación over the past 15 years, focused on the ongoing improvement of the service provided to its customers, has been reflected in the management of human resources. The various schemes and actions implemented during this period are evidence that the Confederación has been and is aware of the importance and relevance that the management of human resources has for a modern organization.

Some figures that illustrate this process of change over the past decade are as follows: the headcount has been cut by 33%; staff rotation has reached 48%; 50% of CECA staff have university degrees; and there has been a substantial rejuvenation of the staff.

New Employment Framework In 2004

ACARL was set up as an employers' association in 1978 to regulate labor relations between the savings banks, CECA and their employees

The Confederación is not a sector employers' association. That role is fulfilled by the **ACARL** (*Asociación de Cajas de Ahorros para las Relaciones Laborales, Savings Banks' Association for Labor Relations*), set up in 1978 as an employers' association that brings together the Spanish savings banks and the Confederación itself and serves

for the study and regulation of labor relations between the savings banks and the Confederación and their employees. For these purposes, ACARL is responsible for negotiating the National Collective Agreement for the Sector, for running the Sector's Joint Occupational Hazard Prevention Service, and for acting as the member savings banks' institutional representative in these matters in dealings with both public and private sector bodies and with all kinds of other entities in any sphere or jurisdiction. It is also very active as a publisher on labor law and social security issues.

Against this dual economic and institutional background, the new employment framework created by the signing of the new Collective Agreement for 2003-2006, offers the Sector and therefore also the Confederación an opportunity to evolve and to create a new system of management.

The most notable aspects of this new employment framework are as follows:

- **The transposition**, with effect from July 1, 2004, under the new Collective Agreement, of the new system of professional groups. Thus, whereas under the previous regulations CECA personnel were divided into 54 employment categories, under the new Collective Agreement, the staff are arranged in two groups and 17 pay levels.
- **Collective Employers' Agreement on Regulations for Loans to Confederación Employees**, dated March 17, 2004. The purpose of this agreement is to develop the statutory and collective agreement rules governing the granting of loans and social advances to Confederación employees, in order to comply with the provisions of the collective agreement.

Towards a Strategic Change

This new setting, combined with an increasingly demanding business environment, has led the CECA management to attach great importance to promoting a set of initiatives in the field of human resources, of a markedly strategic nature, that include the design and implementation of new management systems and tools.

This set of actions forms part of the process to implement the skills- management-based Integrated Management System, for the purpose of establishing the most appropriate policies and practices to take forward this process of change and establish an appropriate organizational structure for the entity.

This change in management involves actions in the following aspects:

- Renewing the corporate culture.
- Analyzing and modernizing the functional structure.
- Developing a skills environment.
- Developing an internal communications strategy.
- Assessing and developing performance.
- Developing and implementing a pay policy for the future.
- Professional development.
- Career development.

6.2

2004: PROGRESS
BY TYPE OF
ACTIONTraining for
CECA employees

The specific **objectives** set for 2004 were:

- To provide training in topics of great interest to both the employees and the entity such as: Prevention of Money Laundering, the New International Accounting Standards and the Prevention of Occupational Hazards.
- To give executive training a strategic nature.
- To encourage the use of new technologies by promoting on-line training through e-Esca.

In order to do so, actions focused on the following **areas**:

- a) **Classroom learning.** Mainly: microcomputing, language skills, job-specific (economics and finance, operating procedures, legal, specialized IT, management skills).
- b) **On-line training:** Mainly: comprehensive training for savings banks, prevention of occupational hazards, microcomputing.

These actions were implemented by offering 350 courses involving 32,347 hours of training for 2,679 persons attending the courses.

Recruitment

In 2004, the primary objective of the Confederación's Recruitment Service was to insure that the resources properly matched the requirements of the different jobs into which the organization's activities are arranged.

The main objective of external recruitment is to attract professionals from the market who can contribute added value to the management of the Confederación

a) Internal Recruitment

In response to any demand from the different departments in their annual requirement planning, the Recruitment Service always gives priority to the consideration of potential candidates from among CECA employees.

This is done either in **Internal Competitions** in which any employee may publicly take part or by the appropriate planning of the direct mobility of employees between different jobs. **8 internal competitions** were held in 2004, in which 19 employees participated.

There were also **61 internal transfers**, as a result of the process of matching personal profiles to the vacancies to be filled.

b) External Recruitment

The main objective is to attract professionals from the market who can add value to our business activities and who fit in with the cultural values and key competencies of the Confederación. External recruitment procedures are used when the demands for professionals are not met by the organization's existing internal resources.

55 persons joined the Confederación in 2004, **out of a total of 274 candidates interviewed.**

c) Internships

The Confederación collaborates with the most prestigious universities and business schools in helping MBA or final year degree students to find employment. This year a total of **450 candidates, were assessed and 90 were given internships at the Confederación.**

HEADCOUNT

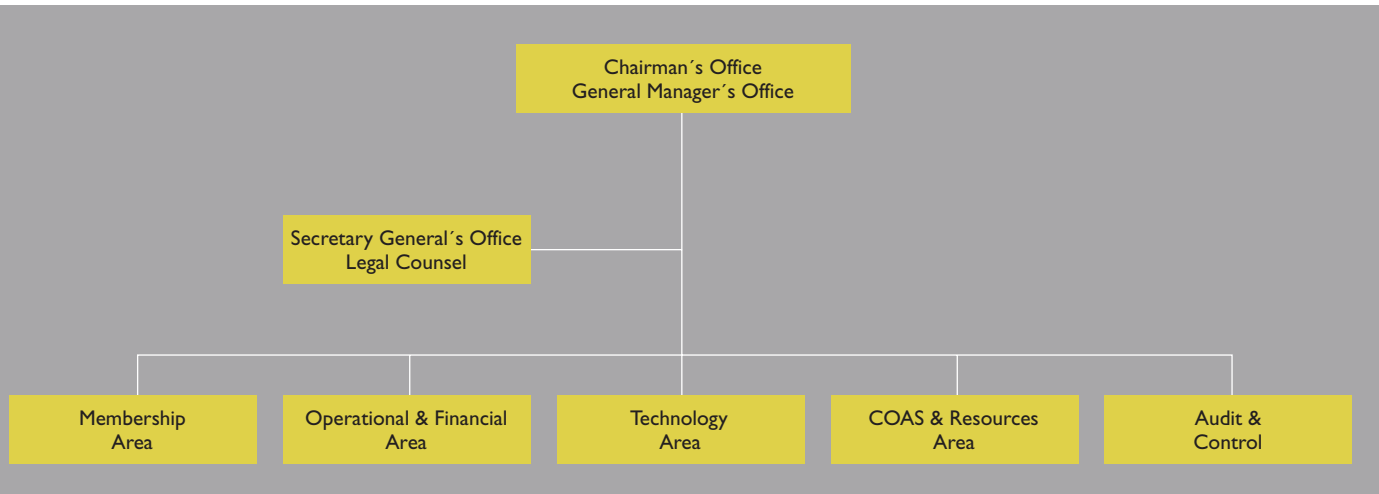
6.3

At December 31, 2004, the Confederación had a headcount of **780 employees**, which was an increase of 37 employees.

HEADCOUNT

	Permanent Staff	Contract Staff	Total
Initial	743	0	743
At 31-12-04	780	0	780

Taking this figure as a basis, it is appropriate to point out that: there were 55 new hires and 18 employees left; all of the contracts were for an indefinite period; of the total headcount at December 31, 482 employees were men and 298 were women.



6.4

THE TRAINING FOR SAVINGS BANKS SERVICE

Main developments

The Confederación provides training to savings banks through a specific "brand": the Escuela Superior de Cajas de Ahorro (ESCA) training school set up in the early 70s. For the ESCA, the 2004 year-end review reveals three main advances in boosting the culture of Internet-based learning.

Firstly, mention should be made of the steady growth in the number of students from the savings banks, which enabled the school to attain a more solid position as regards its public profile and flexible approach to low-cost training. Significant improvements were also made to the systems for tutoring and attending to students on-line, backed up by arrangements with universities. Noteworthy is the fact that the e-ESCA had 23,637 on-line students in 2004.

A second highlight was the launching under a partnership regime for a pioneer group of savings banks of a pedagogical branch management simulator. This revolutionary method among advanced learning systems signifies a major strategic innovation in the design of training at financial institutions.

And thirdly, and also as part of the Internet-based training approach, there was a major innovation with the setting up of a savings banks working group to draw up the modular pre-executives program to provide training for performance of the branch manager function.

As for classroom training, particular emphasis was placed on the International Accounting Standards programs and those relating to compliance with Basel II.

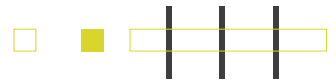
With respect to postgraduate training directed at young high-potential commercial staff, the Specialist in Banking Practice program, which includes a period of training at savings bank branches and was taught for the third time in 2004, has proved itself ready for mass launching, given its potential interest both for the savings banks and for students who are completing their university studies.

PROGRAMS
2004

CLASSROOM TRAINING	115
Seminars	81
Experts Long Term	12
Conventions	22
DISTRIBUTED TRAINING	782
Distance	65
On-line	510
In-Company	213
Total Programs	889

STUDENTS
2004

CLASSROOM TRAINING	3,468
Seminars	1,608
Experts Long Term	731
Conventions	1,129
DISTRIBUTED TRAINING	39,051
Distance	9,441
On-line	23,637
In-Company	5,973
Total students	42,519



Summary of training activities

In 2004, the ESCA trained 7.77% more students than in 2003: the number of students participating in our programs rose from 39,455 to 42,519.

In **centralized training** the Confederación continues to work with all of the savings banks, and the number of programs and students both increased with respect to 2003. From the 104 programs carried out in 2003 there was a 10.6% rise to 115 in 2004. As for the number of students, in 2004 the multi-bank classroom learning programs were attended by 3,468 students, compared with 2,886 in 2003 (up by 9.8%).

Noteworthy in **distributed training** was the situation of migration from paper-based training to on-line training, with an increase recorded in this line not only in the number of programs (specifically, 109%: from 244 to 510) but also in the number of savings banks participating in this methodology (from 24 to 33, a rise of 37.5%) and in the number of students (there were a total of 23,637, compared with 19,982 in 2003, which represents growth of 18.3%).

