Annual Report 2009

ceca
CONFEDERACIÓN ESPAÑOLA DE CAJAS DE AHORROS

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ceca
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01 Introduction

LETTER FROM THE CHAIRMAN

Over the past third of a century, savings banks have increased in size eightyfold and multiplied their equity 91 times, with constant growth of market shares and apparently unaffected by the bank crises. This invites reflection on three matters of considerable interest for our entities: the historical peculiarity of the present economic crisis, the disturbing aspects of the regulatory framework in respect of our adjustment to the new scenarios and, finally, the extraordinary value of the savings banks brand image.

Roman *"triumphs"* were celebrated with a tremendous, solemn procession in Rome of a victorious general to whom the slave putting the crown of laurels upon his head repeated continuously *remember you're just a mere morta*l. This fragility warning had never, in their long, victorious march, been transmitted to savings banks. Only in the present crisis, for the first time, have we received a clear reminder that, just like any other company submitted to market discipline, our survival is by no means guaranteed.

I believe that this warning is particularly valuable at a time like the present, when we face a year, 2010, in which we will have to not only start getting ready for the new post-crisis scenarios, with new technological, financial, regulatory, social and economic determining factors, but also endure the toughest part of the adjustment to the recession of the Spanish economy.

Certainly, owing to some aspects of our regulation and the ensuing political interventionism, it is difficult to adapt as expeditiously as necessary following strictly business strategies. But this could never justify delays preventing us from using tools that are available at present but which will more than likely disappear in the not too distant future.

The most disturbing features of our current regulation are impaired functions due to the Spanish Government and Parliament's disregard for the insistent criticism by different bodies and institutions, not of savings banks as such, but of certain aspects of our regulation, which we have ourselves censured repeatedly.

Regrettably, as a result of that regulatory situation, certain recent incidents have returned us to the dark, forgotten past in our history as financial institutions. The proverbial interventionism in savings banks has become considerably more intense from political circles, especially on the regional level of 'autonomous communities'. The sector reacted forcefully as one body. I refer to the Institutional Statement made by the Board of Directors of CECA on 21 January 2009, through which the Sector claimed respect for the business autonomy of savings banks, considered one of the basic principles of their regulation and vocation. In the same document, the authorities were urged to reform the Savings Banks (Governing Bodies) Act *[Ley de Órganos Rectores de las Cajas de Ahorros]*, our "LORCA", to guarantee the survival of our corporate model. The respect for business autonomy claimed in this Statement must eradicate all political coercion from the restructuring of the sector. This does not appear to be the case so far.

To overcome this situation, it is vital to establish conditions in the LORCA reform that will really guarantee the full professionalization of our management within the framework of business autonomy. Moreover, in order to best guarantee our institutional stability, this reform should be backed by the maximum consensus within the political spectrum.

The sense of belonging, which was enormously important many years ago (the creation of CECA was one of the products), declined with the tremendous expansion of the sector over the past thirty years, to such an extent that for some savings banks it has become practically insignificant against their own interests. There are countless examples of this, some of which are serious strategic errors, the consequences of which were not felt at the time owing to the huge force of the sector's expansion. The situation has now changed dramatically and we will pay dearly for these errors. The sense of belonging is what makes the name *Cajas de Ahorros* a forceful brand image, the value of which is still immense, as revealed in opinion polls and customer loyalty in these times of crisis. The sense of belonging is necessary for the sector now more than ever, when our brand image has been and is under such fierce, unjust attack. Consequently, a good model for the sector would, at least for the next two or three years, be one bearing a resemblance to the Roman legion shell or tortoise formation, which was so strong and impenetrable that it led them to some of their most brilliant victories.

The underlying cause of the world recession and the Spanish property crash was, strangely enough, the same mistake: believing that the prevailing conditions of the economic scenario would be here forever. We mustn't fall into this trap again, because for the time being the only indisputable fact is that we will return one day to an expansion phase. If we act during this transition period with perseverance, austerity and caution, our enormous popular support, the extraordinary efficiency of our business model ("Proximity Banking") and our advanced, profound vision of corporate social responsibility will confirm us once again as the best retail banking model and the most important private factor in social action.

CECA employees are professionally and efficiently getting ready to deal with these new scenarios, as you will see in this Report.

Juan R. Quintás Seoane

LETTER FROM THE CHIEF EXECUTIVE OFFICER

CECA is the best demonstration of the spirit of cooperation among Spanish savings banks, having been founded in 1928 for the essential purpose of combining the efforts of its members and acting as a representative body in different forums. More than eighty years later, its mission remains unchanged, as proved throughout this Report.

The main purpose of this report, which is for the first time published only in digital format as an act of corporate social responsibility with the environment, is to publicise the most significant actions taken by CECA in 2009 and present the results achieved, compared with the budgets.

We have worked intensely during the year to defend savings banks' interests in respect of taxation and in the development reports for the Mortgage Market Act, the Insolvency Act, the implementation in Spanish law of the Payment Services Directive and the EU proposals on account mobility. A plan has also been implemented to broaden the range of community social partners with a view to enhancing the visibility of international action by savings banks and publicise the actions taken in the area of corporate social responsibility.

A *Spanish Financial Education Network* has also been launched and a bibliographical data base has been prepared to help publicise the work done by savings banks.

Within the cooperation through COAS (CECA's Organisation, Automation and Service Committee), projects have been developed to increase the efficiency and efficacy of savings banks, focusing on the search for new technological alternatives for the handling of bad debts, reduction of operating costs by starting up the digitalized signature platform, implementation of the legislative impact management tool, application of the European Payment Services Directive and the handling of direct debits through the EPC *(European Payments Council)*.

The savings banks have been coordinated to fulfil the *Plan for Reducing Administrative Burdens and Enhancing Regulation* passed by the Government of Spain.

We have also continued to fine-tune tools and streamline procedures to enhance the efficiency of the financial services and the management indicators in overseas development and the capital market. In operating services a new platform has been designed for the administration and management of loans, as well as the second phase of information for retail banking customers on gains and losses on their securities transactions. The efficiency gained through technological developments has achieved a reduction in unit costs of central services and new channels and means of payment.

At the same time, collateral financing of savings banks has been boosted, making headway in three-party repos and increasing the volume of securities lending. Purchases and sales of banknotes have increased as a result of actions aimed to encourage front-office transactions through the branch network, and the volume of transactions handled through the commercial distribution of savings banks and overseas development has also grown, while the range of securities, discount, exchange, settlement and fund depositary services has been extended. With regard to technological facilities, we have met our goals for increasing the volume of transactions and new contracts in means of payment, new *outsourcing* services and channels and the shared use of applications.

In risk management, several projects have been promoted for implementation in savings banks to consolidate the CENTRAL RISKS UNIT operated through AFIANZA. Implementation of the operational risk management model has also concluded.

With the aim of increasing innovation, new products have been developed to provide operating cover for savings banks. The technological services corresponding to means of payment have been gradually improved to back the development of cards and terminals. Management support functions and technologies have also been improved, based on *Datawarehouse*, Business Intelligence and SAP applications. In its welfare projects, new highly technological information systems and services have been created and the pawnbrokers' auctioning portal has been consolidated.

With regard to the results of our business activity, despite the worsening of the recession, on the one hand, and the tremendous efforts made to lower the prices of services for the savings banks, on the other, CECA chalked up a profit for the year, after provision for taxes, in 2009 of EUR 46.46 million, largely as a result of the intense activity in the markets room. The profit before tax shown on the income statement was 28.19% higher than that budgeted, or 33.74% higher if compared with the total profit for the year, after the provision for taxes.

Obviously all the projects and activities performed by CECA in 2009 are not described in this report, but those mentioned will give an idea of the professionalism and efficiency with which the CECA employees go about their work every day, dealing with the various challenges that arise, which are the challenges of the Spanish savings banks.

José Antonio Olavarrieta Arcos

02
Self-Definition

VISION

CECA's strategic goal is to strengthen the position of savings banks among the most important and highly valued institutions of the Spanish and international financial system, in terms of both financial activity and exercise of social responsibility.

Apart from the National Association of Savings Banks, CECA is a credit institution, providing competitive technological and financial products and services for both savings banks and other entities operating on the market.

MISSION

To achieve this goal, the Confederation acts as a forum of strategic reflection for all savings banks and undertakes to disseminate, defend and represent their interests, offering them guidance and competitive products and services.

CECA promotes the brand image of savings banks and highlights their community welfare projects, in both instances linking the image with the attributes of efficiency, professionalism, innovation, soundness, modernity, competitiveness, and corporate social responsibility.

>> *CECA's strategic goal is to strengthen the position of savings banks among the most important and highly valued institutions of the Spanish and international financial system*

2.1 CECA'S PRINCIPAL OBJECTIVES

As described in its Articles of Association, CECA has the following objects:

- Promote, facilitate and boost the domestic and international operations of savings banks, based on the social and economic importance of saving, while safeguarding the general and reciprocal interests of savings banks and the markets on which they operate.

- Represent its members individually or collectively before the public authorities, facilitating their support for the government's economic and social policy, without prejudice to any powers of representation that savings banks may decide to exercise directly or delegate to the corresponding Federations in matters specifically affecting the savings bank or federation in question, which are not of general interest for members on the whole. In order to achieve these objectives, CECA may:

  - Encourage savings banks to fulfil the important role they must play in society.

  - Work jointly with member institutions to spread and promote the virtue of saving as efficiently as possible.

  - Work directly or indirectly to instil in all social classes the value of saving and making good use of personal and collective wealth.

  - Report on such issues as the government may submit for study, voluntarily or in response to official requests.

- Represent savings banks internationally, particularly in the World Savings Banks Institute (WSBI), the European Savings Banks Group (ESBG) and any other international organisations.

- Offer savings banks whatever financial or other services they may request and facilitate the drawing and transfer of funds and notes between members, providing any support that may be required for members to make optimum use of their resources and overcome management difficulties.

- This notwithstanding, the Confederation may provide financial, technological, administrative and counselling services to government bodies and any other public or private entity.

>> *The Confederation represents savings banks before domestic and international authorities*

2.2 HISTORY OF CECA

Confederación Española de Cajas de Ahorros, the Spanish Confederation of Savings Banks, was founded in 1928 at the initiative of *Federación de Cajas de Ahorros Vasco Navarra* (the Basque-Navarre Federation of Savings Banks) to combine the efforts of all its members and represent them in different forums.

In 1971, the Confederation took on most of the duties of *Instituto de Crédito de las Cajas de Ahorros* (ICCA), the Savings Banks Credit Institute, including: purchase and trading of securities and investment of funds on behalf of the savings banks; drawing and transfer of funds and passbooks between members; and acting as a subsidiary agency of the savings banks in their customers' deposits and withdrawals. At the same time, the Confederation inherited ICCA's principal coordination function, granting loans to savings banks with funds that they had voluntarily deposited.

As a result, CECA no longer had a purely representative role. It began a new phase, with services, operations and financial duties typical of credit institutions. A research unit was set up in 1976 and its work was later used as the basis for the reform of the Spanish financial system.

In addition to recruiting staff with a new professional profile, new training policies were introduced in the sector around that time and the ESCA *(Escuela Superior de Cajas de Ahorros)* college was opened.

With the deregulation of the Spanish financial system in 1977, savings banks recovered their traditional independence and full operating capacity (which had been severely undermined by the interventionism of the authorities as from 1940, particularly evident in the regulation of compulsory investments). The changes in legislation in the late seventies and early eighties had a significant effect on the operating procedures and organisation of savings banks, which were put on an equal footing with banks, the constraints on deposit interest rates were lifted, the process was begun to eliminate mandatory investment ratios and a new structure was introduced for governing bodies, with the participation of depositors, employees, founding bodies and local institutions.

Royal Decree 2290/1977 of 27 August clearly defined the scope of the Spanish Confederation of Savings Banks for the first time, defining CECA as the National Association and financial services provider of all member savings banks.

>> *CECA was created in 1928, a product of the spirit of cooperation of Spanish savings banks*

02
Self-Definition

The Savings Banks (Governing Bodies) Act (LORCA) of 1985 confirmed the model initially designed within the reforms of the seventies. Since then, owing to the major expansion of the savings banks sector within the Spanish financial system, savings banks have had to reconcile their cooperation within the Confederation with their growing commercial competition with one another on the market.

Against this new backdrop and upon recommendation by the Board of Directors, the General Assembly approved a change of strategy and organisation in 1990, basically redefining the Confederation's objectives to bring its services in line with the demands of savings banks on free market conditions. Under this new arrangement, it became common practice to set rates for the operating, financial and technological services provided for and voluntarily acquired by savings banks, with the ultimate aim of making them self-financing. Moreover, as the productivity of its association duties has grown, it has steadily lowered membership fees since 1995, fees for last year being EUR 0.099 for every EUR 6,010 of deposits.