In the case of **in-company training**, there was a significant increase in the number of students: from 5,200 in 2003 to 5,973 in 2004, (representing year-on-year growth of 14.86%).

As for the ESCA **team of trainers**, this consists of a total of 517 specialists belonging to a broad range of public and private institutions.

In 2004, the ESCA trained 7.7% more students than in 2003: the number rose from 39,455 to 42,519

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As a general framework for joint analysis and reflection on different topics of interest to savings banks, the Confederación has set up a number of forums for sectoral collaboration. These forums can be divided into two main groups: those for intersectoral cooperation as such, directly connected with the business of providing financial services; and the representational forums to uphold the sector's interests. All of them have the participation of the savings banks and representatives from the Confederación.

The majority of these forums are structured around a Commission or Committee on which savings banks from the different Federations are represented and which meets periodically, and an annual Convention to which the 46 federated entities are invited. As and when required, workshops, seminars or conferences are organized on specific themes. The most significant of these forums or those whose activities in 2004 are of particular interest are described below.

7.1

INTERSECTORAL FORUMS

As indicated earlier, the Board of Directors of the Confederación decided to set up two support committees: the *Obra Social* Projects Study Committee and COAS.

Obra Social Projects Study Committee

This committee was set up with the idea of both analyzing and reflecting on this matter and also taking forward new *Obra Social* initiatives.

Under the impetus of the Committee a report entitled "Savings Banks: Capital for Society", was produced in 2004, describing how the savings banks *Obra Social* projects have evolved and what changes there have been since 1977, when the Spanish financial system was liberalized and Spanish savings banks were allowed to start operating in the same way as banks.

The Committee also established the basis for the study entitled: "The Economic Impact of the *Obra Social* Projects of Spanish Savings Banks" the ultimate aim of which is to analyze the wealth and employment created in Spain by the savings banks' *Obra Social* projects.

Also, with the support of this Committee, the Confederación has decided to produce a Sector Report on Corporate Social Responsibility and *Obra Social* Projects, with the aim of highlighting the distinguishing features of the savings banks in this area.

The Committee also prepared the *Obra Social* Project Area initiative that seeks to create an interactive area on this matter at selected branches which the savings banks consider appropriate, in order to show the general public the community work done by our entities.

In addition, the Committee reached a framework agreement with the Ministry of Culture in 2004 to develop joint projects to bring cultural heritage closer to all the citizens.

Organization, Automation and Services Committee (COAS)

The COAS is the senior body for cooperation between savings banks. As such it seeks to obtain and disseminate knowledge on best practice and experiences both in Spain and internationally, and to carry out studies and projects aimed at optimizing savings banks' organization and operating procedures, providing the necessary technical support and evaluating the requirements arising out of the development of shared services.

In order to try and respond to the needs and concerns of its federated members, the COAS has set up a number of functional Committees on topics such as distribution channels, the quality and management of knowledge, negotiating with suppliers, business support systems and processes, technological architecture and innovation, harmonization and standardization, and boosting cooperation.

In addition, it is responsible for the overall management of major sector projects that require complex coordination because they involve very different professional areas at the savings banks. In 2004, the Project for Adaptation to the **International Accounting Standards** was the most significant example, with the Committee working closely with other committees (Accounting, Taxation, Legal, Technological,...), meticulously analyzing the applicable standards and the implications for savings banks, and organizing specific workshops for their adaptation at the savings banks and implementing a technological tool for the automated preparation of the various information formats required.

Of the Committees set up by the COAS, the following deserve particular mention for their activities in 2004:

- The **Architecture and Innovation Committee** is responsible for three major projects: Software Security, Elimination of IMB 3745 Units, and the Agreement for deployment of CITRIX at savings banks.

The Software Security Project seeks to achieve an integrated view of the problems and risks attached to computer technology, while furnishing best practice and solutions to prevent and avoid attacks on information systems, and reporting on future prospects in this field.

The purpose of the IMB 3745 Unit Elimination Project is to replace these obsolete components to make it possible to migrate from the X-25 Protocol to Internet Protocols (IP).

CITRIX is a server-based computer technology that offers the advantage of centralizing applications and reducing bandwidth consumption.

- The **Quality and Management of Knowledge Committee** is working on three projects: Overall Quality, Knowledge Management and e-Esca.

The objective of the Overall Quality project is to evaluate the quality throughout the circuit of the services provided to the savings banks by the Confederación so as to achieve their optimization at all times.

Melania, a Knowledge Management Network develops Internet-based cooperative solutions for the dissemination and exchange of professional knowledge of the Sector as a whole.

E-Esca is continuing its activity of designing and implementing a technological platform for teletraining over the Internet. In this respect, it incorporates the relevant programs and defines new training maps to serve as a reference for human resources development at the savings banks.

The Board of Directors of the Confederación has the support of committees such as the Obra Social Projects Study Committee and the Organization, Automation and Services Committee

The COAS is the senior body for cooperation between savings banks and is responsible for exchanging and disseminating expertise, carrying out studies and projects, and providing the necessary technical support

- The **Distribution Channels Committee** participates in several projects. Noteworthy in 2004 were: Self-service Standardization, Financial Agents and Internet Financial Channel.

The project for Self-service Standardization includes all the savings banks, regardless of the means of payment system to which they belong, and its purpose is to establish common specifications, standards and technological developments for all the self-service devices used by the Sector.

The Financial Agents project has analyzed the different options for the possible use of them by the savings banks on an individual basis, defining the regulatory, legal, organizational and technological support requirements in each case.

The principal objective of the Internet financial channel project is to perform a detailed analysis of the functional and technical characteristics of the services provided by the savings banks over the Internet in order to increase their operational efficiency and to optimize their internal management models.

- The activities of the **Committee for Negotiation with Suppliers** in 2004 included most notably a second process for the joint procurement of self-service devices, negotiations with savings banks' suppliers and new agreements with telecommunications operators.
- Through the **Standardization and Payment Systems Committee** the savings banks seek to achieve the ongoing harmonization and standardization of procedures in pursuit of their constant commitment to improving efficiency.

In addition, mention should be made of the preparation and interbank negotiation of the bylaws of the new Spanish Payment Systems Company which will replace the SNCE (*Sistema Nacional de Compensación Electrónica*, National Electronic Clearing System), in which the savings banks have obtained representation appropriate to their operating volume. Work was also done on monitoring and drawing up proposals relating to the new legal framework for European Payment Systems and in preparing the legal and operational environment for setting up an Auxiliary Deposits System which will gradually take over the cash distribution function from the provincial branches of the Bank of Spain.

These reforms in which the Confederación is collaborating are: greater efficiency in the handling of transfers; improvements in the SLBE (*Sistema de Liquidación del Banco de España*, Bank of Spain's Settlement Service), from the point of view of its functionalities and user services and facilities; reduction of SLBE costs; increased user participation in the definition and management of payment systems; transfer of management of the SNCE to SPI, S.A. (*Servicio de Pagos Interbancarios*, Interbank Payment Service); improvements in SNCE transaction handling; and amendment of Spanish Law 41/1999 (the Settlement Finality Law) and Royal Decree 1369/1987 relating to the setting-up and operation of the SNCE.

- The **Business Systems and Processes Committee** carried out two major projects in 2004: operating efficiency in costs and development of the SPB, tool (*Gestión de Patrimonio/Banco Privado*, Asset Management/Private Banking).

The Operating efficiency in costs project analyzes the costs of the savings banks' main business activities, functions and processes. It benchmarks each federated savings bank against all the

participants, against those of its group and against best practice detected, thereby permitting specific and effective analysis of the main efficiency ratios.

The Assets/Private Banking project provides an automated tool for managing the assets of high net worth customers and includes simulation processes in order to be able to respond appropriately to the needs of this type of customer.

- Finally, the **Committee for Boosting Cooperation** completed its remit after its recommendations were approved by the Board of Directors of the Confederación in January 2004, relating especially to the importance of cooperation, ways of carrying it out, structure and functions of the COAS and systems for funding projects.

7.2

REPRESENTATIONAL FORUMS

The Confederación has been active in setting up a network of strategic forums that seeks to cover each and every one of the management functions. The following are a few examples: public profile forums (that address issues connected with marketing, communication, advertising and customer relations); forums for regulatory guidance (especially in the financial and tax spheres); accounting and auditing forums; and *Obra Social* projection forums (including those relating to *Obra Social* projects and pawnbroking institutions).

Public Profile Forums

- The **Marketing Committee** is the savings banks' forum for cooperation in which they share expertise on the financial products available, the characteristics of them and any question concerning the marketing of products and services. Last year this forum analyzed, from the marketing point of view, two projects focusing on the self-regulation of commercial practices that had been carried out by other departments of our institutions, and a draft Handbook for the Commercialization of Investment Products.

- The **State Committee for Directors of Communications** is a platform for discussion and reflection for media relations managers.

In 2004, the Confederación collaborated in the preparation of a number of documents with recommendations on the different, mainly legislative, developments that have affected the savings banks. These documents are tools to assist Directors of Communications in preparing their own strategies and they make it possible to offer shared elements to the media, thereby helping to give the Sector's opinion on issues of interest a more sound communicational basis.

- The **Savings Banks' Advertising Committee** is the forum for cooperation of the savings banks' advertising professionals. This forum

The Confederación has set up a network of strategic forums as a framework for joint reflection and cooperation

In 2004, the Customer Service Committee prepared a draft standard Code for Customer Service Offices which was adopted by the majority of the savings banks as the basis for their own Regulations

serves to exchange experiences of campaigns, promotions, supplier relations and, in general, regarding the problems that arise in this area of activity.

One of the problems raised repeatedly at the meetings held in 2004 was that of the duplication, at times, of permits required, the conflicting policies applied by the different authorities and the delay in processing applications. The Confederación has embarked on discussions with the Bank of Spain, the Spanish Advertisers' Association and the Society for Advertising Self-Regulation, with the aim of finding a solution to the current situation.

- Cooperation between the savings banks in matters relating to Customer Service is handled through the **Savings Banks' Customer Service Committee**. In 2004 this cooperation focused on the major legislative changes that have affected this activity. Thus, this forum served to unify the sector's opinion on the points that should be included in the Ministerial Order regulating the operation of customer service offices. The forum also drew up the draft Standard Code for Customer Service Offices which was the basis for the Standard Code approved by the CECA Board of Directors and adopted by the majority of the savings banks as the basis for their own Regulations.

Forums for Regulatory Guidance

- The purpose of the Confederación's **Legal Advisory Committee** is to study and adopt sector-wide measures of a legal nature. In 2004 the Committee analyzed the substantial body of domestic and EU legislation that was processed or passed during the year. The Legal Committee collaborated with the Corporate Governance Working Group appointed by the Board of Directors of the Confederación on September 17, 2004, in connection with the Annual Corporate Governance Report that savings banks whose securities are listed on Official Securities Markets are obliged to present during the first half of 2005.

The many legal provisions analyzed by the Legal Committee included the new Spanish Bankruptcy Law (Law 19 22/2003) that entered into force on September 1, 2004, given its significant implications for savings banks.

Similarly, in 2004, the Legal Committee set up a **Working Group for the Prevention of Money Laundering**, made up of legal and technical experts from several savings banks, to analyze and adapt procedures, controls, tools and models to Law 19/2003 on the legal arrangements governing capital movements and cross-border financial transactions and on measures for the prevention of money laundering. The Legal Committee's working group prepared the relevant reports to enable the savings banks to adapt to the new Law.

Within this field a final mention should be made of the 1st Secretaries General Workshop held in February 2005, which enabled reflections to be shared on the recent regulatory changes made in all matters relating to savings banks' governing bodies and corporate governance.

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- The **Taxation Committee** raises, analyzes and discusses tax matters concerning the Sector and upholds the savings banks' interests as the institutional representative in dealings with the tax authorities. Mention should be made of the special attention paid in 2004 to the following topics: IAS, tax and disclosure arrangements relating to preferred shares and other debt instruments, factoring and confirming services in relation to VAT, special invoicing rules for savings banks, relations with the tax authorities of certain autonomous regions of Spain and, finally, monitoring and lines of defense against the levy on the special exploitation of the public domain that a growing number of municipal councils are imposing on the use of ATMs located on branch façades.

The savings banks' **tax experts** also meet every six months to discuss tax developments, which in 2004 related to matters such as: the Bank of Spain circulars, IAS no. 12, regulatory implementation of the General Tax Law, the new tax penalization regime, the tax guidelines for closure of the 2004 financial year and the latest developments arising out of the negotiations with the tax authorities, among other issues.

Accounting and Auditing Forums

- The principal objective of the **State Auditors' Coordinating Committee** is to promote and coordinate such actions as are necessary for the proper and efficient discharge of the Internal Audit function at savings banks. Activities in 2004 focused on preparing and organizing Technical Workshops on the International Accounting Standards and the annual Convention, where all the work done by the groups set up for the purpose was presented.

Topics discussed at the Convention of Savings Banks' Auditors in 2004 included: the proposals made regarding the new Bank of Spain Circular; the Law for the Prevention of Money Laundering, the International Accounting Standards, the sector project and the new Audit programs.

- In the first quarter of 2004, the **Accounting Committee** finished identifying the accounting changes and completed an initial diagnosis and analysis of the implications. These implications were analyzed from the accounting point of view as well as from the operational, business and capital requirements points of view.

The Accounting Committee analyzed the accounting and technological implications of IAS implementation and carried out a study of the Bank of Spain's reporting requirements

The most representative or significant changes were the subject of specific analysis, defining the formulas for calculation and analyzing the financial statements under the IAS. Subsequently, the accounting and technological implications of IAS implementation were analyzed and a study was made of the Bank of Spain's reporting requirements.

All the suggestions made by the Accounting Committee were submitted to the supervisory body itself. In the last quarter a study and detailed analysis was made of the Bank of Spain Circular on public and prudential financial reporting rules and formats for financial statements and returns.

Obra Social Projection Forums

- For the second year running, a Chairmen's and Managers' Workshop was held (on April 21, 2004) to discuss the profile of the savings banks in relation to *Obra Social* projects. This is a fruitful forum for the exchange of experiences and opinions that on this occasion focused primarily on different types of microcredits and on the evaluation and monitoring of *Obra Social* projects.

The National Obra Social Projects Commission set up two working groups in 2004: one to analyze the microcredit business and the other to manage intellectual property rights

- The main examples of inter-savings bank cooperation in the field of *Obra Social* projects include the activities carried out in relation to the **National Savings Banks Commission for *Obra Social* Projects**. This group is of an essentially consultative nature, although it is where many of the joint initiatives of the savings banks as regards *Obra Social* projects are forged.

The National *Obra Social* Projects Commission set up two working groups in 2004 to analyze issues of sectoral interest. The first focused on microcredit business at the savings banks, while the second is analyzing the management and exploitation of intellectual property rights. The Microcredits Working Group has prepared the first statistical study of this activity in Spain, paying special attention to microcredits managed by the savings banks, which are the leading entities in terms of number of credits and volume of loans and are the pioneers of this activity in Spain.

The second Working Group analyzed the situation of the management of intellectual copyright. As a result of the cooperation of the savings banks in this strategic forum, an opinion was drawn up and submitted to the Ministry of Culture regarding the draft text of the proposed Intellectual Property Law, and efforts are being made to establish a collaboration arrangement with copyright managers so as to achieve greater legal security in the application of the regulations and economies of scale in the billing of the savings banks by these entities.

- The 23 pawnbroking institutions there are in Spain, all of them related to savings banks, are represented at the National Assembly and, by delegation, on the **National Committee of Pawnbroking Institutions**. With continuing actions and a very active communications policy, it has been possible to extract value from the work of these institutions as a specialized business, that is perfectly viable in a very competitive financial system

and one that is able to offer solutions to new financial needs and to contribute to the avoidance of financial exclusion. In this respect, the pawnbroking institutions have taken forward their analysis of the phenomenon of immigration, which is having a strong impact on their activities.

This forum has also served to increase the offering of high value-added services to other areas of the savings banks, such as the commercial network or the Private Banking units, and cooperation has also been promoted between pawnbroking institutions on operational aspects.

Human Resources Forums

- In 2004 the savings banks' **National Commission of Human Resources Managers** monitored the most novel aspects of the new sector collective agreement and analyzed scorecard models for human resources management and strategic headcount planning, together with other aspects of multicultural integration.

The functions of the **Savings Banks Technical Training Committee** include most notably the programming of training actions for sector employees, in collaboration with the ESCA. In 2004, the Committee analyzed programs to boost the skills of the commercial network using a pedagogical branch management simulator, and for the prevention of money laundering, and training connected with the CNMV quality scheme in compliance with its guide to procedures.

Work was also done on aspects of general training for the marketing of investment products, and financial advisor and portfolio management programs, placing emphasis on the availability of the on-line training platform.

Finally, there was also participation in the FORCEM (*Fundación Tripartita para la Formación en el Empleo*, Tripartite Foundation for Employment Training), channeling financial resources for the needs of savings bank' employees.

Other Forums

There are also other strategic forums available to the savings banks for discussion of and reflection on the situation of the finance business.

- In 2004, the main topics discussed by the **Savings Banks Management Control and Planning Committee** related to the risk adjusted return on capital, the control of customer yields, the report on efficiency produced by the COAS, the scorecard and, finally, the new developments in relation to credit institutions brought about by the new International Accounting Standards. In this latter area work is being done to adapt the financial statements that the savings banks send the Confederación to the requirements of the Bank of Spain as set forth in its Accounting Circular 4/2004.
- Through the different committees set up for the process of adaptation to Basel II, the savings banks also participate actively in the **Risk Forum** to find solutions, unify policies and define actions to be taken in order to address the objectives required by this process.

Both the Working Groups and the General Committees for each of the Risks included in the Sector Risk Control Project met on several occasions in 2004.

The Savings Banks' Housing Group presents, analyzes and discusses housing problems in Spain and acts as an institutional representative in dealings with the Ministry of Housing

- The **Committee of Users of New Channels** brings together all the savings banks which, as users of any of the services provided by the Confederación in the New Channels area, are interested in learning about and participating in the development of these channels. The Committee meets to discuss in general the progress of services such as electronic banking, e-commerce, on-line brokerage tools, etc., or to analyze the feasibility of new proposals for customer value arising as a development of the on-line banking facilities currently available.
- The **National Quality Committee** provides a forum for those responsible at the savings banks for quality management and enhancement in which to assess internal improvements and customer satisfaction on an ongoing basis. Last year a common format for customer satisfaction assessment was designed that includes the benchmarking of 32 savings banks.
- The **Savings Banks' Housing Group** presents, analyzes and discusses housing problems in Spain that affect the savings banks, and acts as an institutional representative in dealings with the Ministry of Housing for the benefit of the interests of savings institutions. The Group met in 2004 to analyze the current housing situation in Spain, both in general and as regards public-sector low-cost housing, and to prepare a dossier of possible queries to raise with the Ministry.



As a service provider, the Confederación offers its members a comprehensive set of financial, technological and associative structures and services that give support and act as a channel for the products and services that the savings banks offer their customers.

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8.1

TECHNICAL AND FINANCIAL GUIDANCE

The Confederación devotes a large part of its human and material resources to providing the savings banks with technical and financial information and guidance services

A substantial proportion of the services provided by the Confederación as a national association of credit institutions has already been discussed in this Report. It should, however, be pointed out that the Confederación devotes a large part of its human and material resources to providing the savings banks with technical and financial information and guidance services, an activity that was particularly intense in 2004.

The Confederación collects and analyzes data for the savings banks on both the sector and the financial system as a whole, and sends its members periodical reports analyzing various aspects of the business.

It provides the savings banks with the necessary computer tools to collect, consolidate and submit the information required by the Bank of Spain.

It also produces reports for the savings banks on the domestic and international business and economic situation which in summarized form are publicly disseminated in different media. It also acts as a depositary for savings bank publications and has a documentation center on matters relating to the savings banks, the financial system and the economy in general.