The latest milestone in this evolution was the passing of the 2002 Financial System (Reform Measures) Act ("Financial Reform Act") and the 2003 Transparency Act. The purpose of the Financial Reform Act was twofold: to achieve further progress in making the management of savings banks more professional and to facilitate their access to the capital market. The Transparency Act increased savings banks' disclosure requirements to the State, regulatory bodies and the public. Since its entry into force, savings banks have published an annual corporate governance report informing on the decision-making processes of their governing bodies.

The new Articles of Association of the Confederation were approved at the 96th Annual General Assembly in December 2007. The articles were redrafted for three purposes: firstly, to contemplate the "de facto" operations that CECA had been performing for years, which were not provided exclusively for savings banks; secondly, to clarify that the status of member of the General Assembly or board corresponded to individuals (Chairman, CEO), not legal persons (savings banks); and thirdly, to cut down the formalities in the procedures of CECA's governing bodies and administration and secure the internal coherence of its regulation.

>> *Membership fees were lowered 9.17% year on year*

03 Corporate Governance: Governing Bodies

- Corporate governance
- Structure and procedures of the governing bodies
- Changes in senior management the Savings Banks
- Corporate shareholdings
- Other information regarding corporate governance

3.1 CORPORATE GOVERNANCE

This chapter of the Annual Report gives ample coverage of the corporate governance structures and practices in CECA. The aim is to give all stakeholders a general idea of internal operation of the Confederation: the structure and procedures of its governing bodies, the group business structure, its risk control systems and any other significant information on its corporate governance. In this way and although it does not issue securities, CECA participates in the sweeping desire for transparency demonstrated throughout the savings bank sector.

CECA has a web site, www.ceca.es, which has been updated this year. Details on its corporate governance can be found in a specific section called *Corporate Information*.

>> *All the details of CECA's corporate governance model can be found on its web site www.ceca.es*

>> *The General assembly, on which all the savings banks are represented, is the highest governing and decision-making body*

3.2 STRUCTURE AND PROCEDURES OF THE GOVERNING BODIES

3.2.1 General Assembly

The General Assembly, made up of representatives of all the Savings Banks, is the highest governing and decision-making body of CECA. Its members, known as Consejeros Generales, represent the particular interests of the different savings banks and the general interests of savings and savers.

Each of the savings banks is represented on the General Assembly by its Chairman, or a member of its Board, and CEO. The Chief Executive Office of the Confederation is also considered a member of the General Assembly.

The composition of the General Assembly of CECA at 31 December 2009 is as follows:

MODESTO CRESPO MARTÍNEZ	JOSÉ LUIS MÉNDEZ LÓPEZ	SALVADOR SOLEY I JUNOY
ROBERTO LÓPEZ ABAD	JUAN MANUEL SUÁREZ DEL TORO	JORDI MESTRE GONZÁLEZ
AGUSTÍN GONZÁLEZ GONZÁLEZ	JUAN MANUELGARCÍA FALCÓN	JULIO FERMOSO GARCÍA
JOSÉ MANUEL ESPINOSA HERRERO	SANTOS LLAMAS LLAMAS	LUCAS HERNÁNDEZ PÉREZ
FRANCISCO MANUEL GARCÍA PEÑA	JOSÉ IGNACIO LAGARTOS RODRÍGUEZ	XABIER ITURBE OTAEGUI
FRANCISCO JAVIER CHICO AVILÉS	FERNANDO BELTRÁN APARICIO	FERNANDO MARTÍNEZ-JORCANO EGUILUZ
NARCÍS SERRA SERRA	JORGE ALBÁJAR BARRÓN	ÁLVARO ARVELO HERNÁNDEZ
ADOLFO TODÓ ROVIRA	JUAN RAMÓN QUINTÁS SEOANE	DAVID JOSÉCOVA ALONSO
ISIDRO FAINÉ CASAS	JOSÉ ANTONIO OLAVARRIETA ARCOS	ENRIQUE MANUEL AMBROSIO ORIZAOLA
JUAN MARÍA NIN GÉNOVA	MIGUEL BLESA DE LA PARRA	VÍCTOR JAVIER ERASO MAESO
MARIO FERNÁNDEZ PELAZ	ILDEFONSO SÁNCHEZ BARCÓJ	ATILANO SOTO RÁBANOS
GUILLERMO IBAÑEZ CALLE	BRAULIO MEDEL CÁMARA	MANUEL ESCRIBANO SOTO
JOSÉ IGNACIO MIJANGOS LINAZA	MIGUEL ÁNGEL CABELLO JURADO	ANTONIO PULIDO GUTIÉRREZ
SANTIAGO RUÍZ DÍEZ	JOAN CONTIJOCH PRATDESABA	JUAN SALIDO FREYRE
JOSÉ MARÍA ARRIBAS MORAL	DIDAC HERRERO AUTET	GABRIEL FERRATE PASCUAL
LEONCIO GARCÍA NÚÑEZ	MANUEL ROSELL MARTÍ	RAFAEL JENÉ VILLAGRASA
VÍCTOR MANUEL BRAVO CAÑADAS	FELIU FORMOSA PRAT	JAIME RIBERA SEGURA
MIGUEL ÁNGEL BARRA QUESADA	JAUME BOTER DE PALAU I RÀFOLS	ENRIC MATA TARRAGÓ
SANTIAGO GÓMEZ SIERRA	JOSÉ IBERN I GALLART	JOSÉ LUIS OLIVAS MARTÍNEZ
ANTONIO BARRAL RIVADA	CARLOS EGEA KRAUEL	AURELIO IZQUIERDO GÓMEZ
GORKA BARRONDO AGUDÍN	RAFAEL SORIANO CAIROLS	JULIO FERNÁNDEZ GAYOSO
MANUEL SERRA PARDAS	VICENTE PENADÉS TORRÓ	JOSÉ LUIS PEGO ALONSO
JORDI BLANCH GARITONANDÍA	MANUEL MENÉNDEZ MENÉNDEZ	JOSEP COLOMER RAFOLS
ANTONIO MARÍA CLARET GARCÍA	FELIPE FERNÁNDEZ FERNÁNDEZ	RICARDO PAGÉS FONT
RAMÓN MARTÍN LÓPEZ	FERNANDO ALZAMORA CARBONELL	GREGORIO ROJO GARCÍA
JOSÉ LUIS ROS MAORAD	PABLO MIGUEL DOLS BOVER	JOSE BARRENA LLORENTE
ALEJANDRO GARCÍA BALCONES	MIGUEL SANZ SESMA	AMADO FRANCO LAHOZ
JOSÉ ANTONIO ARCOS MOYA	ENRIQUE GOÑI BELTRÁN DE GARIZURIETA	JOSÉ LUIS AGUIRRE LOASO
DIONISIO MARTÍN PADILLA	JOSEP CIFRE RODRÍGUEZ	ANTONIO AZNAR GRASA
MAURO VARELA PÉREZ	GABRIEL BAUZA MANRESA	TOMÁS GARCÍA MONTES

Among other duties contemplated in its Articles of Association, the CECA General Assembly of CECA defines each year the general outlines of the Confederation's action plan, appoints the members of the Board and Control Committee, confirms the appointment of the CEO, nominated by the Board, and approves the Annual Report, balance sheet and income statement, including the allocation of earnings to the Confederation's different activities.

The CECA General Assembly holds two ordinary meetings a year, one in each half of the calendar year. Extraordinary meetings are held whenever called by the Board, at the request of the Control Committee, two Savings Banks Federations or a group of savings banks representing at least one-tenth of the votes corresponding to all the savings banks in the Confederation.

The General Assembly met twice in ordinary meetings in 2009, on 15 April and 16 December. All the savings banks belonging to CECA were represented at both those meetings.

A fortnight before the first ordinary General Assembly, the members were provided with an Annual Report containing a detailed description of the Confederation's development during 2008, together with the balance sheet, income statement and proposal for the allocation of earnings.

>> *A fortnight before the first Ordinary General Assembly of the year, the members are provided with the Annual Report on the previous year*

During 2009, the General Assembly adopted the following resolutions, among others:

15 April 2009

- Approval of the Chairman's report.
- Approval of the CEO's report.
- Approval of the Control Committee's reports on:
  - the economic and financial management
  - the audit of the 2008 accounts.
- Approval of the separate and consolidated annual accounts of CECA (balance sheet, income statement, statement of changes in equity, statement of cash flows and the notes to the financial statements), the management report and allocation of earnings to the different activities of the Confederation, as well as the management of corporate affairs by the Board, all corresponding to 2008 and submission of the previous year's financial statements.
- Charitable and social work budget outturn for 2008 and maintenance budget for 2009.
- Ratification and appointment of members of the Board.
- Renewal of the list of alternate members of the Control Committee.
- Appointment of scrutineers to approve the minutes of the General Assembly.

16 December 2009

- Approval of the Chairman's report.
- Ratification and appointment of members of the Board.
- Approval of the Control Committee's report on the first half of 2009.
- Definition of the Confederation's strategic lines of action for 2010.
- Approval of the annual budget and amount of membership fee for 2010.
- Appointment of scrutineers to approve the minutes of the General Assembly.
- Appointment of external auditor for CECA's 2010 accounts.

>> *The Board is responsible for governance and administration of the Confederation*

3.2.2 Board of Directors

The Board of Directors is entrusted with the administration and representation of CECA. As such, this body is responsible for the governance and administration of the Confederation and represents it in all matters relating to its business and in any legal disputes, with the powers expressly vested in it in the Articles of Association.

The CECA board of directors has a minimum of seventeen and a maximum of 35 members, elected by the General Assembly on the following terms:

- One member for each Autonomous Community
- Additional other members for Communities in which the savings banks having their registered office there manage customers' funds in excess of a given amount, according to the scale established in the Articles of Association.
- The CEO of the Spanish Confederation of Savings Banks.
- One member proposed by CECA (nominated by the board of directors).

No savings bank may be simultaneously represented on the Board of Directors and the Control Committee, or be represented on either of these bodies by more than one representative. Each Board member is entitled to one vote and resolutions are adopted by majority vote of those attending. The chairman has the casting vote in the event of a tie.

Apart from other duties established in the Articles of Association, the CECA Board of Directors must: elect its Chairman; overseeing compliance with the Articles of Association and propose whatever alterations it may deem fit; fulfil and enforce the resolutions adopted by the General Assembly; define and modify the internal structure and administrative organisation of the Confederation; appoint the CEO, propose ratification by the General Assembly and decide on his removal.

According to the Articles of Association, the Board must hold at least six meetings a year, called by the Chairman. Board meetings must also be called:

a) Whenever the Chairman considers this necessary.
b) Whenever the Chairman is required to do so by five members or the Executive Committee.
c) Whenever the Control Committee requests the calling of an extraordinary General Assembly.

During 2009, the Board of Directors met twelve times, one of them an extraordinary meeting, called by the Chairman at his own initiative.

The Chairman attended all the Board meetings held in 2009. The Secretary of the Confederation also attended the Board meetings, without the right to speak or vote, acting as non-director vice-secretary of the Board.

>> *No savings bank may be represented on both the Board of Directors and the Control Committee at the same time*

>> *At its meeting on 18 March 2009, the Board of Directors approved the Transparency Policy on Prudential and Financial Reporting*

At its meeting on 18 March 2009, the Board of Directors approved the Transparency Policy on Prudential and Financial Reporting, intended to comply with the provisions of:

- Rule 109 of the Bank of Spain Circular 3/2008 of 22 May on determination and control of minimum capital requirements, which requires credit institutions to publish regularly their "Key Information Document", aimed at the market and included in a single document;
- Rule 59.2 of the Bank of Spain Circular 4/2004 of 22 December, rules on public and confidential financial reporting and model financial statements, obliging credit institutions to establish a formal policy for external publication of the financial information required under Title I of that Circular.

At 31 December 2009, the members of the Board of Directors were:

CHAIRMAN:

JUAN RAMÓN QUINTÁS SEOANE

VICE-CHAIRMEN:

ISIDRO FAINÉ CASAS
MIGUEL BLESA DE LA PARRA
BRAULIO MEDEL CÁMARA
JOSÉ LUIS OLIVAS MARTÍNEZ

SECRETARY:

CARLOS EGEA KRAUEL

MEMBERS:

MIGUEL SANZ SESMA
MANUEL MENÉNDEZ MENÉNDEZ
AMADO FRANCO LAHOZ
FERNANDO BELTRÁN APARICIO
JOSÉ LUIS ROS MAORAD
ENRIQUE MANUEL AMBROSIO ORIZAOLA
ANTONIO PULIDO GUTIÉRREZ
ADOLF TODÓ ROVIRA
JOSÉ ANTONIO OLAVARRIETA ARCOS
JUAN MANUEL SUÁREZ DEL TORO
ENRIC MATA TARRAGÓ
DIDAC HERRERO AUTET
JORDI MESTRE GONZÁLEZ
JOSÉ LUIS MÉNDEZ LÓPEZ
JOSÉ MANUEL ESPINOSA HERRERO
MODESTO CRESPO MARTÍNEZ
MARIO FERNÁNDEZ PELAZ
FRANCISCO MANUEL GARCÍA PEÑA
FERNANDO ALZAMORA CARBONELL

3.2.3 Executive Committee

The Board of Directors may delegate its powers to the Executive Committee, except those concerning the submission of proposals to the General Assembly and those especially delegated to the Board. During 2009, the Executive Committee held thirteen meetings.