The Confederación also provides guidance and consultancy services to the savings banks in the fields of organization, financial regulation, project management, optimum dimension of resources and means, human resources, quality, legal matters, taxation and regulatory compliance, as well as offering marketing and advertising services that mainly prepare campaigns and keep a constant watch on the attitude of customers, analyzing the products offered by other financial entities.

Activity was particularly intense in the field of regulatory compliance, particularly in relation to the standardization of actions through the design of policies, procedures and

guidelines. Instruments developed in 2004, such as the Standard Regulations for Investment Committees and Remuneration Committees, the Standard Communications Manual, the Standard Regulations for Customer Service Offices, etc. contribute to this end. The growing impact of regulatory compliance on reputational risk more than justifies

Activity in the field of regulatory compliance was particularly intense in 2004

the priority given to this function in 2004, which will become even more intense in 2005.

The Confederación Española de Cajas de Ahorros was also involved in negotiating and giving effect to a number of operational arrangements, including most notably those entered into with the Spanish Ministry of Infrastructure and Development to finance the Program 2004 and the Housing and Land Plan 2002-2005, and with the Ministry of Agriculture, Fisheries and Food, to finance improvements to agricultural structures.

A Framework Partnership Agreement was also negotiated and signed with the newly created Spanish Association of Foundations, a public-purpose association arising out of the merger of the Spanish Confederation of Foundations and the Centre of Foundations, with the aim of promoting commercial and financial relations between the Asociación Española de Fundaciones and its member foundations and the CECA and the participating savings banks.

Also in 2004, the Confederación signed five financing contracts and an addendum with the ICO (*Instituto de Crédito Oficial*, Official Credit Institute). The first, worth € 9.6 million, is to fund investment projects at SMEs; the second, worth € 1.5 million, is to fund purchases of productive assets by companies in the transport sector; the third, worth € 4 million, is to fund projects for investment in technological innovation; the fourth, worth € 6 million, is to fund investment projects to utilize renewable energies and improve energy efficiency; finally, a contract entitled Microcredits Facility 2004 and worth € 650,000, was signed to fund employment or business projects to promote self-employment in microbusinesses or business activities that have difficulty accessing normal channels of financing.

Within the framework of the Sector Project for Comprehensive Risk Control, work continued in 2004 in pursuit of the objectives laid down for each of the different risks included in the framework of Basel II.

8.2

FINANCIAL
& SUPPORT
SERVICES

The Confederación covers the savings banks' foreign business through its representative offices, the operating branch in London and a large network of correspondents consisting of 1,300 entities

In its capacity as a fully operational credit institution, the Confederación provides a wide range of financial services in tune with the demands made by its customers: the federated savings banks. The Confederación provides investment services (for both securities and financial instruments); it is involved in the settlement of fund transfer transactions; it performs foreign currency transactions; and it offers the savings banks savings and financing products that they can market to their customers.

Through its foreign network, consisting of the representative offices, the operating branch in London and a large network of correspondents made up of more than 1,300 entities, and its participation in the different International Settlement Systems, the Confederación covers the foreign business of the savings banks.

As part of the ongoing objective to boost the international activity of the savings banks, a system was developed and put in place in 2004, in partnership with 32 savings banks, to channel **immigrant remittances** to their countries of origin.

Similarly, in the field of International Trade, a company was set up in Hong Kong to handle the import documentary credits that the savings banks arrange for their customers relating to Asia and Oceania.

This company, called **CEA Trade Services Ltd.** (CEA TSL) and wholly-owned by the Confederación, will enable the savings banks to provide their customers with a high quality service, as well as efficient management of operational risk and an improvement in the costs associated with these transactions, and also an increase in revenues for user savings banks.

In the area of International Trade, a company was set up in Hong Kong to handle documentary credits for imports

Also, the new **Joint Venture** set up by 36 savings banks to manage State Lotteries and Gaming cash, for which the Confederación is Sole Manager, was the winner of the competitive tender organized by the L.A.E. (*Lotería y Apuestas del Estado*, State Lotteries and Gambling Agency), for provision of treasury services to the Agency as a level B entity. The new agreement which was signed in March 2004 is valid until March 1, 2006, and is renewable annually thereafter for a maximum of a further four years. In 2004, the annual average balance of L.A.E. accounts at savings banks belonging to the Joint Venture was approximately € 48 million, which overall represents approximately 50% of the cash managed by the Lotteries & Gambling Agency as a result of the commercialization of all its forms of gambling.

The volumes of transactions at the **Central Discount Office**, which handles the documents connected with this activity, were virtually the same in 2004 as in 2003, as the following table shows:

**CENTRAL
DISCOUNT
OFFICE**
Nominal amounts in € million.

item	2003	2004	% var.
Number of incoming bills	16,070,549	15,789,264	- 1.7
Nominal incoming value	39,152	42,155	7.7
Number of outgoing bills	16,095,394	15,781,173	- 1.9
Outgoing nominal value	38,578	41,364	7.2
Number of bills deposited	1,860,875	1,870,418	0.5
Nominal value of bills deposited	6,534	7,341	12.3
No. of truncated bills presented	10,451,786	9,907,757	- 5.2
Nominal value of truncated bills presented	23,172	25,281	9.1

The services provided to the savings banks and their customers in the **Securities** field comprise those connected with the custody, settlement and handling of financial transactions, including tax information, with the following levels of activity reached in 2004:

DEPOSITS BY EFFECTIVE VALUE

Amounts in € million

Type of Security	2003	2004	% var.
Corporate fixed-income	12,725	13,188	3.6
Equities	13,823	16,733	21.1
Government Debt	6,603	6,532	-1.1
Foreign Securities	29,273	32,365	10.6
TOTAL DEPOSITED	62,424	68,817	10.2

STOCK EXCHANGE TRANSACTIONS

Item	2003		2004		variation	
	No. trans.	Amount settled	No. trans.	Amount settled	No. trans.	Amount settled
Securities purchases	349,373	8,780	276,058	12,565	-21%	43.1%
Securities sales	685,613	8,235	372,249	12,372	-45.7%	50.2%
TOTAL	1,034,986	17,015	648,307	24,936	-37.4%	46.6%

Amount settled, at effective value and in € million.

BOOK-ENTRY SYSTEM / GOVERNMENT DEBT

Item	2003		2004		variation	
	No. trans.	Amount settled	No. trans.	Amount settled	No. trans.	Amount settled
Government Debt added	97,987	223,518	89,576	234,816	-8.6%	5.1%
Government Debt removed	114,431	223,886	94,401	234,998	-17.5%	5%
TOTAL	212,418	447,403	183,977	469,814	-13.4%	5%

Amount settled, at effective value and in € million.

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SPANISH
FOREIGN
INVESTMENT

Year	No. of Transactions	Year-on-year variation	Amounts Settled	Year-on-year variation	Volume Deposited	Year-on-year variation
1998	11,245	72.6	4,365	108.9	5,277	98.6
1999	39,243	249	13,148	201.2	8,231	56
2000	133,820	241	51,852	294.4	25,724	212.5
2001	171,440	28.1	99,470	91.8	34,923	35.8
2002	184,390	7.6	110,346	10.9	38,666	10.7
2003	197,390	7.1	117,498	6.5	29,273	-24.3
2004	166,756	-15.5	126,740	7.9	32,365	10.6

Effective amount settled & volume deposited, in € million.

There were the following levels of activity in relation to processing and settlement services for transactions involving the transfer of funds, using either electronic systems or physical documents, as a direct result of the Confederación's participation on behalf of the savings banks in the different domestic and international clearing and settlement systems:

FUND
MOVEMENTS

Nominal amounts in € million.

Item	2003	2004	% var.
INTERCHANGE OF CHECKS IN FOREIGN CURRENCIES BETWEEN RESIDENT ENTITIES			
Checks & commercial paper in foreign currencies	1,465	1,589	8.5
INTERCHANGE OF CROSS-BORDER CHECKS			
Checks handled	1,041,039	916,688	-12
SWIFT MESSAGES EXCHANGED			
Outgoing	1,098,565	1,118,357	1.8
Incoming	1,377,281	1,302,978	-5.4
S.P.I. (Interbank Payment Service)			
Transactions handled	345,361	216,572	-37.2
Nominal value	49,847	48,447	-2.8
EBA (Euro Banking Association) STEP1 & STEP2			
Transactions handled	286,760	558,692	94.8
Nominal value	2,407	4,779	96.1
TARGET (Cross-boarder Transfer Orders)			
Transactions handled	155,349	181,696	17
Nominal value	71,731	113,492	58.2
TRUNCATION OF CURRENT ACCOUNT CHECKS & COMMERCIAL PAPER			
Checks & commercial paper truncated	48,776,000	46,943,000	-3.8
Nominal value	190,385	206,870	8.7
BILLS INTERCHANGE			
Bills interchanged	19,309,000	18,091,000	-6.3
Nominal value	41,039	44,603	8.7
INTERCHANGE OF DIRECT DEBITS			
Transactions handled	362,061,000	395,818,000	9.3
Nominal value	88,205	99,194	11.3
INTERCHANGE OF TRANSFERS			
Transactions handled	98,509,000	107,058,000	8.7
Nominal value	197,393	211,821	7.3
SUNDRY TRANSACTIONS			
Collection transactions	276,054	249,231	-9.7
Nominal value	13,906	15,231	9.5
Payment transactions	15,588	15,681	0.6
Nominal value	431	260	-39.6

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There was also particularly noteworthy activity in fixed income securities, with trading in both government debt securities issued by the Spanish Treasury and by other euro area countries, as well as in corporate fixed income securities, i.e. the so-called credit market, where trading is governed not so much by trends in interest rates but by the spreads issuers must pay in order to place their issues on the market or, in other words, by the credit risk that each of the issuers represents. This risk evolves over time depending on the economic situation, the volume of assets issued by that issuer in the market, etc.

Meanwhile, the Confederación is one of the leading **futures and options settler on international markets**. At the end of 2004, the Confederación was settling inter-

The Confederación is one of the leading futures and options settlers on international market

national futures transactions for 329 different accounts, 57 of which were Spanish savings banks and the rest mutual and pension funds. Particularly noteworthy in 2004 was the increase in fund activity in these markets, which grew by 142.2% in comparison with 2003.

The Confederación's **Trading Room** provides Spanish savings banks with a wide range of financial services, such as dealing in foreign currencies, options, FRAs, swaps, government debt, Treasury bills, bonds and futures, and acts as a market maker, which means it can offer savings banks wholesale prices for transactions for minor amounts.

As regards financial services traded directly with the savings banks, a new record was reached in the number of transactions completed in a single year with the rise from a total of 152,520 in 2003 to 159,803 in 2004, representing an increase of 4.8%. The amount increased from € 515,645.19 million in 2003 to € 538,207.32 million in 2004, i.e. by 4.37%.

Noteworthy once again in 2004 was the intense activity in dealing in foreign banknotes and the sending and receipt of banknotes in euros from other countries outside the euro area.

The Confederación is the market leader in dealing in foreign banknotes, in which it not only serves the needs of all the federated savings banks, but also those of fifty other Spanish financial institutions and a sizeable number of foreign financial institutions that need to import or export notes in euros.

In this respect, in 2004, the number of banknote dealing transactions was 25,146, which - in comparison with the 19,218 transactions carried out in 2003 - signifies a year-on-year increase of 30.84%, evidencing that not only is the Confederación the

The Confederación is the leading financial institution by volumes traded in dealing in banknotes, with a 30.84% increase in the number of transactions

leading financial institution in terms of volumes of banknotes traded, but that it is also increasing its share of the Spanish market.

The Confederación also has a market share of almost 15% of the European market in terms of total volume of foreign banknotes traded.

At the same time, the Confederación is one of the main counterparties of the Spanish foreign currency market in terms of both the number of transactions and the volumes traded.

The **Depósitos Ahorro Platino** became firmly established in 2004 as a set of structured savings deposits marketed by the federated savings banks to their customers and which basically consist of the possibility of obtaining a higher return (set beforehand) in response to unforeseeable developments on the market.

A total of more than 65,000 savings bank customers have purchased Depósitos Ahorro Platino worth more than € 400 million, thereby enabling the savings banks to establish their own joint brand, differentiated from what is on offer at other financial institutions and without prejudice to each savings bank also marketing its own products as it considers appropriate.

Taking into account the success of the Depósitos Ahorro Platino, the Confederación designed and presented to the savings banks a range of asset products that includes most notably the Préstamo Brillante loan which allows the borrower to pay less interest if certain market conditions are fulfilled.

8.3

TECHNOLOGICAL SERVICES

The number of transactions performed using the CECA Electronic Trading System rose by 19.52%

Electronic trading, technological platforms for managing means of payment, and the new channels are some of the activities of growing importance within the context of the services provided to savings banks by the Confederación.

2004 was the year of the definitive consolidation of **electronic trading** systems, which are increasingly taking the place of the traditional telephone trading of transactions on the financial markets.

Specifically, in 2004, the **SICE**, (*Sistema de Contratación Electrónica*, Electronic Trading System) a system that the Confederación has made available to savings banks was used to perform a total of 58,197 transactions, which was 19.52% more than the 48,693 transactions in 2003.

The high growth in electronic operating procedures compared with the figure for overall growth in transactions means that an increasingly higher proportion of market transactions are performed using these types of tools.

2004 brought the definitive launch of **Divinet**, the Internet-based trading system designed and developed by the Confederación so that savings bank customers can buy and sell foreign currency from and to the savings banks. This system is now operational at the first savings banks where it has been installed and the remaining entities are expected to make it available to their customers in the course of 2005.

As for **means of payment**, the Confederación manages the EURO 6000 System processing center which permits the interchange of transactions performed by the more than 13 million cards issued by the savings banks belonging to this system, as well as the transactions performed using its 14,200 ATMs and 285,000 POS terminals. In 2004 the

volume of transactions processed totaled 456 million which was 14% more than in 2003. The availability of the service during the year, weighted according to the actual traffic at each moment, was 99.98 %, an improvement on the 2003 figure of 99.97 %.

Other services offering increased added-value that are supplementary to mere interchange activities enable the savings banks to offer their customers new payment instruments (chip cards, contactless cards, radio-frequency toll payment devices), new applications (public transport cards, university cards, citizens' cards, payment in hospitals, digital signature cards) and new use environment (e-commerce, mobile phone).

TYPES OF OPERATIONS

Items	2004
Retail outlet transactions	311,277,524
ON-US	15,640,551
Interchange between savings banks	120,404,484
Interchange between savings banks and other issuers	94,624,330
Interchange between savings banks and other acquirors	80,608,159
ATM & Branch transactions	144,259,198
ON-US	36,684,951
Interchange between savings banks	41,442,030
Interchange between savings banks and other issuers	23,584,424
Interchange between savings banks and other acquirors	17,359,363
Special services (Telephone Card top-ups)	25,188,430
TOTAL	455,536,722

The Confederación provides services connected with virtual channels (New Channels) to 41 savings banks. These services cover various technological spheres, with the aim that user savings banks should be able to obtain the related economies of both scope and scale.

The main service is **Caja Directa**, the CECA's multi-channel electronic banking platform which in 2004 processed 194,662,380 financial transactions of 420,222 users who operate actively. New savings bank connectivity protocols were introduced such as web services and various functional improvements such as: payment of taxes over the Internet

for the regional tax authorities of Andalusia, Castile-Leon, Navarre or Galicia; telematic filing of personal income tax returns by electronic banking; integration with other horizontal applications such as the CASER insurance operating procedures; the creation of a **portal for mobile devices**, providing coverage of general and financial information, consultation and fund transfer operations, and the purchase and sale of securities and funds, etc. In 2004 the **mobile messaging** channel was extended as a means of establishing communication with customers for very diverse operating procedures, with 3,991,251 messages sent from 22 savings banks using the Confederación platform. Since December 2004, the New Channels technological platform is being used to process the savings banks' **immigrant remittances**, with the support of a CECA-based call center and in connection with the Confederación's international payment modules.

Two projects were launched in 2004 that may be of great significance in 2005. The first is the **new channels scorecard** which aims to become a permanent observatory for the savings banks' activities in this field and to enable savings bank managers to obtain information to assist them in their decision making. The other challenge is that relating to the services for **electronic billing** for businesses, in which the savings banks are analyzing different ways of approaching a partnership project.

Another focus of attention in relation to New Channels in 2004 was **Internet Security**, with the aim of providing the savings banks with the most advanced level of technology to insure the security of their electronic transactions with customers. The Confederación belongs to the Security Group of the Interbank Cooperation Center (CCI), which was set up in 2004 and brings together the people responsible for security at Spain's main financial institutions. This enables it to brief the savings banks on all the cases of fraud which are brought to its attention, incorporating in its platform the latest advances in relation to security. These actions are in addition to the two controlled intrusion attempt processes that are carried out each year to test the system's security against hackers.

The savings banks have intensified the marketing of the value-added services developed by the Confederación for its corporate portal. As a result, an average of 40% of the total transactions for the trading of domestic securities are now performed by the

The Confederación provides services connected with the new channels to 41 savings bank

savings banks using the CECA on-line broker, with the proportion reaching 80% in the case of some savings banks. A number of them have begun to sell products directly through their websites using the New Channels platform, with the possibility of using a standard market content manager, hosted by the CECA, for editing and publishing information. The **EnCuenta** and **Financial Aggregator** applications for handling account and

The securities transactions performed by the savings banks using the CECA "on-line broker" account on average for 40% of the total transactions for the sale and purchase of domestic securities

card statements are being marketed by the savings banks under a variety of arrangements that target both the business and individual customer segments.

The Confederación has continued to enhance its **e-commerce** services with 30 savings banks now using its virtual POS terminal for transactions that totaled 1,341,176 in 2004. The white POS terminal, for distance marketing, has been adapted to the Imode technology to permit sales using mobile devices. In addition, 2004 saw the consolidation of the secure payment tools VINI and HACES, which are used to provide service to 30 savings banks and one credit institution.

The availability of the service during the year, weighted according to the actual traffic at each moment, was 99.93%, a significant improvement on the 2003 figure of 99.73%.

The Confederación also provides **management support** by means of a service that uses SAP business management software to provide support for general accounting, human resources (payrolls, personnel development, hazard prevention and occupational health) administration of suppliers and fixed assets.

The development of Internet technology led the Confederación, in 1996, to set up an Intranet, **Hidra**, that enables a range of services for both central and branch offices to be made available to savings banks. In 2004 a second telecommunications operator, BT, joined Telefónica in this network, thereby insuring high levels of availability. A total of 31 services are provided over this network to which 45 savings banks, 9 credit institutions and 15 service companies are connected. The latest services available include interconnection between the savings banks' and CECA's host computers for automatic file transmission (TAF), SICA and SIAMI.

As part of the **Technology Exploitation Outsourcing** service, cover continued to be provided for the following activities:

A total of 31 different services are provided to savings banks via Hidra, the CECA Intranet set up in 1996

- Operating Service for the transactional OS390 of the 5 savings banks that belong to InfoCaja, under the strategic agreement signed with IBM in 2002.
- **Private Banking System**, that provides the savings banks with support for the specialized management of the assets of high net worth customers; this has been exploited at the Confederación for 21 entities, and for one of them in the trial and pilot phase of the new web version of this application.
- Provision has begun to a number of savings banks of the Exploitation service for the **Prevention of Money Laundering**.
- Infrastructure services such as website hosting, the hosting of savings bank servers, or the provision of Internet access and e-mail to enable the savings banks to support their technology projects.
- The communications switch function that was being provided for the Eufiserv network in Germany is now a service directly supported by the Confederación.

Other technological services provided by the Confederación to its members are PECA, SAT and CARD.