The members of this Committee are the Chairman, Vice-Chairmen and Secretary of the Board and the CEO. At 31 December 2009, the members of the Executive Committee were:

JUAN RAMÓN QUINTÁS SEOANE
JOSÉ ANTONIO OLAVARRIETA ARCOS
ISIDRO FAINÉ CASAS
MIGUEL BLESA DE LA PARRA
BRAULIO MEDEL CÁMARA
JOSÉ LUIS OLIVAS MARTÍNEZ
CARLOS EGEA KRAUEL

>> *The Board of Directors may delegate powers to the Executive Committee*

3.2.4 Remuneration Committee

Among other duties, the Remuneration Committee of CECA is responsible for compiling information and reporting on the following matters: the system and amount of attendance fees and travel expenses of members of the governing bodies; the appointment of senior executives; the general pay policy for senior executives and the general system of annual incentives or variable remuneration applicable to CECA employees.

The duties and procedures of this Committee are set out in the CECA Articles of Association and in its Internal Regulations, approved by the Board on 18 June 2004.

The Remuneration Committee held four meetings in 2009 and submitted reports to the Board of Directors on the following matters:

- Awarding of the Order of Merit for Savings (Medalla al Mérito en el Ahorro)
- General variable remuneration system in the Confederation
- Authorisation of attendance fees for governing bodies
- CECA executive pay and implications regarding pensions
- Appointment of Assistant General Manager in the Operating and Financial Area

The members of the CECA Remuneration Committee at 31 December 2009 were as follows:

MIGUEL BLESA DE LA PARRA	CHAIRMAN
FERNANDO ALZAMORA CARBONELL	MEMBER
ADOLFO TODÓ ROVIRA	MEMBER/SECRETARY

3.2.5 Investment Committee

Among other duties, the CECA Investment Committee reports to the Board on strategic and stable investments and divestments made by the company, directly or through group companies, and on the financial viability of those investments and whether they fit in with the Confederation's strategic plans and budgets.

The duties and procedures of this Committee are set out in the CECA Articles of Association and in its Internal Regulations, approved by the Board on 18 June 2004.

The Investment Committee met three times in 2009 and issued three reports, in which, inter alia, it analysed the activity of the Assets and Liabilities Committee. It also submitted its mandatory annual report to the Board, informing that during 2009:

- No strategic and stable investments or divestments were made in listed companies for more than 5% of the capital of the listed companies or multiples thereof.
- CECA did not participate during the year in business projects in which it was involved in the management or governing bodies, with investments implying a takeover of the company and representing more than 5% of CECA's equity.

The members of the CECA Investment Committee at 31 December 2009 were:

AMADO FRANCO LAHOZ	CHAIRMAN
JOSÉ MANUEL ESPINOSA HERRERO	MEMBER/SECRETARY
MANUEL MENÉNDEZ MENÉNDEZ	MEMBER

3.2.6 Control Committee

The purpose of the Control Committee is to see that the Board acts with the utmost efficiency and precision within the general lines of action established by the General Assembly and the guidelines deriving from financial laws and regulations. In order to perform its duties, the Control Committee may request and obtain from the Board of Directors such details and information as it may deem fit.

Its duties include, in particular and among others, the following:

- Analyse the Confederation's economic and financial management, submitting six-monthly reports to the Bank of Spain and the General Assembly.
- Examine the account audit summarising the activities of the year and lay before the General Assembly a report on the review made.
- Report to the General Assembly on the budgets and funding of social work, and ensure that the planned investments and expenditure are made, keeping within the budgeted amounts.
- Propose suspending the implementation of Board resolutions when it believes they infringe prevailing legal provisions or unjustifiably and seriously affect the financial situation, earnings or credit of the Confederation or its members.
- Require the Chairman of the Confederation to call an extraordinary general assembly in the case contemplated in the preceding point and whenever else it may deem fit.

>> *The Compliance Committee ensures that the Board acts with the utmost efficiency and precision*

- Perform the duties of the Audit Committee established in the Securities Market Act.
- Ensure transparency in the procedures for appointing and re-appointing members of the Control Committee and the Board.

The CECA Control Committee has six members elected by the General assembly from among the Chairmen and CEOs of the savings banks.

Members of this Committee are appointed for terms of four years. The members of the Control Committee at 31 December 2009 were:

CHAIRMAN:

RAFAEL JENÉ VILLAGRASA

VICE-CHAIRMAN:

RAFAEL SORIANO CAIROLS

SECRETARY:

ANTONIO Mª. CLARET GARCÍA

MEMBERS:

ATILANO SOTO RÁBANOS
TOMÁS GARCÍA MONTES
JOSÉ ANTONIO ARCOS MOYA

The Control Committee meets whenever called by its Chairman, or at least once a quarter. In 2009 the Committee held eleven meetings, receiving reports from the following persons:

- The external auditor of CECA to report to the Committee on the principal regulatory changes affecting the framework within which the annual accounts are drawn up and to explain the contents of the auditor's report on the separate and consolidated annual accounts of the Confederation for 2008.
- The Internal Audit Manager to submit the information required by the Committee to draft the compulsory six-monthly reports and to submit the annual report on operational risks.
- The Head of Regulatory Management to present the annual report on regulatory compliance.

On 26 March 2009 the Control Committee passed the Internal Audit Regulations and checked the information set down in the Key Information Document.

>> *The external auditor of CECA, the Internal Audit Manager and the Head of Regulatory Management report to the Control Committee*

3.3 CHANGES IN SENIOR MANAGEMENT IN SAVINGS BANKS

Regardless of the members of its different bodies, CECA keeps a Register of the Chairmen and Management of all the Savings Banks.

The following appointments were included in 2009:

CAIXA D'ESTALVIS DE TERRASSA	CHAIRMAN	JAIME RIBERA SEGURA
CAJA DE AHORROS DEL MEDITERRANEO	CHAIRMAN	MODESTO CRESPO MARTÍNEZ
CAIXA D'ESTALVIS DE MANRESA	CHAIRMAN	MANUEL ROSELL MARTÍ
CAIXA D'ESTALVIS DE GIRONA	CHAIRMAN	MANUEL SERRA PARDAS
MONTE DE PIEDAD Y CAJA GENERAL DE AHORROS DE BADAJOZ	CHAIRMAN	FRANCISCO MANUEL GARCÍA PEÑA
BILBAO BIZKAIA KUTXA	CHAIRMAN	MARIO FERNÁNDEZ PELAZ
CAJA DE AHORROS Y MONTE DE PIEDAD DE EXTREMADURA	CHAIRMAN	VÍCTOR MANUEL BRAVO CAÑADAS
CAJA DE AHORROS DE POLLENÇA	CEO	GABRIEL BAUZA MANRESA
CAJA DE AHORROS Y MONTE DE PIEDAD DE GIPUZKOA Y SAN SEBASTIÁN	CEO	FERNANDO MARTÍNEZ-JORCANO EGUILUZ
CAJA DE AHORROS Y MONTE DE PIEDAD DE CÓRDOBA	CEO	ANTONIO BARRAL RIVADA
CAJA DE AHORROS DE CASTILLA LA MANCHA	CEO	GORKA BARRONDO AGUDÍN
MONTE DE PIEDAD Y CAJA DE AHORROS DE SAN FERNANDO DE HUELVA, JEREZ Y SEVILLA	CEO	JUAN SALIDO FREIRE
CAJA DE AHORROS Y MONTE DE PIEDAD DE LAS BALEARES	CEO	PAU DOLS BOVER
MONTE DE PIEDAD Y CAJA DE AHORROS DE BADAJOZ	CEO	FRANCISCO JAVIER CHICO AVILÉS

3.4 CORPORATE SHAREHOLDINGS

>> The companies in which CECA invests are intended to complement and broaden the services provided by the Confederation

CECA's corporate shareholdings are intended to assist it in meeting its strategic objectives. Its principal interests are set out below:

AFIANZAMIENTO DE RIESGO, E.F.C., S.A.: 1,27%
Credit institution engaged mainly in the issuance of endorsements and guarantees

AHORRO CORPORACIÓN, S.A.: 14,44 %
Financial services holding company

AHORRO Y TITULIZACIÓN, SOCIEDAD GESTORA DE FONDOS DE TITULIZACIÓN, S.A.: 50,00%
Securitisation fund manager

SOCIEDAD ESPAÑOLA DE SISTEMAS DE PAGOS (IBERPAY): 19,06%
Interchange, clearing and settlement of transfer orders

CAJA ACTIVA, S.A.: 99,99%
Internet and other network links

CASER, GRUPO ASEGURADOR: 1,60%
Insurance

EURO 6000, S.A.: 10,00%
Administration of credit and debit card programmes

MASTERCAJAS, S.A.: 0,61%
Means of payment

LICO CORPORACIÓN, S.A.: 8,85%
Leasing and banking services

TINSA TASACIONES INMOBILIARIAS, S.A.: 11,93%
Property appraisals

SWIFT: 0,113%
International electronic payments

CEA TRADE SERVICE, TSL: 100%
Documentary credit management

TRIONIS DATA: 11,25%
Development, management and maintenance of financial services, especially means of payment

TEVEA INTERNATIONAL S.A: 20,00%
Support for international operations of savings banks and their customers

EUFISERV PAYMENTS SCRL: 21,48%
Means of payment

Apart from "AHORRO Y TITULIZACIÓN", "CAJA ACTIVA, S.A.", "CEA TRADE SERVICE, TSL", "TEVEA INTERNATIONAL, S.A." and "EUFISERV PAYMENTS SCRL", the interests held by CECA in these companies are less than 20%. The list of investees shows that they are all engaged in services that complement and broaden the range of financial activities and services provided by CECA.

CECA has no branch network in Spain. Its only operations branch is at calle Alcalá 27, Madrid. CECA has had one operating branch in London since 1988, through which savings bank transactions on international markets are channelled, and has several representative offices in different European cities.

3.5 OTHER INFORMATION REGARDING CORPORATE GOVERNANCE

The information on CECA's internal governance should mention the bodies involved in the main decision-making processes within the Confederation, namely the Management Committee, which assists the CEO, and the Assets and Liabilities Committee, ultimately responsible for reporting, management, monitoring and control of the Confederation's risk exposure. The Compliance Committee and Operational Risk Committee should also be mentioned.

3.5.1 Management Committee

The CECA Management Committee assists the CEO and General Management of the company. It also has the following basic responsibilities and any others that may be assigned to it by the Board:

a) Decide on issues directly submitted by the Board of Directors.

b) Decide on issues submitted by the CEO before being approved by the Board.

c) Decide on issues submitted by the CEO on his own initiative.

d) Approve the codes of conduct and internal regulations of the Confederation, provided they do not require approval by the Board.

The members of this Committee are the senior executives of the company. However, its meetings may be attended, with the right to speak but not vote, by other employees summoned by the Chairman of the Committee.

>> *The Management Committee assists the CEO and General Management*

The Chairman of the Management Committee is the CEO and the Secretary is the Secretary of CECA, who issues minutes of all the business transacted at committee meetings.

The Management Committee has its own Internal Regulations, approved in February 2007.

The Management Committee meets prior to Board meetings and whenever it is called by its chairman. Eleven meetings were held in 2001.

3.5.2 Executive Committee

The most significant duties of the Management Committee are delegated to the Executive Committee, which it performs according to their urgency or nature, whenever so considered by the CEO.

The members of the Executive Committee are the Chairman of the Management Committee, who is in turn Chairman of the Executive Committee, the Assistant General Managers and the Executives of the company. The Executive Committee held 48 meetings in 2009.

>> *The most significant duties of the Management Committee are delegated to the Executive Committee.*

3.5.3 Assets and Liabilities Committee

The Assets and Liabilities Committee (ALCO) is the body appointed by the Board to implement the policies it establishes in respect of products and activities and to oversee the reporting, management, monitoring and control of the institution's financial risks.

The policies and procedures for analysing, authorising, monitoring and controlling risks are set out in the ALCO Manual, approved by the Board and revised annually. The latest revision of the manual was approved by the Board on 21 January 2009.