- **PECA**, (*Pago Electrónico Cajas de Ahorros*, Savings Banks Electronic Payment) is a service that enables the savings banks to handle the management of all means of payment products. The solution takes a modular approach to the administration of cards, terminals and ATMs, providing support for credit, debit and cash operating procedures and is responsible for the settlement of transactions with retailers and saving bank customers in line with the savings banks' commercial policies. The adaptation of this service to the EMV standard facilitates user savings bank strategies for migration to chip technology. In 2004 the volume of transactions processed using PECA topped € 70 million.
- **SAT**, (*Servicio de Autorización de Tarjetas*, Card Authorization Service), is a service that enables the savings banks to handle the management of all means of payment credit products. The solution generates transaction statements, it debits customers and credits retailers for the transactions made with credit cards, applying the different items defined in the savings banks' commercial policies relating to charges, interest, etc.
- Using the **CARD**, (*Centro Activo para Resolución de Disputas*, Active Center for Dispute Resolution), service, savings banks may delegate to the Confederación, to the extent appropriate for each bank, the handling and control of their means of payment incidents. The savings banks are showing a great deal of interest in this product, since it resolves a complex problem that consumes a large amount of highly qualified resources.

In the field of infrastructures and basis developments for horizontal use, the following actions were taken:

- Using **Datawarehouse** technologies a set of tools has been prepared to facilitate the monitoring of analytical accounting systems and create scorecards for different CECA areas and services, all within the framework for the Corporate Management Platform, implementation of which will be completed in 2005. This same technology is being used to upgrade the EURO 6000 information and reporting system (ESCE-NA Project).
- Disc backup systems have been introduced to prevent situations of loss of information and improve levels of availability.
- The first savings banks have gone live using SIAMI, SICA and TAF over IP, and the process will continue throughout 2005.

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In its capacity as a savings bank, the Confederación's founding objectives include using the portion of its surplus that is not allocated to reserves to finance projects that benefit the community.

With the aim of channeling the surplus and as part of its *Obra Social* projects, in 1979 the Confederación set up the **FUNCAS**, a private not-for-profit institution set up

With the aim of channeling the portion of the surplus not allocated to reserves into Obra Social projects, the Confederación set up the FUNCAS in 1979

to perform activities that benefit the community, promote saving and help to extend knowledge of the savings banks facilitating their service to society.

2004 was of fundamental importance to the FUNCAS in the process of consolidation of its new approach of openness to a broad range of actions with which it seeks to serve the community, not only in the field of economic research, its traditional area of activity, but also in other lines of work: social, cultural, training and extension of institutional relations.

Last year the Foundation advanced in the knowledge of the economic and social situation in Spain within the framework of the European Union. In this respect, the customary reports published by the FUNCAS on the economic situation continued to attract the interest of academics and analysts who look forward to the regular appearance of the data and commentaries prepared by the FUNCAS Conjunctural and Statistical Team.

In its analysis of substantive issues, in 2004 the FUNCAS focused its efforts on four main lines:

- The economic and social analysis of the Spanish regions, an area in which the traditional annual estimate of economic growth of GDP by autonomous community was joined by an important and original study on the area of Spain close to the Portuguese border, known as "la Raya de Portugal".

- The study of the financial system and its relationship with economic growth. Here too, mention should be made of the annual estimate and analysis of savings of the Spanish economy, produced once again by the FUNCAS to coincide with celebration of the World Savings Day at the end of October.
- Considerable research was done into the much discussed subject of the regional tax balances in Spain.
- A big effort was devoted to studying the tourist industry in Spain.

Two of the contributions in 2004 were particularly successful: the publication, three times a year, of an advance estimate of the main economic variables for each autonomous community, and the regular preparation by the recently created Financial Analysis team of financial indicators and commentary.

Equally important was the publication of issue number 100 of the Foundation's emblematic journal: *Papeles de Economía Española*. A ceremony was held to celebrate this

September 2004 saw the publication of issue number 100 of the Foundation's most emblematic journal: Papeles de Economía Española.

occasion on September 14, 2004, in the CECA Assembly Hall, presided over by the Second Deputy Prime Minister for Economic Affairs and Minister of Economy.

A methodological report was also published on preparing "green" National Accounts, and the Fundación continued to collaborate in a course for Experts in Protected Natural Areas organized by Europarc España.

The FUNCAS, in collaboration with the Confederación, published a report on "Health and Life Styles in Spain. An analysis of changes in the last decade" produced by the IOÉ group.

In the area of culture, two particular events stood out. The first was the 32nd "Golden Moneybox" short Story competition, which was won by a story called "El Campeón" by Felipe Benítez Reyes. The call for entries in the 33rd Competition has already been announced.

The second most notable event from the cultural point of view was the deposit of the FUNCAS collection of books in a specially prepared area at the Royal Academy of Moral and Political Sciences. This represents the first step in a major project to create a virtual social science library.

Finally, the FUNCAS took steps to expand its institutional relations. In this respect, it took over organization of a Master's course for Experts in the Management of Financial Institutions, as a result of collaboration between the Confederación, the FUNCAS and the Fundación Carolina. Initially designed for Latin American students, its substantial success in 2004 gave encouragement for it to be extended in the future to Spanish students.

The 9-volume work "History of the Spanish Economy and Economists" was also completed. Under the direction of Professor Fuentes Quintana, this is published by the FUNCAS in partnership with the publisher Galaxia Gutenberg.

In 2004 the FUNCAS began preparing to move from its present headquarters (in calle Juan Hurtado de Mendoza, Madrid), to the central offices of the Confederación, which will produce synergies that will contribute to the quality of its work.

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CECA
PUBLICATIONS

10.1

ANNUAL

Cajas de Ahorros: Capitales para la Sociedad

Report examining the evolution of savings banks' *Obra Social* projects 1977-2003.

WEEKLY

Acciones Comerciales

Report on financial product advertising published in the press.

MONTHLY

Agrocajas

Review of European agrarian legislation.

QUARTERLY

Análisis Comparativo (*)

Benchmarking of the basic data of financial entities by province and Autonomous Community. Market shares. League table of entities.

ANNUAL

Anuario Estadístico de las Cajas de Ahorros

Statistical yearbook containing relevant data for each savings bank and sector statistical series. Includes the year-end public financial statements of each savings bank.

MONTHLY

Apunte de Coyuntura Económica

General overview of economic developments, both domestically and internationally.

ANNUAL

Asamblea de Montes de Piedad

Publication of the papers presented at the 13th General Assembly of Pawnbroking Institutions held in Seville.

MONTHLY

Avance de Datos del Sistema (*)

Urgent preview of the figures for loans and deposits at Spanish Banks and Savings Banks.

MONTHLY

Balances de las Cajas de Ahorros

Public balance sheets of each savings bank and for the whole sector.

QUARTERLY

Benchmarking de Liquidez (*)

Comparative information of the liquidity positions of each savings bank in relation to its groups of reference and the sector, as well as breakdown of the balance sheet by terms.

MONTHLY

Boletín COAS

Newsletter with the latest developments in the activities of the different COAS committees.

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- MONTHLY** □ **Boletín Confidencial de la Sala de Mercados**
Confidential Trading Room Newsletter providing an overview of market performance by financial market traders.
- 3 TIMES A YEAR** □ **Boletín de Marketing**
Marketing newsletter with the latest developments and articles relating to the financial market.
- MONTHLY** □ **Boletín Estadístico (*)**
Statistical gazette containing all the monthly data available for the savings bank sector, with the basic details of each entity and the financial system.
- ANNUAL** □ **Convención de Obra Social**
Publication of the Papers presented at the 39th Convention of *Obra Social* Project Managers held in Barcelona.
- QUARTERLY** □ **Cuentas de Pérdidas y Ganancias de las Cajas de Ahorros**
Public Income Statements of each savings bank and for the sector as a whole.
- QUARTERLY** □ **Encuesta de Expectativas de las Cajas de Ahorros (*)**
Analysis and results of the survey of the expectations of savings banks regarding the performance of the main economic and financial aggregates.
- QUARTERLY** □ **Estadísticas de las Federaciones (*)**
Aggregation by Federation of the most significant statistical information relating to savings banks.
- QUARTERLY** □ **Estados Financieros Consolidados de las Cajas de Ahorros**
Consolidated balance sheet and income statement for each savings bank.
- HALF-YEARLY** □ **Estudios Jurídicos**
Articles and documentation of a legal nature on topics of interest to the savings banks.
- MONTHLY** □ **Evolución de las Cuentas Consolidadas de las Cajas de Ahorros (*)**
Report prepared for the Board of Directors, with an analysis of the economic framework and the evolution of the principal aggregates of the savings banks in comparison with other groups of financial entities.
- ANNUAL** □ **Evolución del Crédito en las Cajas de Ahorros (*)**
Analysis of the situation and evolution of loans and discounts at savings banks in relation to the financial system as a whole.
- QUARTERLY** □ **Informe Estadístico (*)**
Compilation of all the quarterly statistical information available for the savings banks sector. Breakdown by province of basic details and number of branches.

ANNUAL	Informe Estadístico de los Montes de Piedad	Basic details of the pawnbroking institutions' activities.	01
HALF-YEARLY	La Morosidad de las Cajas de Ahorros (*)	Analysis of the situation and evolution of nonperforming loans at savings banks in relation to the financial system as a whole.	02
ANNUAL	Legislación de las Cajas de Ahorros. Normativa Autonómica	Compilation of the legislation enacted by Spain's autonomous communities on matters affecting savings banks.	03
ANNUAL	Los Recursos Propios de las Cajas de Ahorros (*)	Analysis of the situation and evolution of equity capital in the savings banks sector.	04
MONTHLY	Panel de Precios de Productos Financieros	Analysis and monitoring of financial prices.	05
QUARTERLY	Resultado de los Grupos Consolidados de las Cajas de Ahorros (*)	Analysis of the aggregate results of the financial groups of savings banks.	06
MONTHLY	Revista "Ahorro"	Savings Banks Sector journal. Issues published in 2004 (395-407).	07
MONTHLY	Tipos de Interés de Referencia (*)	Urgent preview of the latest reference interest rates for mortgage loans published by the Bank of Spain.	08

Digital publications

DAILY	Boletín Fiscal	Legislation, doctrine and case law of tax interest to savings banks.	09
3 TIMES A YEAR	Boletín Melania de Auditoría	Internal and external audit function, money laundering, compliance and risk management.	10
OCCASIONAL	Boletín Melania de Calidad	Quality management and best practice at savings banks.	11
ANNUAL	Boletín Melania de la COAS	Savings Banks partnership projects.	12
6 TIMES A YEAR	Boletín Melania de la ESCA	Business management, training and leadership.	13

(*) Restricted publication, available only to savings banks.