Within these responsibilities, ALCO has the following duties, among others:

- Study and issue general policies within the framework of the Confederation's risk policy and establish the procedures and methods for management, monitoring and control of credit risks, market risks (interest rate, spreads, currency, price and volatility) and structural risks of the balance sheet (interest rates and liquidity).
- Monitor and analyse the institution's balance sheet, assessing the underlying risk in its structure in accordance with the policies issued by the Board.
- Study and issue specific policies on significant on balance-sheet items.
- Measure the risks deriving from the foreseeable evolution of the figures on the balance sheet and markets and, accordingly, assess their effect on both the economic value and the financial margin of the institution.
- Assess the market situation and analyse the evolution of public data.
- Monitor the evolution of cash positions in euro and other currencies.
- Prevent liquidity pressure and approve the corresponding liquidity contingency plans.
- Authorise financial instrument valuation criteria and methods.
- Approve any change in the settlement rates of options and futures transactions requested by savings banks and other institutions.
- Decide on proposed transactions and credit risk limits exceeding the level of powers delegated to the Risk Committee and take note of those authorised by the Committee within the limits of its delegated powers.
- Be informed of the activities performed and resolutions passed, if any, by the different support committees.
- Be informed, analyse and, if appropriate, authorise any new financial product or activity that the institution wishes to offer or perform.
- Approve the Risk Policies and Procedures Manual.
- Annually revise its internal manual and, if appropriate, propose to the Board any modifications that must be approved by the latter.

>> The Assets and Liabilities Committee controls CECA's financial risks

ALCO is chaired by the CEO and the Assistant General Manager of the Operating and Financial Area is Vice-Chairman. The committee has eight members and the Head of the Legal Department is the Committee secretary.

ALCO Policies, *Methods and Procedures Manual. Risk Control Systems* sets out the procedures for analysing, authorising, monitoring and controlling risks. This Manual is approved by the Board and revised annually.

ALCO holds ordinary meetings once a month and extraordinary meetings whenever so required to discuss any contingency on the markets or performance of CECA, called by the committee chairman through the secretary. Nineteen ALCO meetings were held in 2009.

ALCO is assisted by the following support units:

- The **Risks Committee**, which ensures that the risk exposure is within the limits established by the Board and ALCO and constantly adapts the risk management procedures to the increasingly sophisticated financial market, making sure that they are commensurate with the capital requirements in place from time to time.

  Moreover, with a view to making decision-making more specialised and dynamic, ALCO has delegated certain powers to the Risks Committee to approve limits for credit risk operations.

>> *ALCO has four support units: the Risks Committee, the Financial Committee, the New Products Committee and the Liquidity Contingency Committee*

- The **Financial Committee**, responsible for ordinary management of market risks in trading operations, in accordance with the policy approved by the Board and the guidelines issued by ALCO, submitting such information as may be required by ALCO for decision-making. It is also responsible for the management and monitoring of investments of equity, customers' funds and several balance-sheet items, submitting the relevant information to ALCO.
- The **New Products Committee**, which ensures that in the Confederation dealings in financial products and markets:
  - CECA is fully aware of the risks involved.
  - It has the necessary infrastructure for their management, control and administration.
  - The systems and procedures relating to the financial products in which the Confederation operates are further standardised.
- The **Liquidity Contingency Committee**, which has the following basic objectives, among others:
  - Assess possible liquidity crisis situations and decide whether to activate the Contingency Plan, in view of the quantitative and qualitative indicators, and if appropriate grade the intensity of the crisis.
  - In particular, assess the underlying cause of the crisis, its potential duration and the seriousness of the liquidity problem.
  - Define the strategy for handling the situation, deciding on the important areas requiring intervention.
  - Coordinate the areas involved in implementing the plan and make any necessary adjustments to adapt it to the situation on the market.

3.5.4 Regulatory Compliance

CECA, fully aware that the present regulatory scenario, in which regulatory pressure is constantly increased, entails a risk that must be efficiently managed, on account of its qualitative nature and its bearing on other risks (particularly the risk to reputation), has made plans and taken the necessary actions to secure compliance. In this regard, a specific statute and basic guidelines have been drawn up, set out in the *Compliance Policy* approved by the Board.

To secure adequate coordination of all the units involved in compliance risk management and to guarantee an efficient information flow, CECA has a two-tier committee structure:

- The lower level consists of ad hoc committees: the Money Laundering Prevention Committee, the Code of Market Conduct Committee and the Data Protection Committee.
- On the higher level there is a Compliance Committee with sweeping powers in compliance risk. The members of this committee are appointed by the Board.

The Compliance Committee has the following powers and responsibilities:

- Promote implementation of compliance risk control in the Confederation.
- Pinpoint and assess issues relating to compliance risk, assisted by the Regulatory Management Department, and the plans for dealing with them. Within this process:
    - Regularly monitor compliance risk management. The Compliance Committee meets at least once a quarter for this purpose.
    - Check the ordinary management of compliance risk by the Regulatory Management Department. It analyses the information and oversees the documents received from that department on compliance risk management.
- See that the compliance policy is respected. This involves encouraging the competent units to take remedial measures whenever any non-compliance is detected.
- Submit to the Management Committee any internal codes and regulations on regulatory compliance required by law and the applicable standards, to be submitted in turn, if appropriate, to the Board of Directors.
- Propose action plans and procedures to the Management Committee for CECA's compliance risk management.
- Report to the Control Committee on compliance risk management at least once a year, through the Head of the Regulatory Management Department, to enable the Control Committee to form a well-founded opinion the effectiveness of that management.
- Implement the guidelines and take whatever actions may be established by the CEO in respect of regulatory compliance.

>> *The Compliance Committee controls any compliance risks affecting the Confederation in the performance of its activities*

3.5.5 Operational Risk Committee

The organisational structure developed in the *Control Framework* includes the Operational Risk Committee, which is responsible for regular monitoring of the operational risk management and for analysing any information it receives from the Operational Risk Unit on the management of this risk, reporting to the Management Committee on any actions taken in this regard.

The Operational Risk Committee has a support body to help it with its responsibilities, the Operational Risk Identification Committee.

It also performs the following duties:

- Promote implementation of operational risk control in the Confederation.
- Oversee the documents provided by the Operational Risk Unit on operational losses.
- Supervise the degree of compliance with the Operational Risk Control Framework.
- Approve CECA's operational risk management procedures.
- Propose risk transfer systems and procedures to reduce operational risks, keeping them within the CECA risk profile.
- Establish the maximum limits permitted for the residual value of operational risk.

>> *The Operational Risk Identification Committee backs the Operational Risk Committee in the performance of its duties*

04
Management Report

04 Management Report

Confederación Española de Cajas de Ahorros (CECA) is the Parent of the Confederación Española de Cajas de Ahorros Group. The companies composing the Group are detailed in Note 1 to the consolidated financial statements for the year ended 31 December 2009.

The main aim of this Directors' report is to provide information on the most significant initiatives developed by CECA in 2009, present the actual results obtained, in comparison with the budget, and disclose both the most significant matters relating to risk management and the activities that will be carried out within the framework of the strategic lines of action defined for 2010. Since CECA represents approximately 99.97% of the Group's assets and 99.70% of the equity of the Group at 31 December 2009, the data and comments herein relate only to CECA, since they are applicable to and representative of the Group of which the Confederación is head.

>> *The Management Report describes the main actions performed by CECA during the year and the results obtained*

4.1. BUSINESS PERFORMANCE AND ACHIEVEMENT OF TARGETS IN 2009

In this section relating to business performance and the results obtained in the development of the business, comment will be made, on the one hand, on the most significant actions undertaken in order to comply with the main objectives set by the 98th General Assembly on 8 October 2008, within the framework of the permanent strategic lines of action which direct CECA's activities, and, on the other, on the attainment of the profitability targets through the various items of the income statement.

In relation to the first of these matters and within the framework of the contents of each strategic line, worthy of mention was the performance of the following actions:

4.1.1 Institutional representation and development:

Work continued in relation to protecting the interests of savings banks in relation to tax (income tax, related party transactions, VAT and reform of the financial institutions regime) and reports on the development of the law regulating the mortgage market law, the insolvency law, the transposition of the directive on payment services and community proposals for account mobility.

A plan for increasing the number of community interlocutors was implemented with the aim of increasing the visibility of the international actions of the savings banks and disseminating the actions undertaken in the area of corporate social responsibility. Also, a Spanish financial education network was launched and a bibliographic database was developed to provide information on the work performed by the savings banks.

Cooperation projects through COAS (CECA's Organisation, Automation and Service Committee) were undertaken to increase the efficiency and effectiveness of savings banks and focused on the search for new technological alternatives for managing debt collection, reducing operating costs through the launch of the digital signature platform which allows mortgage loans to be arranged, the implementation of the regulatory impact management tool, the application of the European Payments Directive and the processing of direct debits through the EPC (European Payments Council).

The savings banks were coordinated to execute the agreement reached with the Government of Spain to implement the "Plan to reduce administrative costs and improve regulation".

>> *Savings Banks launch the Spanish Financial Education Network to improve citizens' financial skills*

4.1.2 Efficiency

The objectives of this strategic area focused primarily on the analysis and development of procedures aimed at achieving a reduction in costs and an increase in the value of the services offered by CECA, to enable the increased efficiency achieved through a reduction in tariffs to be passed on to the savings banks. In this connection, CECA continued with the development of tools and the rationalisation of procedures aimed at improving the efficiency of financial services and improving management indicators in external development and capital markets business. In operating services, a new platform was developed for the administration and management of loans and the second phase of disclosure of unrealised gains/losses on securities transactions for retail customers was developed. In relation to technological services, efficiency measures focused on reducing unit costs in central services, new channels and means of payment. Also, CECA contributed to the optimisation and management of savings banks' central services and branches and provided collective services for welfare projects.

>> *Optimisation and management of the Savings Banks central services and branch network*

>> *Increase in banknote purchase and sale transactions by direct trading through the branch network*

4.1.3 Growth

In operating and financial services, financing with collateral for savings banks was boosted and securities lending was increased. There was also an increase in the purchases and sales of banknotes through actions aimed at direct procurement arrangements with the branch network. The volume of transactions processed by the savings banks' commercial distribution and external development department also rose and the coverage of services relating to securities, discounting, exchange and settlement and deposit of funds was extended.

In relation to technological services, the proposed objectives, of increasing the volume of transactions and new contracts in payment means, new channels and outsourcing services and of the shared use of applications such as SAP, E-CUBO (financial statistics), RIC (internal rules of conduct) and generation of financial reporting statements, were met.

In the risk area, projects were carried out to be implemented at the savings banks, and the activity of the central risk unit and cooperation with AFIANZA were consolidated through an increase in services offered. In the area of consulting, institutional contact for the development and execution of a commercial plan in Central and South America was intensified.

4.1.4 Effectiveness

The quality of CECA's services is evaluated through the level of satisfaction shown in surveys of internal and external customers and the availability, care and level of support thereof. Overall, the level of achievement of the objectives reached 93%, which can be considered optimum.

4.1.5 Innovation

In this area, products were developed with the aim of providing operating coverage solutions for the savings banks, of which the following are worthy of mention; the adaptation of transfer and debit procedures and systems to the new payment means law, the launch of the SEPA direct debit service and the design of new solutions for financial products and services which improve the savings banks' access to funding.

There has been a gradual improvement in technological services relating to payment systems which support the use of cards and terminals, with special attention paid to boosting acquisition and issuing projects and promoting an innovative development in new channels by boosting new interactive and remote arrangement services. Also, new management support services and technologies were developed based on Datawarehouse, Business Intelligence and SAP software.

In welfare projects, new information systems and services were developed with a marked technological component, the pawnbroker auctions website was consolidated and a study on the reputation of savings banks was performed.

>> *93% of the targets were met in 2009*

>> *CECA and 12 pawnbrokers set up a jewellery auctioning portal*

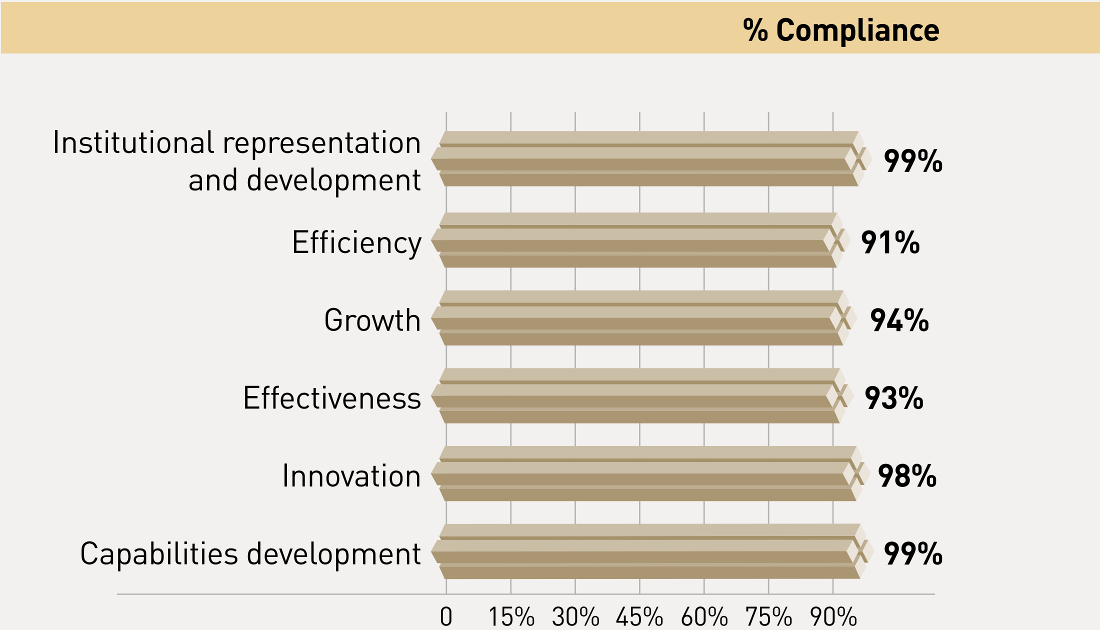
4.1.6 Capability development

Improvements have been made to the federated savings banks reporting systems through the design of a reputational risk management framework, and the development of internal action procedures in relation to competition law. Framework agreements and legal opinions were adapted to the new Bank of Spain solvency circular and to the payments law. Instruments for analysing and reporting on the economic situation were perfected and the financial crisis continually monitored, with forecasts made in relation to the savings banks' main business variables.

With regard to the entity's management and control systems, new functionality was implemented in the risk management, control and reporting tools and in the market data services. Also, accounting information systems were adapted to include in procedures the changes established by solvency and accounting regulations.

Performance management, remuneration policy and professional development systems were implemented as part of the comprehensive human resources planning programme. In order to improve technological capabilities, new architectures were incorporated and network servers were gradually expanded and reformed in order to tighten security. Also, systems for monitoring and controlling operations accessible to users were improved, and Microsoft alternatives to Novel and Notes were monitored and analysed.

The degree of achievement, expressed as a percentage, of the strategic areas described above is as follows:



>> Implementation of performance, pay policy and professional furtherance management systems

4.2 INCOME STATEMENT

>> *The profit before tax recorded on the income statement outstrips the budgeted profit by 28.19%*

	Thousands of Euros			
	2009	BUDGET	VARIANCE	%
Financial margin (*)	212,105	90,257	121,848	135.00
Net fee and commission income	71,241	72,545	(1,304)	(1.80)
Other operating income and expenses (net)	82,315	73,952	8,363	11.31
Gross income	365,661	236,754	128,907	54.45
Operating expenses	(304,522)	(189,053)	(115,469)	61.08
Profit from operations	61,139	47,701	13,438	28.17
Other losses (net)	(3)	(10)	7	(70.00)
Profit before tax	61,136	47,691	13,445	28.19
Income tax	(14,674)	(12,950)	(1,724)	13.31
Profit for the year	46,462	34,741	11,721	33.74

(*) Includes net interest income, income from equity instruments, the gains and losses on financial assets and liabilities and exchange differences.

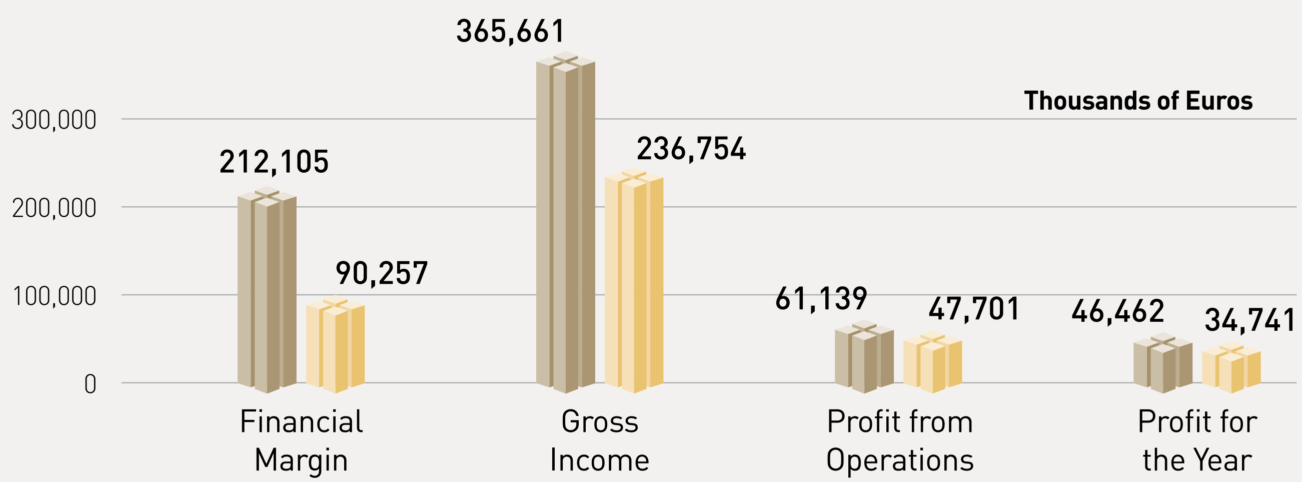
Profit before tax for 2009 exceeded the budget by 28.19% and after-tax profit for the year by 33.74%.

In relation to income statement the **financial margin** for 2009 rose by EUR 111.1 million with respect to 2008, and exceeded the budget by EUR 121.8 million, representing increases of 110 % and 135%, respectively, due to the evolution of Treasury Desk and Capital Markets.

Gross income, which reflects in full the net income obtained from operating activities, reached EUR 365.7 million, exceeding the budget by EUR 128.9 million. In addition to the aforementioned positive variance in by the financial margin. It is worth noting the increase in gross income of an additional EUR 7.1 million above the forecast for operating, technological, advisory and training services through ESCA, with a decrease of approximately EUR 2.5 million as a result of a reduction in the tariffs charged to the savings banks.

With regard to **operating expenses**, cost efficiency has continued to improve, which has led to a decrease in relation to the budget of EUR 6.9 million in the **general operating expenses** section, which is comprised of staff costs, administrative costs and depreciation and amortisation. This variance, coupled with the change in gross income, has allowed EUR 122.6 million of operating expenses to be recognised as provisions to cover specific, generic, operating and contingent risks, thus strengthening the entity's financial stability.

>> *General operating expenses were 6.9 million below budget*



Variation	135.00%	54.45%	28.17%	33.74%

Actual Budget

4.3 PROPOSED DISTRIBUTION OF PROFIT

The distribution of profit proposed to the General Assembly is as follows:

	Thousands of Euros
To reserves	40,478
To Welfare Fund	
Fundación de las Cajas de Ahorros (FUNCAS)	3,707
Return on participation certificates	2,277
Profit for the year (profit after tax)	**46,462**

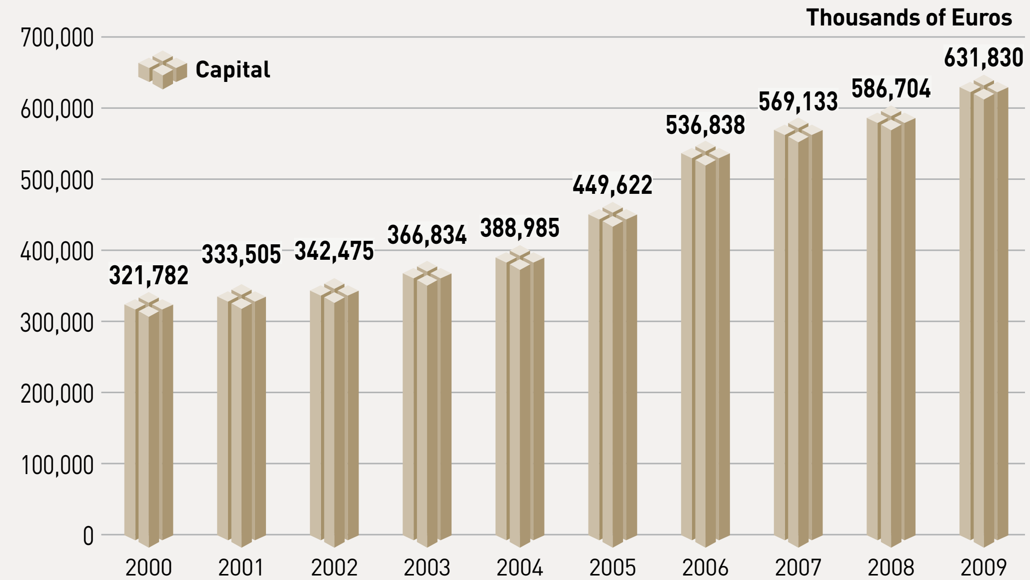
4.4 EXTERNAL CREDIT RATINGS

The ratings assigned to the Confederación at 31 December 2009 by the international agencies Fitch Ratings, Moody's and Standard & Poor's ratified in all cases the high ratings obtained.

FITCH RATINGS	Short term	Long term	Individual	Legal
	F1+	AA-	B/C	2
MOODYS	Short term	Long term	Solvency	
	P1	Aa3	C	
STANDAR & POOR'S	Short term	Long term	Solvency	
	A -1+	AA -		

4.5 CAPITAL

Eligible capital amounted to EUR 631,830 thousand at 31 December 2009, up 7.69% on 2008. The variations in the last ten years were as follows:



The data on capital in the foregoing table do not take into account the portion of the profit for each year appropriated to reserves.

>> *The Confederation's equity was up 7.46% year on year*

4.6 RISK MANAGEMENT

The basic principles on which CECA's corporate risk culture is based are established and promoted by the Board of Directors, and can be summarised as follows:

- An organisational structure adapted to the efficient management of risk. Risk management is a shared task involving the different organisational levels: the governing bodies, senior executives, the control units and the rest of the entity. By designation of the Board of Directors, the Asset-Liability Committee (ALCO) is in charge of approving, reporting on, managing, monitoring and controlling the entity's risks and implementing the policies established by the Board of Directors.
- Independence of the risk function and visibility vis-à-vis Senior Executives.
- A detailed framework of the risk management policies and procedures. CECA has a series of policies containing the basic structural principles which guide risk management. Risk management, in turn, consists of a series of well-defined procedures which are communicated to all staff involved within the organisation.

>> Risk management is a shared task involving several different levels of the organisation

>> CECA uses a number of specific tools and methods for measuring, controlling and monitoring risk

The risk management policies and procedures are available to all the staff involved in risk management.

- A series of specific methodologies and tools for the measurement, control and monitoring of risk. CECA considers it necessary to perform recurring reviews of all the matters relating to the measurement of any significant risks to which the entity is or could be exposed, through an analysis of the suitability of the methodologies and tools used, and of market practices. Robust risk measurement methodologies are applied, which are in line with good market practices and the calculations and processes are continually reviewed as part of an ongoing process to improve risk management.
- In defining its risk profile, the entity establishes limits for each relevant risk in order to ensure that the related exposures fall within accepted and authorised risk tolerance levels. The action procedures in the event that these limits are surpassed are also defined.

Limit monitoring, the effective implementation of the methodologies used, such as VaR, Stress Testing and others, and risk control are supported by information systems which allow for efficient management based on the speed, contents and accuracy of the risk reports.

The suitability of the methodology and the management capabilities of the tools guarantee the reliability of results, the representativeness of the limits established and the adaptability of the models/measures to the performance of financial instruments.

- An internal control framework. Pursuant to the entity's Internal Control Framework, CECA's control environment is structured in three levels:

  - Tertiary controls, assigned to the Internal Audit Division, which focus on the following functions: (1) to guarantee to Senior Executives that the entity's actual risk profile is the same as that defined by them; (2) to verify that the secondary control structure fulfils its role; (3) to establish a continuous feed-back with these units, informing them of the conclusions drawn from the work performed.

  - Secondary controls. Secondary controls are based on a decentralised structure which allows for a specialised management of risk based on type (the Risk Area, the Internal Control Department and the Operational Risk Management Unit, located in the Audit and Control Area, and the Regulatory Management Division, integrated into the General Secretariat).

  - Primary controls. All the units in charge of CECA's business activities must guarantee, through their own controls, that these activities are performed in accordance with the applicable internal and external regulations.

4.7 OPERATIONAL RISK

The objective of the Confederación in relation to operational risk is the control and management thereof through identification, evaluation, monitoring and control/mitigation process. To do this, it uses an industry-based platform which integrates and interrelates the qualitative evaluation tools, the loss database, risk indicators and improvement plans.

With the aim of identifying and eliminating or mitigating potential risks, irrespective of whether losses have been incurred, an information system was designed which guarantees that the underlying risk will be identified and facilitates decision making for the ongoing improvement of its processes.

In 2009 the implementation of the operational risk model was completed:

- The Committee for the Identification of Operational Risk, a multi-disciplinary group which has spearheaded the process of risk and indicator identification, completed its analysis and determination of the risks inherent in all activities, processes and products.
- The second qualitative evaluation process was carried out and risk predictive indicators were defined and implemented.
- Improvement plans derived from analysing the results of the qualitative evaluation (potential risks not covered), and the quantitative evaluation (operating events giving rise to losses) were proposed.

>> *A reporting system has been designed to guarantee knowledge of the latent risk and facilitate decision-making*

4.8 SIGNIFICANT EVENTS SUBSEQUENT TO YEAR-END

No significant events have occurred subsequent to year-end.

4.9 RESEARCH AND DEVELOPMENT

4.9.1. Industry-wide Technological Platform – Joint Development – SOA Architecture

The ambitious aim of this project is the creation of a technological platform for all the savings banks, allowing the creation of a standardised IT environment in which to develop and run shared information systems and software.