MONTHLY

Boletín Melania de Marketing y Publicidad

Financial products, marketing and banking advertising.

HALF-YEARLY

Boletín Melania de Operaciones

Operational performance of the savings banks and their financial products.

3 TIMES A YEAR

Boletín Melania de Recursos Humanos

Selection, recruitment, hiring, human resources management, labor relations, prevention of occupational hazards training.

WEEKLY

Boletín Melania de Seguridad

Financial security, security products, topics and interviews relating to these areas.

DAILY

Facsímiles de Billetes Extranjeros

Facsimiles of banknotes accepted by the Confederación.

**FUNCAS
PUBLICATIONS****10.2****Papeles de Economía Española (Papers on the Spanish Economy)**

June 2004 Tax balances in Spain; (2004), no. 99

September 2004 25 years of economic information I; (2004) no. 100

September 2004 25 years of financial information II; (2004) no. 100

November 2004 Money, Financial System and Growth; (2004) no. 101

Perspectiva del Sistema Financiero (Financial System Prospects)

January 2004 IBEX 35;(2003), no. 79

March 2004 New Banking Strategies; (200), no. 80

October 2004 Savings Banks; latest legislative developments; (2004), no. 81

Economía de las Comunidades Autónomas (Economy of the Autonomous Communities)

January 2004

Principality of Asturias; (2003), no. 20

Cuadernos de Información Económica (Economic Information Notebooks)

- March 2004 Homework for the Government; (January-February 2004), no. 178
- May 2004 Autonomous community growth 2003: Time to move on; (March-April 2004), no. 179
- June 2004 Two topics for debate: Taxation in Spain and European enlargement; (May-June 2004), no. 180
- July 2004 Summer economic situation and structural changes ... for the winter; (July-August 2004), no. 181
- October 2004 Saving, equilibrium and growth; (September-October 2004), no. 182
- December 2004 Budget Plans: (November-December 2004), no. 183

Estudios de la Fundación (Foundation Reports)

- May 2004 Assessing public sector efficiency. Ways of approach; (200), no. 14
- July 2004 Health and lifestyles in Spain. An analysis of changes over the last decade / Colectivo IOÉ W. Actis, C. Pereda & M. A. de Prada; (2004), no. 15
- September 2004 The reform of personal income tax: An assessment of recent experience in Spain 1998-2003 / José Félix Sanz Sanz, Juan Manuel Castañer Carrasco, Desiderio Romero Jordán; (200), no. 16
- October 2004 National Accounts and the Environment / Diego Azqueta, Gonzalo Delacámara, Marta Santamaría, Sergio Tirado; (200), no. 17

Other Publications

- January 2004 Regional economic balance sheet (Autonomous Communities and Provinces): 1995-2002; (2003)
- October 2004 "El campeón" and other tales: Winner of the 32nd Savings Banks "Golden Moneybox" Story-writing Competition, October 2004 (2004)
- October 2004 Regional economic balance sheet (Autonomous Communities and Provinces): 1995-2003 / Julio Alcaide Inchausti, Pablo Alcaide Guindo and Pedro Alcaide Guindo; (2004)

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Digital publications

- January 2004** In Search of Complementarity in the Innovation Strategy: Internal R&D and External Knowledge Acquisition / Bruno Cassiman, Reinhilde Veugelers; (2004) no. 182
- February 2004** Pricing in the public sector: an application for municipal water supply services. / M^a. Ángeles García Valiñas; (2004), no. 183
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- May 2004** The Black, Derman and Toy model in practice. Application to the Spanish market / Marta Tolentino García-Abadillo, Antonio Díaz Pérez; (2004), no. 187
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- July 2004** Efficiency Differences Among Banks: External, Technical, Internal, and Managerial / Santiago Carbó Valverde, David B. Humphrey and Rafael López del Paso; (2004), no. 189
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GLOSSARY

10.3

- ACARL** Asociación de Cajas de Ahorros para las Relaciones Laborales (Savings Banks' Association for Labor Relations)
- AEAT** Agencia Estatal de Administración Tributaria (Central Tax Agency)
- AEB** Asociación Española de Banca (Spanish Banking Association)
- AEC** Asociación Española para la Calidad (Spanish Quality Association)
- ALIDE** Asociación Latinoamericana de Instituciones Financieras para el Desarrollo (Latin American Association of Financial Institutions for Development)
- AUTELSI** Asociación Española de Usuarios de las Telecomunicaciones y de los Sistemas de Información (Spanish Association of Telecommunications and Information Systems Users)
- BANSEFI** Banco de Ahorro Nacional y Servicios Financieros (National Savings and Financial Services Bank)
- BCIE** Banco Centroamericano de Integración Económica (Central American Bank for Economic Integration)
- CARD** Centro Activo para Resolución de Disputas (Active Center for Dispute Resolution)
- CCI** Grupo de Cooperación Interbancaria (Group for Interbank Cooperation)
- CEA** Cajas Españolas de Ahorros (Spanish Savings Banks)
- CEBS** Committee of European Banking Supervisors
- CECA** Confederación Española de Cajas de Ahorros (Spanish Confederation of Savings Banks)
- CEOE** Confederación Española de Organizaciones Empresariales (Spanish Confederation of Business Organizations)
- CEPYME** Confederación Española de la Pequeña y Mediana Empresa (Spanish Confederation of Small and Medium-size Enterprises)
- CES** Consejo Económico y Social (Spanish Economic & Social Council)
- CITRIX** Server-based computer technology
- CNMV** Comisión Nacional del Mercado de Valores (Spanish Securities and Exchange Commission)
- COAS** Comisión de Organización, Automación y Servicios (Organization, Automation and Services Commission)
- DC** Defensor del Cliente (Customer Ombudsman)

- DGT** Dirección General de Tributos (Directorate General for Taxation)
- DIVINET** System for Trading over the Internet
- DSAC** Departamentos y Servicios de Atención al Cliente (Customer Service Offices & Departments)
- EBA** Euro Banking Association
- EBIC** European Banking Industry Committee
- EC** European Commission
- ECB** European Central Bank
- ECBS** European Committee of Banking Standards
- ECO** Ministerio de Economía (Spanish Ministry of Economy)
- EEC** European Economic Community
- EHA** Ministerio de Economía y Hacienda (Spanish Ministry of Economy and Finance)
- EOI** Escuela de Organización Industrial (School for Industrial Organization)
- EPC** European Payments Council
- ESBG** European Savings Banks Group
- ESCA** Escuela Superior de Cajas de Ahorros (Savings Banks Training School)
- EU** European Union
- FDI** Foreign Direct Investment
- FED** Federal Reserve
- FEDECRÉDITO** Federación de Cajas de Crédito y Bancos de los Trabajadores (Federation of Credit Banks and Employees' Banks)
- FEPCCMAC** Federación Peruana de Cajas Municipales de Ahorro y Crédito (Peruvian Federation of Municipal Savings and Loan Banks)
- FINRURAL** Asociación de Instituciones Financieras para el Desarrollo Rural (Association of Financial Institutions for Rural Development)
- FORCEM** Fundación Tripartita para la Formación en el Empleo (Tripartite Foundation for Employment Training)
- FSAP** Financial Services Action Plan
- FUNCAS** Fundación Cajas de Ahorros (Savings Banks Foundation)
- GDP** Gross Domestic Product
- GREF** Grupo de Responsables de Formación de Entidades Financieras (Group of Financial Institution Training Managers)
- GRULAC** Grupo de Cajas de Ahorros Latinoamericanas y del Caribe (Group of Latin American and Caribbean Savings Banks)
- IAS** International Accounting Standards
- ICCA** Instituto de Crédito de las Cajas de Ahorros (Savings Banks Credit Institute)
- ICO** Instituto de Crédito Oficial (Official Credit Institute)
- IFRS** International Financial Reporting Standards
- INE** Instituto Nacional de Estadística (National Statistics Institute)

IP	Internet Protocols	
ISM	Institute for Supply Management (US)	01
LAE	Lotería y Apuestas del Estado (State Lotteries & Gaming Agency)	
LGT	Ley General Tributaria (General Tax Law)	
LORCA	Ley Órganos Rectores de las Cajas de Ahorros (Law on the Governing Bodies of Savings Banks)	02
OFICEMEN	Agrupación de Fabricantes de Cemento de España (Association of Spanish Cement Manufacturers)	
p.p.	Percentage points	
PECA	Pago Electrónico Cajas de Ahorros (Savings Banks Electronic Payment)	03
POS	Point of Sale Terminal	
RAI	Registro de Aceptaciones Impagadas (Register of unpaid bills of acceptance)	
RENFE	Red Nacional de Ferrocarriles Españoles (Spanish Railways)	04
RTVE	Radio Televisión Española (Spanish public sector broadcaster)	
SAC	Servicio de Atención al Cliente (Customer Service Office)	
SAP	Systems of Applications & Products	
SAT	Card Authorization Service	
SDA	Sistema de Depósitos Auxiliares de Efectivo (Auxiliary Cash Deposits System)	05
SEPA	Single European Payments Area	
SICA	Servicio Intercomunicación Cajas de Ahorros (Savings Banks Intercommunication Service)	
SICAV	Sociedad de Inversión de Capital Variable (Open-end investment company)	06
SICE	Sistema de Contratación Electrónica (Electronic Trading System)	
SIGEP	Sistema Integral de Gestión de Empresas Partipadas (Integrated Investee Management System)	
SLBE	Servicio de Liquidación del banco de España (Bank of Spain Settlement Service)	07
SME	Small & Medium-size enterprise	
SNCE	Servicio Nacional de Compensación Electrónica (National Electronic Clearing Service)	08
SPB	Asset management/Private Banking	
SPI	Interbank Payment Service	
TAF	File transfer	
TARGET	European Central Banks' Intercommunication Systems	09
TINSA	Tasaciones Inmobiliarias, S.A. (real estate appraisers)	
UNACC	Unión Nacional de Cooperativa de Crédito (National Union of Credit Cooperatives)	
WOCCU	World Council of Credit Unions	
WSBI	World Savings Banks Institute	10