This platform will provide a group of entities, even the whole industry, with a technological environment in which to:

a) Improve the efficiency of the development of software.

b) Create a repository for technological applications and components and act as an interchange.

c) Improve the use of such software at CECA.

d) Have access to a proven management methodology for open environments: development governance.

This platform will use the most modern standards of IT architecture -"SOA: Service-Oriented Architecture". The first objective is the development of syndicated loan management software.

>> *Creation of a technological platform to provide a standard environment for the development of IT applications and systems*

4.9.2. Marketing of the digital signature system

Following the 2008 CECA innovation prize, in 2009 this project was:

- Awarded first prize in European security innovation – Teletrust.
- Finalist and highly commended in the banking technology awards.
- Classified among the top ten best technology initiatives in American Banker.

The system's merits have opened up the possibility of it being marketed not only in the savings bank industry, but also in the rest of the financial services and other industries.

There has been overwhelming interest, with the system having been fully adopted by the cooperative savings bank industry, prime banks and other industries such as the textile and temporary employment industries.

>> *The digitalized signature system has been given several national and international awards*

4.9.3. Virtualisation conferences and cloud computing

Computer server virtualisation is a leading-edge technology which has been consolidated very rapidly in all data processing centres and is behind the development of a new concept known as cloud computing, or network processing.

The possibilities offered by this new technology, coupled with CECA's capacity for offering new services, made it necessary to organise a series of conferences with the savings banks in relation to this new form of providing technological services.

Innovation is focused on the selection of technology and its market opportunity (for CECA and the savings banks).

>> *It servers are now virtual in all data processing centres*

4.10 BUSINESS OUTLOOK

Work schedule for revising and streamlining procedures in all business areas of CECA

The targets set by CECA for 2009 focus on the ongoing strategic lines of action that represent the cornerstones of the balanced scorecard implemented in all units of the organisation. In order to meet these targets, CECA defined a series of action plans which were approved by the C General Assembly on 16 December 2009. The content of these plans can be outlined as follows:

In the area of institutional representation and development, the interests of the savings banks will be defended in the regulatory agenda and the new supervision structure and the demands made by solvency and codes of conduct will be analysed and monitored. Also, CECA's international presence and representation will continue to be extended, the legal matters arising from the extension of the payment services law will be monitored and the corporate social responsibility model will be redefined.

COAS cooperation projects for increasing the efficiency and effectiveness of the savings banks will focus on defining and implementing the SOA architecture for computer software, launching the digital signature software and developing a customer churn prevention plan for the savings banks. Also, the savings banks will be assisted and assessed in relation to merger processes and the visibility of the industry will be increased by managing the communication arising from the changes and strengthening of the welfare projects brand.

Defence of savings banks' interests on the regulatory agenda

In the area of **improving efficiency**, the improvements achieved through the review and streamlining of procedures in financial and operating services through the development of portfolio information systems, an increase in cost efficiency of the Treasury and Capital Markets room and of the management tools and architecture of the operating and technological services, will continue to be passed on to the savings banks through tariffs. Also, a work schedule will be established for the review and streamlining of processes and procedures in all CECA's areas of activity.

The **growth** area will see a boost in the involvement of Capital Markets in international projects, in the analysis of gaining access to new markets, the expansion of the geographical coverage of operating platforms and an increase in the volume of remittances and customers making remittances and pan-European debits. In the area of financial services, new financial products will be offered and there will be an increase in transactions based on liquidity products and securities lending. With regard to services for federated savings banks, the most noteworthy objectives will be cooperation in the development of financial reporting (FINREP), the marketing of E-CUBO applications (online savings bank and bank statistics) and E-GERION (online internal regulations management system). In risk services, objectives will focus on incorporating new users into the market data services and increasing the number of customers in bilateral projects.

In the area of **effectiveness** we will continue actions aimed at improving the quality of the services offered by the various areas of CECA, in relation to those offered to external customers, to the various internal departments and units, and those aimed at meeting the objective of maintaining a high level of service and availability of technological applications.

In the area of **innovation**, new financial services such as structured products, CFD (contract for differences) in DIVINET, NDF (non-deliverable forwards) transactions in non-convertible currencies and foreign currency options settled net. Capital Markets Products and Services will continue to launch new products adapted to market demands. With regard to operating services, we will launch Swift cover for savings banks for the exchange of information with their own companies and a service for the reporting of suspicious transactions (COS).

In technological services there will be an improvement in the exchange of optional value added services related to payment means facilitating technological support of cards and terminals, and in the electronic banking platform it is expected that there will be an improvement in card-related services for mobile phones to facilitate notifications, monitoring of expenses and other transactions.

>> *Evolution of mobile cards for notices and advices, expenditure control and other operations*

>> *Functional change programme to respond to the restructuring of savings banks branches and central services*

In the area of **capability development**, information management systems will develop and implement the income statement at customer level, the process of migrating financial accounting to SAP will commence and the GEOS project, aimed at integrating the operations of the Exchange and Settlement Centre with the Discount Centre, will continue.

In relation to organisational adaptation and development, a performance management system will be implemented and a functional change program will be designed in response to the reorganisation of the savings banks' branches and central services.

Finally, the functionalities of the transactions management computer software will be improved to cover the new demands arising in the Spanish equities market and cover will be provided for OTC transactions of Spanish equities securities.

4.11. INTERNAL AUDIT 2009

CECA CONFEDERACION ESPAÑOLA DE CAJAS DE AHORROS

FINANCIAL STATEMENT AUDIT

The Control Committee of the Spanish Confederation of Savings Banks, being familiar with the Entity's financial statements as of December 31, 2009 and the auditor's report prepared by Deloitte, S.L. resolved unanimously at its meeting today to inform the General Assembly that it has approved the aforementioned financial statements and also propose that they be approved by the General Assembly.

March 17, 2010

The Secretary,

Signed: Atilano Soto Rábanos

SECRETARIA GENERAL

Approved
The Chairman,

Signed: Rafael Jené Villagrasa

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CONFEDERACIÓN ESPAÑOLA DE CAJAS DE AHORROS AND SUBSIDIARIES COMPOSING THE CONFEDERACIÓN ESPAÑOLA DE CAJAS DE AHORROS GROUP

CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER 2009 AND 2008 (NOTES 1 TO 6)

Translation of a report originally issued in Spanish based on our work performed in accordance with generally accepted auditing standards in Spain and of consolidated financial statements originally issued in Spanish and prepared in accordance with IFRSs as adopted by the European Union (see Notes 1.2 and 44). In the event of a discrepancy, the Spanish-language version prevails.

(Thousands of Euros)

ASSETS	2009	2008 (*)
1. Cash and balances with central banks (Note 7)	**606,283**	**319,441**
2. Financial assets held for trading (Note 8.1)	**12,266,587**	**8,248,015**
2.1 Loans and advances to credit institutions	-	-
2.2 Loans and advances to customers	-	-
2.3 Debt instruments	8,782,117	6,228,460
2.4 Equity instruments	44,883	23,877
2.5 Trading derivatives	3,439,587	1,995,678
Memorandum item: Loaned or advanced as collateral	4,634,523	4,020,092
3. Other financial assets at fair value through profit or loss (Note 8.2)	**4,547,105**	**4,817,944**
3.1 Loans and advances to credit institutions	3,748,450	4,421,974
3.2 Loans and advances to customers	798,655	395,970
3.3 Debt instruments	-	-
3.4 Equity instruments	-	-
Memorandum item: Loaned or advanced as collateral	1,838,335	3,244,151
4. Available-for-sale financial assets (Note 9)	**717,299**	**561,222**
4.1 Debt instruments	591,324	437,442
4.2 Equity instruments	125,975	123,780
Memorandum item: Loaned or advanced as collateral	23,052	116,930
5. Loans and receivables (Note 10)	**3,764,991**	**3,902,431**
5.1 Loans and advances to credit institutions	3,056,976	3,321,356
5.2 Loans and advances to customers	550,394	299,325
5.3 Debt instruments	157,621	281,750
Memorandum item: Loaned or advanced as collateral	227,307	112,338
6. Held-to-maturity investments	**-**	**-**
Memorandum item: Loaned or advanced as collateral	-	-
7. Changes in the fair value of hedged items in portfolio hedges of interest rate risk	**-**	**-**
8. Hedging derivatives	**-**	**-**

CONFEDERACIÓN ESPAÑOLA DE CAJAS DE AHORROS AND SUBSIDIARIES COMPOSING THE CONFEDERACIÓN ESPAÑOLA DE CAJAS DE AHORROS GROUP

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(Thousands of Euros)

ASSETS	2009	2008 (*)
9. Non-current assets held for sale (Note 11)	161	161
10. Investments (Note 12)	-	-
10.1 Associates	-	-
10.2 Jointly controlled entities	-	-
11. Insurance contracts linked to pensions	-	-
12. Reinsurance assets	-	-
13. Tangible assets (Note 13)	107,907	108,954
13.1 Property, plant and equipment	106,703	107,714
13.1.1 For own use	106,703	107,714
13.1.2 Leased out under an operating lease	-	-
13.1.3 Assigned to welfare projects	-	-
13.2 Investment property	1,204	1,240
Memorandum item: Acquired under a finance lease	-	-
14. Intangible assets (Note 14)	2,297	4,747
14.1 Goodwill	-	-
14.2 Other intangible assets	2,297	4,747
15. Tax assets	71,000	37,425
15.1 Current	854	604
15.2 Deferred (Note 21)	70,146	36,821
16. Other assets (Note 15)	24,784	26,671
16.1 Inventories	-	-
16.2 Other	24,784	26,671
TOTAL ASSETS	22,108,414	18,027,011
MEMORANDUM ITEMS		
1. Contingent liabilities (Note 29.1)	117,754	189,832
2. Contingent commitments (Note 29.3)	1,177,506	716,569

(*) Presented for comparison purposes only.
The accompanying Notes 1 to 44 and Appendixes I and II are an integral part of the consolidated balance sheet at 31 December 2009.

CONFEDERACIÓN ESPAÑOLA DE CAJAS DE AHORROS AND SUBSIDIARIES COMPOSING THE CONFEDERACIÓN ESPAÑOLA DE CAJAS DE AHORROS GROUP

CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER 2009 AND 2008 (NOTES 1 TO 6)

LIABILITIES AND EQUITY

(Thousands of Euros)

LIABILITIES	2009	2008(*)
1. Financial liabilities held for trading (Note 8.1)	**4,349,645**	**2,396,595**
1.1 Deposits from central banks	-	-
1.2 Deposits from credit institutions	-	-
1.3 Customer deposits	-	-
1.4 Marketable debt securities	-	-
1.5 Trading derivatives	3,486,403	2,119,152
1.6 Short positions	863,242	277,443
1.7 Other financial liabilities	-	-
2. Other financial liabilities at fair value through profit or loss (Note 8.2)	**7,619,524**	**7,085,827**
2.1 Deposits from central banks	1,209,104	20,502
2.2 Deposits from credit institutions	2,371,801	2,282,949
2.3 Customer deposits	4,038,619	4,782,376
2.4 Marketable debt securities	-	-
2.5 Subordinated liabilities	-	-
2.6 Other financial liabilities	-	-
3. Financial liabilities at amortised cost (Note 16)	**9,235,776**	**7,744,465**
3.1 Deposits from central banks	279,737	286,750
3.2 Deposits from credit institutions	5,162,482	3,850,190
3.3 Customer deposits	3,233,776	2,776,290
3.4 Marketable debt securities	-	-
3.5 Subordinated liabilities	-	-
3.6 Other financial liabilities	559,781	831,235
4. Changes in the fair value of hedged items in portfolio hedges of interest rate risk	**-**	**-**
5. Hedging derivatives	**-**	**-**
6. Liabilities associated with non-current assets held for sale	**-**	**-**
7. Liabilities under insurance contracts	**-**	**-**

CONFEDERACIÓN ESPAÑOLA DE CAJAS DE AHORROS AND SUBSIDIARIES COMPOSING THE CONFEDERACIÓN ESPAÑOLA DE CAJAS DE AHORROS GROUP

CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER 2009 AND 2008 (NOTES 1 TO 6)

LIABILITIES AND EQUITY

(Thousands of Euros)

LIABILITIES	2009	2008(*)
8. Provisions (Note 17)	**75,824**	**55,671**
8.1 Provisions for pensions and similar obligations	6,769	7,561
8.2 Provisions for taxes and other legal contingencies	-	-
8.3 Provisions for contingent liabilities and commitments	13	6
8.4 Other provisions	69,042	48,104
9. Tax liabilities (Note 21)	**58,483**	**49,184**
9.1 Current	15,346	8,615
9.2 Deferred	43,137	40,569
10. Welfare fund (Note 28)	**503**	**363**
11. Other liabilities	**72,233**	**47,324**
TOTAL LIABILITIES	**21,411,988**	**17,379,429**

EQUITY	2009	2008(*)
1. Own funds	**661,662**	**622,614**
1.1 Endowment fund	-	-
1.1.1 Registered capital	-	-
1.1.2 Less: Uncalled capital	-	-
1.2 Share premium	-	-
1.3 Reserves	585,675	550,802
1.3.1. Accumulated reserves (losses) (Note 20)	585,675	550,802
1.3.2. Reserves (losses) of entities accounted for using the equity method	-	-
1.4 Other equity instruments	30,051	30,051
1.4.1 Equity component of compound financial instruments	-	-
1.4.2 Non-voting equity units and associated funds (Note 19)	30,051	30,051
1.4.3 Other equity instruments	-	-
1.5 Less: Treasury shares	-	-
1.6 Profit for the year	45,936	41,761
1.7 Less: Dividends and remuneration	-	-

CONFEDERACIÓN ESPAÑOLA DE CAJAS DE AHORROS AND SUBSIDIARIES COMPOSING THE CONFEDERACIÓN ESPAÑOLA DE CAJAS DE AHORROS GROUP

CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER 2009 AND 2008 (NOTES 1 TO 6)

LIABILITIES AND EQUITY

(Thousands of Euros)

EQUITY	2009	2008(*)
2. Valuation adjustments	**34,764**	**24,968**
2.1 Available-for-sale financial assets (Note 18)	34,764	24,968
2.2 Cash flow hedges	-	-
2.3 Hedges of net investments in foreign operations	-	-
2.4 Exchange differences	-	-
2.5 Non-current assets held for sale	-	-
2.6 Entities accounted for using the equity method		
2.7 Other valuation adjustments	-	-
3. Minority interests		
3.1 Valuation adjustments	-	-
3.2 Other	-	-
TOTAL EQUITY	**696,426**	**647,582**
TOTAL LIABILITIES AND EQUITY	**22,108,414**	**18,027.011**

(*) Presented for comparison purposes only.
The accompanying Notes 1 to 44 and Appendixes I and II are an integral part of the consolidated balance sheet at 31 December 2009.

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CONSOLIDATED INCOME STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2009 AND 2008 (NOTES 1 TO 6)

Translation of a report originally issued in Spanish based on our work performed in accordance with generally accepted auditing standards in Spain and of consolidated financial statements originally issued in Spanish and prepared in accordance with IFRSs as adopted by the European Union (see Notes 1.2 and 44). In the event of a discrepancy, the Spanish-language version prevails.

	(Thousands of Euros) Income / (Expense)	
	2009	2008 (*)
1. Interest and similar income (Note 30)	**487,412**	**611,339**
2. Interest expense and similar charges (Note 31)	**(399,460)**	**(520,536)**
A. NET INTEREST INCOME	**87,952**	**90,803**
4. Income from equity instruments (Note 32)	**134,511**	**31,627**
5. Share of results of entities accounted for using the equity method	**-**	**-**
6. Fee and commission income (Note 33)	**101,881**	**107,780**
7. Fee and commission expense (Note 34)	**(30,348)**	**(29,105)**
8. Gains/losses on financial assets and liabilities (net) (Note 35)	**(34,200)**	**(71,749)**
8.1 Held for trading	(18,624)	(92,071)
8.2 Other financial instruments at fair value through profit or loss	(28,906)	28,337
8.3 Financial instruments not measured at fair value through profit or loss	13,330	(8,015)
8.4 Other	-	-
9. Exchange differences (net)	**21,640**	**50,409**
10. Other operating income (Note 36)	**92,810**	**90,551**
10.1 Income from insurance and reinsurance contracts issued	-	-
10.2 Sales and income from the provision of non-financial services	1,292	-
10.3 Other operating income	91,518	90,551
11. Other operating expenses (Note 39)	**(2,012)**	**(1,204)**
11.1 Insurance and reinsurance contract expenses	-	-
11.2 Changes in inventories	-	-
11.3 Other operating expenses	(2,012)	(1,204)

CONFEDERACIÓN ESPAÑOLA DE CAJAS DE AHORROS AND SUBSIDIARIES COMPOSING THE CONFEDERACIÓN ESPAÑOLA DE CAJAS DE AHORROS GROUP

CONSOLIDATED INCOME STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2009 AND 2008 (NOTES 1 TO 6)

	(Thousands of Euros)	
	Income / (Expense)	
	2009	2008 (*)
B. GROSS INCOME	**372,234**	**269,112**
12. Administrative expenses	**(178,900)**	**(164.850)**
12.1 Staff costs (Note 37)	(85,442)	(73,441)
12.2 Other general administrative expenses (Note 38)	(93,458)	(91,409)
13. Depreciation and amortisation (Note 41)	**(9,443)**	**(10,385)**
14. Provisions (net) (Note 17)	**(19,976)**	**(33,839)**
15. Impairment losses on financial assets (net) (Notes 23 and 40)	**(102,616)**	**(5,553)**
15.1 Loans and receivables	(96,731)	(5,558)
15.2 Other financial instruments not measured at fair value through profit or loss	(5,885)	5
C. PROFIT FROM OPERATIONS	**61,299**	**54,485**
16. Impairment losses on other assets (net)	**-**	**-**
16.1 Goodwill and other intangible assets	-	-
16.2 Other assets	-	-
17. Gains (losses) on disposal of assets not classified as non-current assets held for sale	**(3)**	**(14)**
18. Negative goodwill on business combinations	**-**	**-**
19. Gains (losses) on non-current assets held for sale not classified as discontinued operations (Note 11)	**-**	**10**
D. PROFIT BEFORE TAX	**61,296**	**54,481**
20. Income tax (Note 21)	**(15,360)**	**(12,720)**
21. Mandatory transfer to welfare projects and funds	**-**	**-**

CONFEDERACIÓN ESPAÑOLA DE CAJAS DE AHORROS AND SUBSIDIARIES COMPOSING THE CONFEDERACIÓN ESPAÑOLA DE CAJAS DE AHORROS GROUP

CONSOLIDATED INCOME STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2009 AND 2008 (NOTES 1 TO 6)

	(Thousands of Euros) Income / (Expense)	
	2009	2008 (*)
E. PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS	**45,936**	**41,761**
22. Profit/Loss from discontinued operations (net)	**-**	**-**
F. CONSOLIDATED PROFIT FOR THE YEAR	**45,936**	**41,761**
F.1. Profit attributable to the Parent	45,936	41,761
F.2. Profit attributable to minority interests	-	-

(*) Presented for comparison purposes only.
The accompanying Notes 1 to 44 and Appendixes I and II are an integral part of the consolidated income statement for 2009.

CONFEDERACIÓN ESPAÑOLA DE CAJAS DE AHORROS AND SUBSIDIARIES COMPOSING THE CONFEDERACIÓN ESPAÑOLA DE CAJAS DE AHORROS GROUP

CONSOLIDATED STATEMENTS OF RECOGNISED INCOME AND EXPENSE FOR THE YEARS ENDED 31 DECEMBER 2009 AND 2008 (NOTES 1 TO 6)

Translation of a report originally issued in Spanish based on our work performed in accordance with generally accepted auditing standards in Spain and of consolidated financial statements originally issued in Spanish and prepared in accordance with IFRSs as adopted by the European Union (see Notes 1.2 and 44). In the event of a discrepancy, the Spanish-language version prevails.

	(Thousands of Euros) Income / (Expense)	
	2009	**2008 (*)**
A) CONSOLIDATED PROFIT FOR THE YEAR	**45,936**	**41,761**
B) OTHER RECOGNISED INCOME AND EXPENSE	**9,796**	**(52,218)**
1. Available-for-sale financial assets	**13,994**	**(78,593)**
1.1. Revaluation gains (losses)	28,749	(86,608)
1.2. Amounts transferred to income statement	(14,755)	8,015
1.3. Other reclassifications	-	-
2. Cash flow hedges	**-**	**3,996**
2.1. Revaluation gains (losses)	-	1,362
2.2. Amounts transferred to income statement	-	-
2.3. Amounts transferred to the initial carrying amount of hedged items	-	2,634
2.4. Other reclassifications	-	-
3. Hedges of net investments in foreign operations	**-**	**-**
3.1. Revaluation gains (losses)	-	-
3.2. Amounts transferred to income statement	-	-
3.3. Other reclassifications	-	-
4. Exchange differences	**-**	**-**
4.1. Revaluation gains (losses)	-	-
4.2. Amounts transferred to income statement	-	-
4.3. Other reclassifications	-	-

CONFEDERACIÓN ESPAÑOLA DE CAJAS DE AHORROS AND SUBSIDIARIES COMPOSING THE CONFEDERACIÓN ESPAÑOLA DE CAJAS DE AHORROS GROUP

CONSOLIDATED STATEMENTS OF RECOGNISED INCOME AND EXPENSE FOR THE YEARS ENDED 31 DECEMBER 2009 AND 2008 (NOTES 1 TO 6)

	(Thousands of Euros) Income / (Expense)	
	2009	2008 (*)
5. Non-current assets held for sale	**-**	**-**
5.1. Revaluation gains (losses)	-	-
5.2. Amounts transferred to income statement	-	-
5.3. Other reclassifications	-	-
6. Actuarial gains (losses) on pension plans	**-**	**-**
7. Entities accounted for using the equity method	**-**	**-**
7.1. Revaluation gains (losses)	-	-
7.2. Amounts transferred to income statement	-	-
7.3. Other reclassifications	-	-
8. Other recognised income and expense	**-**	**-**
9. Income tax	**(4,198)**	**22,379**
C) TOTAL RECOGNISED INCOME AND EXPENSE (A+B)	**55,732**	**(10,457)**
C 1) Attributable to the Parent	55,732	(10,457)
C 2) Attributable to minority interests	-	-

(*) Presented for comparison purposes only.
The accompanying Notes 1 to 44 and Appendixes I and II are an integral part of the consolidated statement of recognised income and expense for 2009.

CONFEDERACIÓN ESPAÑOLA DE CAJAS DE AHORROS AND SUBSIDIARIES COMPOSING THE CONFEDERACIÓN ESPAÑOLA DE CAJAS DE AHORROS GROUP

CONSOLIDATED STATEMENTS OF CHANGES IN TOTAL EQUITY FOR THE YEARS ENDED 31 DECEMBER 2009 AND 2008 (NOTES 1 TO 6)

Translation of a report originally issued in Spanish based on our work performed in accordance with generally accepted auditing standards in Spain and of consolidated financial statements originally issued in Spanish and prepared in accordance with IFRSs as adopted by the European Union (see Notes 1.2 and 44). In the event of a discrepancy, the Spanish-language version prevails.

(Thousands of Euros)	OWN FUNDS												
	Endowment Fund	Share Premium	Reserves (Note 20)	Reserves (Losses) of Entities Accounted for Using the Equity Method	Other Equity Instruments (Note 19)	Less: Treasury Shares	Profit for the Year Attributable to the Parent	Less: Dividends and Remuneration	Total Own Funds	VALUATION ADJUSTMENTS (Note 18)	Total	Minority Interests	TOTAL EQUITY
1. Ending balance at 31/12/08	-	-	550,802	-	30,051	-	41,761	-	622,614	24,968	647,582	-	647,582
1.1. Adjustments due to changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-
1.2. Adjustments made to correct errors	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Adjusted beginning balance	-	-	550,802	-	30,051	-	41,761	-	622,614	24,968	647,582	-	647,582
3. Total recognised income and expense	-	-	-	-	-	-	45.936	-	45.936	9.796	55.732	-	55.732
4. Other changes in equity	-	-	34,873	-	-	-	(41,761)	-	(6,888)	-	(6,888)	-	(6,888)
4.1. Increases in endowment fund	-	-	-	-	-	-	-	-	-	-	-	-	-
4.2. Reductions of endowment fund	-	-	-	-	-	-	-	-	-	-	-	-	-
4.3. Conversion of financial liabilities into equity	-	-	-	-	-	-	-	-	-	-	-	-	-
4.4. Increases in other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-
4.5. Reclassification of financial liabilities to other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-
4.6. Reclassification of other equity instruments to financial liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-
4.7. Remuneration of shareholders	-	-	-	-	-	-	(2,089)	-	(2,089)	-	(2,089)	-	(2,089)
4.8. Transactions involving own equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-
4.9. Transfers between equity items	-	-	34,872	-	-	-	(34,872)	-	-	-	-	-	-
4.10. Increases (decreases) due to business combinations	-	-	-	-	-	-	-	-	-	-	-	-	-
4.11. Discretionary transfer to welfare projects and funds	-	-	-	-	-	-	(4,800)	-	(4,800)	-	(4,800)	-	(4,800)
4.12. Equity-instrument-based payments	-	-	-	-	-	-	-	-	-	-	-	-	-
4.13. Other increases (decreases) in equity	-	-	1	-	-	-	-	-	1	-	1	-	1
5. Ending balance at 31/12/09	-	-	585,675	-	30,051	-	45,936	-	661,662	34,764	696,426	-	696,426