CHRONOLOGY

10.4

- **January 21**
Meeting of the Board of Directors
- **January 21**
Pawnbroking Institutions' Workshop
- **January 23**
Signing of framework agreement for the Investee Companies Project
- **January 28**
Control Committee meeting
- **January 29**
Presentation to savings banks of Financial Agents Project
- **February 2**
Presentation of "Ahorro Platino" campaign
- **February 3**
Presentation of report entitled "Savings Banks: Capital for Society"
- **February 10**
10th Executives Convention
- **February 16**
Presentation of COAS Self-service Project
- **February 18**
Meeting of the Board of Directors
- **February 18**
Visit to the Confederación by a delegation from the Bank of National Savings and Financial Services (BANSEFI), Mexico
- **February 19**
Presentation of results to the media
- **February 19**
Visit to the Confederación by a delegation from Caja Libertad, Mexico
- **February 24**
1st Workshop for Secretaries General
- **February 26-27**
1st Workshop on Asset Management at Savings Banks, in Murcia
- **March 1-5**
Spanish savings banks roadshow touring London, Paris, Dublin, Frankfurt and Amsterdam
- **March 3**
Visit to the Confederación by a delegation from the Central American Bank for Economic Integration (BCIE)
- **March 4**
Visit by a delegation from Alianza Mexicana
- **March 11**
Meeting of the Board of Directors in Vigo
- **March 11**
Control Committee meeting in Vigo
- **March 11**
COAS Committee meeting in Santiago de Compostela

- **March 18**
Visit to the Confederación by 20 executives from Norwegian savings banks
- **March 25**
Presentation to prizewinners of the 2003 "Juego de la Bolsa" competition at the Madrid Stock Exchange
- **April 19-20**
10th Assembly of the Regional Group of Latin American and Caribbean Savings Banks, Peru
- **April 20**
Reunion of retired savings bank branch managers
- **April 20-22**
3rd International Microfinance Conference in Trujillo (Peru)
April 21 89th General Assembly
- **April 21**
Meeting of the Board of Directors
- **April 21**
Workshop for Savings Bank Chairmen and Branch Managers on *Obra Social*
- **April 29**
Visit by a delegation from the World Council of Credit Unions (WOCCU), Washington
- **May 13-14**
2nd Convention for Savings Bank Portfolio Managers, Salamanca
- **May 17**
Inauguration of the third stage of the "Art for a Century" exhibition at the Reina Sofía National Art Museum in Madrid
- **May 19**
Meeting of the Board of Directors
- **May 19-21**
17th workshop on Savings Banks Management Control and Planning, in San Sebastián
- **May 25**
Visit to the Confederación by a delegation from "La Promotora" Mutual Savings and Loan Society, Bolivia
- **May 26**
Control Committee meeting
- **May 27-28**
61st Convention of Legal Advisors, Corunna
- **May 27-28**
6th Convention on Savings Banks Advertising, San Sebastián
- **May 27-28**
Meeting of Treasury and Capital Market Managers in Luxembourg
- **June 3**
3rd SEPA Working & Dissemination Day
- **June 3-4**
6th Convention on Savings Banks Customer Service Offices, Granada
- **June 6-12**
Workshop on Management Training for Fedecredito System Managers, El Salvador
- **June 8**
Visit to the Confederación by a delegation from Centro Afín y Agrocapital, Bolivia
- **June 9**
Presentation to prizewinners of the 32nd edition of the "Golden Moneybox" Story writing competition

- **June 16-18**
22nd Convention of Human Resources Managers in Santander
- **June 17-19**
Meetings of the Board of Directors, the Control Committee, CEAMI, the SICAVs and the Globalization Plan, London
- **June 22**
Workshop on Terminal Virtualization
- **June 29-30**
Meeting of Tax Experts
- **June 30**
Workshop on Synthetic Securitization
- **July 5**
Visit to the Confederación by a delegation from the Chilean State Bank
- **July 13**
Presentation of the Immigrants Project
- **July 14**
1st Workshop on Corporate Social Responsibility
- **July 21**
Meeting of the Board of Directors
- **July 21**
Control Committee meeting
- **July 22**
Presentation of the report on "Health and lifestyles in Spain"
- **September 5-11**
Visit to Correspondent Banks participating in the Immigrants Project in Peru, Colombia and Ecuador
- **September 14**
25th Anniversary of FUNCAS
- **September 15**
Meeting of the Board of Directors
- **September 15**
Control Committee meeting
- **September 15-17**
29th Convention of Savings Banks Auditors, Granada
- **September 20**
Visit to the Confederación by a delegation from Caja Libertad, Mexico
- **September 21**
Visit to the Confederación by a delegation from Coopeservidores, Costa Rica
- **September 22-24**
29th Convention on Savings Banks Training and Development, Baiona (Pontevedra)
- **September 23**
Inauguration of the exhibition "The Caja España Art Collection" at the Confederación
- **September 23**
Presentation of the report on the Third Sector
- **September 23-24**
Annual Assembly of the International Association of Collateral Credit Institutions, in Paris
- **September 26 - October 2**
Workshop on Management Training for Fedecredito System Managers, El Salvador

- **September 30 - October 1**
2nd Accounting Workshop, Lisbon
October 4-5
Attendance by a CECA delegation at the Annual Meeting of the International Monetary Fund and the World Bank, Washington
- **October 6**
Technical Workshop on the Project to Evaluate and Communicate the Impact of *Obra Social*
- **October 6-8**
24th Convention of Managers of Technical Areas of Organization, IT and New Services, Bilbao
- **October 7-8**
6th Convention of Directors of Communications, Cáceres
- **October 13-15**
30th National Convention on *Obra Social* and *Cultural*, Vigo
- **October 19-20**
Meetings of the Board of Directors and the Control Committee, Santiago de Compostela
- **October 20-22**
23rd Convention of Directors of Security, Pollença (Palma de Mallorca)
- **October 21**
Presentation of the Latin American Graneen Foundation
- **October 21**
Visit to the Confederación by a delegation from the Mutualista Pichincha, Ecuador
- **October 21-22**
16th Convention of Foreign Managers, Granada
- **October 21-22**
2nd Convention of Quality Managers, Bilbao
- **October 28**
World Savings Day
- **November 3**
Visit to the Confederación by a delegation from the Prodem Private Financial Fund, Bolivia
- **November 4**
Visit to the Confederación by a delegation from the Office of the President of the Dominican Republic
- **November 4-5**
4th Convention on Comprehensive Risk Control, Oporto
- **November 11-12**
4th Securities Convention, Barcelona
- **November 16-17**
Voluntary Sector and Family Workshop
- **November 17**
Meeting of the Board of Directors
- **November 18**
Inauguration of the International Year of Microcredit at the Madrid Stock Exchange
- **November 18-19**
26th Savings Banks Marketing Convention, Barcelona
- **November 24**
Control Committee meeting
- **November 24-26**
7th State Conference on the Voluntary Sector; Las Palmas de Gran Canaria
- **November 25-26**
62nd Convention of Legal Advisors

- **November 30 - December 1**
2nd Workshop on Telecommunications at Savings Banks - COAS
- **December 4**
General Assembly of Private Banking Users
- **December 6-9**
Workshop on the Governance, Property Regime and Internal Control of Financial NGOs, La Paz (Bolivia)
- **December 9-10**
14th Assembly of Pawnbroking Institutions, Las Palmas de Gran Canaria
- **December 12-19**
Workshop on Management Training for Fedecredito System Managers, El Salvador
- **December 14**
Presentation of the "Practical Guide for optimizing facilities and infrastructures at Saving Bank branch offices"
- **December 15**
90th Ordinary General Assembly
- **December 15**
Meeting of the Board of Directors
- **December 15**
Control Committee meeting
- **December 15**
Signing of the Framework Agreement for Collaboration with the Ministry of Culture
- **December 16**
Signing of the Arrangement for collaboration with the Ministry of Social Affairs to manage the funds raised by the Confederación and the savings banks in aid of the victims of the Madrid 11-M terrorist attacks
- **December 16**
Presentation of the White Paper "Software Security at Savings Banks: market trends and lines of action" – COAS
- **December 16**
Visit by a delegation from the Hernando Soto Foundation, Peru
- **December 20**
Meeting of Tax Experts
- **December 21**
Presentation of the EURO 6000 – Visa Solidarity Campaign
- **December 21**
2nd Assembly of Immigrants Project Savings Banks

* Where no venue is mentioned events took place at the headquarters of the Confederación Española de Cajas de Ahorros in Madrid.

10.5

HEAD OFFICES,
BRANCHES
AND
REPRESENTATIVE
OFFICES

CECA
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de Ahorros)

Registered office: Alcalá, 27 - 28014 MADRID
Telephone: 91 596 50 00
Fax: 91 596 57 42
Internet: <http://www.ceca.es>
E-mail: admin@ceca.es

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**Branches and
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Offices**

The foreign activities of the Confederación are carried on through the following offices:

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Branch: **UNITED KINGDOM**
16, Waterloo Place.
LONDON SW1Y 4AR.

REPRESENTATIVE OFFICES ABROAD

GERMANY
Schaumainkai, 69
60596 FRANKFURT am Main

BENELUX
Avenue des Arts, 3-4-5. 6°
1210 BRUXELLES (BELGIUM)

FRANCE
14, Avenue du Président Wilson
F-75116 PARIS.

SWITZERLAND
Rue de Lausanne, 44 – CH-1201 GENEVA
Beethovenstrasse, 24 – CH-8039 ZURICH

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CAJA GENERAL DE AHORROS DE CANARIAS
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iberCaja 

"SA NOSTRA"
CAIXA DE BALEARS

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ct*  *caixaterrassa

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 CajadeÁvila

 CAJA CANTABRIA


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