CONFEDERACIÓN ESPAÑOLA DE CAJAS DE AHORROS AND SUBSIDIARIES COMPOSING THE CONFEDERACIÓN ESPAÑOLA DE CAJAS DE AHORROS GROUP

CONSOLIDATED STATEMENTS OF CHANGES IN TOTAL EQUITY FOR THE YEARS ENDED 31 DECEMBER 2009 AND 2008 (NOTES 1 TO 6)

(Thousands of Euros)	OWN FUNDS												
	Endowment Fund	Share Premium	Reserves (Note 20)	Reserves (Losses) of Entities Accounted for Using the Equity Method	Other Equity Instruments (Note 19)	Less: Treasury Shares	Profit for the Year Attributable to the Parent	Less: Dividends and Remuneration	Total Own Funds	VALUATION ADJUSTMENTS (Note 18)	Total	Minority Interests	TOTAL EQUITY
1. Ending balance at 31/12/07	-	-	519,098	(52)	30,051	-	40,282	-	589,379	77,186	666,565	-	666,565
1.1. Adjustments due to changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-
1.2. Adjustments made to correct errors	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Adjusted beginning balance	-	-	519,098	(52)	30,051	-	40,282	-	589,379	77,186	666,565	-	666,565
3. Total recognised income and expense	-	-	-	-	-	-	41.761	-	41.761	(52.218)	(10.457)	-	(10.457)
4. Other changes in equity	-	-	31,704	52	-	-	(40,282)	-	(8,526)	-	(8,526)	-	(8,526)
4.1. Increases in endowment fund	-	-	-	-	-	-	-	-	-	-	-	-	
4.2. Reductions of endowment fund	-	-	-	-	-	-	-	-	-	-	-	-	-
4.3. Conversion of financial liabilities into equity	-	-	-	-	-	-	-	-	-	-	-	-	-
4.4. Increases in other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-
4.5. Reclassification of financial liabilities to other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-
4.6. Reclassification of other equity instruments to financial liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-
4.7. Remuneration of shareholders	-	-	-	-	-	-	(2,281)	-	(2,281)	-	(2,281)	-	(2,281)
4.8. Transactions involving own e quity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-
4.9. Transfers between equity items	-	-	31,521	52	-	-	(31,573)	-	-	-	-	-	-
4.10. Increases (decreases) due to business combinations	-	-	-	-	-	-	-	-	-	-	-	-	-
4.11. Discretionary transfer to welfare projects and funds	-	-	-	-	-	-	(6,428)	-	(6,428)	-	(6,428)	-	(6,428)
4.12. Equity-instrument-based payments	-	-	-	-	-	-	-	-	-	-	-	-	-
4.13. Other increases (decreases) in equity	-	-	183	-	-	-	-	-	183	-	183	-	183
5. Ending balance at 31/12/08	-	-	550,802	-	30,051	-	41,761	-	622,614	24,968	647,582	-	647,582

(*) Presented for comparison purposes only. The accompanying Notes 1 to 44 and Appendixes I and II are an integral part of the consolidated statement of changes in total equity for 2009.

CONFEDERACIÓN ESPAÑOLA DE CAJAS DE AHORROS AND SUBSIDIARIES COMPOSING THE CONFEDERACIÓN ESPAÑOLA DE CAJAS DE AHORROS GROUP

CONSOLIDATED CASH FLOW STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2009 AND 2008 (NOTES 1 TO 6)

	(Thousands of Euros)	
	Income / (Expense)	
	2009	2008 (*)
A) CASH FLOWS FROM OPERATING ACTIVITIES (Note 2.16)	**294,899**	**(314,233)**
1. Consolidated profit for the year	**45,936**	**41,761**
2. Adjustments made to obtain the cash flows from operating activities	**119,782**	**160,711**
2.1. Depreciation and amortisation	9,443	10,385
2.3. Other adjustments	110,339	150,326
3. Net (increase)/decrease in operating assets	**(3,836,695)**	**(4,061,653)**
3.1. Financial assets held for trading	(3,938,444)	(5,195,005)
3.2. Other financial assets at fair value through profit or loss	241,933	(4,896,537)
3.3. Available-for-sale financial assets	(147,968)	(71,073)
3.4. Loans and receivables	40,709	6,048,919
3.5. Other operating assets	(32,925)	52,043
4. Net (increase)/decrease in operating liabilities	**4,009,458**	**3,553,601**
4.1. Financial liabilities held for trading	1,953,050	540,316
4.2. Other financial liabilities at fair value through profit or loss	533,697	7,085,827
4.3. Financial liabilities at amortised cost	1,491,311	(4,101,530)
4.4. Other operating liabilities	31,400	28,988
5. Collections/(Payments) of income tax	**(43,582)**	**(8,653)**
B) CASH FLOWS FROM INVESTING ACTIVITIES (Note 2.16)	**(5,968)**	**(4,246)**

CONFEDERACIÓN ESPAÑOLA DE CAJAS DE AHORROS AND SUBSIDIARIES COMPOSING THE CONFEDERACIÓN ESPAÑOLA DE CAJAS DE AHORROS GROUP

CONSOLIDATED CASH FLOW STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2009 AND 2008 (NOTES 1 TO 6)

	(Thousands of Euros) Income / (Expense)	
	2009	2008 (*)
6. Payments	**(5,968)**	**(4.256)**
6.1. Tangible assets	(5.311)	(3.539)
6.2. Intangible assets	(657)	(717)
6.3. Investments	-	-
6.4. Other business units	-	-
6.5. Non-current assets held for sale and associated liabilities	-	-
6.6. Held-to-maturity investments	-	-
6.7. Other payments related to investing activities	-	-
7. Collections	**-**	**10**
7.1. Tangible assets	-	-
7.2. Intangible assets	-	-
7.3. Investments	-	-
7.4. Other business units	-	-
7.5. Non-current assets held for sale and associated liabilities	-	10
7.6. Held-to-maturity investments	-	-
7.7. Other payments related to investing activities	-	-
C) CASH FLOWS FROM FINANCING ACTIVITIES (Note 2.16)	**(2.089)**	**(2.281)**
8. Payments	**2.089**	**2.281**
8.1. Dividends	2.089	2.281
8.2. Subordinated liabilities	-	-
8.3. Redemption of own equity instruments	-	-
8.4. Acquisition of own equity instruments	-	-
8.5. Other payments related to financing activities	-	-

CONFEDERACIÓN ESPAÑOLA DE CAJAS DE AHORROS AND SUBSIDIARIES COMPOSING THE CONFEDERACIÓN ESPAÑOLA DE CAJAS DE AHORROS GROUP

CONSOLIDATED CASH FLOW STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2009 AND 2008 (NOTES 1 TO 6)

	(Thousands of Euros) Income / (Expense)	
	2009	**2008 (*)**
9. Collections	**-**	**-**
9.1. Subordinated liabilities	-	-
9.2. Issuance of own equity instruments	-	-
9.3. Disposal of equity instruments	-	-
9.4. Other collections related to financing activities	-	-
D) EFFECT OF CHANGES IN EXCHANGE RATES	**-**	**-**
E) NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS (A+B+C+D)	**286.842**	**(320.760)**
F) CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**319.441**	**640.201**
G) CASH AND CASH EQUIVALENTS AT END OF YEAR	**606.283**	**319.441**
MEMORANDUM ITEMS		
COMPONENTS OF CASH AND CASH EQUIVALENTS AT END OF YEAR		
1.1. Cash	39.704	32.396
1.2. Cash equivalents at central banks	566.579	287.045
1.3. Other financial assets	-	-
1.4. Less: Bank overdrafts refundable on demand	-	-
Total cash and cash equivalents at end of year (Note 7)	**606.283**	**319.441**
of which: held by consolidated entities but not drawable by the Group	-	-

(*) Presented for comparison purposes only.
The accompanying Notes 1 to 44 and Appendixes I and II are an integral part of the consolidated cash flow statement for 2009.

1. INTRODUCTION, BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OTHER INFORMATION

1.1. Introduction

Confederación Española de Cajas de Ahorros ("the Confederación") is an entity subject to the rules and regulations applicable to credit institutions operating in Spain. The Confederación operates mainly in Spain and it has a branch in London. Its registered office is at calle Alcalá, 27, Madrid. Public information on the Confederación can be consulted both on the Confederación's official website (www.ceca.es) and at its registered office.

The Confederación is the national association of all member, or potential member, general popular savings banks, whether or not they are grouped together in federations, and provides them with financial services. It is a community welfare institution governed by current legislation and regulations in this connection and, particularly, by its bylaws.

In addition to the operations carried on directly by it, the Confederación is the head of a group of subsidiaries that engage in various business activities and which compose, together with it, the Confederación Española de Cajas de Ahorros Group ("the Group"). Therefore, the Confederación is obliged to prepare, in addition to its own individual financial statements, the Group's consolidated financial statements, which also include the interests in joint ventures (jointly controlled entities) and the investments in associates, if any.

The Confederación Española de Cajas de Ahorros Group comprised the following companies at 31 December 2009:

Subsidiaries

- Caja Activa, S.A., incorporated in 1997 to facilitate the access of savings bank customers to new technologies.
- Cea Trade Services Limited, incorporated in 2004 to encourage the provision of foreign trade services to savings banks.

Jointly controlled entity

- Ahorro y Titulización, Sociedad Gestora de Fondos de Titulización, S.A., incorporated in 1993 in order to establish, manage and legally represent asset-backed bond SPVs and mortgage-backed security SPVs.

At 31 December 2009, the Group did not have any ownership interests in companies which, in accordance with applicable legislation, should be considered as associates.

The accompanying Appendixes I and II include salient financial information relating to these companies. Also, Note 3 contains the Confederación's summarised financial statements for 2009, including comparative information for 2008, and details the percentage that its assets and profit represent in relation to those of the Group.

The Group's consolidated financial statements for 2008 were approved at the Confederación's Annual General Assembly on 15 April 2009. The 2009 consolidated financial statements of the Group and of the Confederación have not yet been approved by the General Assembly. However, the Confederación's Board of Directors considers that they will be approved without any material changes.

1.2. Basis of presentation of the consolidated financial statements

The Group's consolidated financial statements for 2009 were authorised for issue by the Confederación's directors at the Board of Directors meeting held on 17 March 2010.

The Group's consolidated financial statements are presented in accordance with International Financial Reporting Standards as adopted by the European Union at 31 December 2009 ("EU-IFRSs"), taking into account Bank of Spain Circular 4/2004, of 22 December, on public and confidential financial reporting rules and financial statement formats for credit institutions, amended by Bank of Spain Circular 6/2008, of 26 November. Bank of Spain Circular 4/2004 implements and adapts for the Spanish credit institution industry the International Financial Reporting Standards approved by the European Union.

The Group's consolidated financial statements for 2009 were prepared taking into account all the mandatory accounting policies and rules and measurement bases with a material effect on the consolidated financial statements and, accordingly, they present fairly the Group's consolidated equity and financial position at 31 December 2009, and the consolidated results of its operations, the consolidated statement of recognised income and expense and the consolidated cash flows in the year then ended.

The principal accounting policies and measurement bases applied in preparing the Group´s consolidated financial statements for 2009 are summarised in Note 2.

The consolidated financial statements were prepared from the accounting records kept by the Confederación and by the other Group entities. However, since the accounting policies and measurement bases used in preparing the Group's consolidated financial statements for 2009 may differ from those used by certain Group entities, the required adjustments and reclassifications were made on consolidation to unify such policies and bases and to make them compliant with the EU-IFRSs used by the Confederación in the preparation of its consolidated financial statements.

1.3. Responsibility for the information and use of estimates

The information in these consolidated financial statements is the responsibility of the Confederación's Directors.

In the preparation of the Group's consolidated financial statements for 2009 estimates were made by the Group's Directors in order to quantify certain of the assets, liabilities, income, expenses and obligations reported herein. These estimates relate basically to the following:

- The impairment losses on certain assets (see Notes 2.9, 2.13, 2.14 and 2.17).
- The assumptions used in the actuarial calculation of the post-employment benefit liabilities and obligations and other long-term obligations to employees (see Note 2.11).
- The calculation of any provisions required for contingent liabilities (see Notes 2.10 and 2.15).
- The useful life of the tangible and intangible assets (see Notes 2.13 and 2.14); and
- The fair value of certain unquoted assets (see Note 2.2.3).

Although these estimates were made on the basis of the best information available at 31 December 2009 on the events analysed, future events might make it necessary to change these estimates (upwards or downwards) in coming years. Any required changes in accounting estimates would be applied prospectively in accordance with the applicable standards, recognising the effects of the change in estimates in the consolidated income statements for the years in question.

1.4. Information relating to 2008

As required by IAS 1, the information relating to 2008 contained in these notes to the consolidated financial statements is presented with the information relating to 2009 for comparison purposes only and, accordingly, it does not constitute the Group's statutory consolidated financial statements for 2008.

1.5. Agency agreements

Neither at 2009 nor 2008 year-end nor at any other time during those years did the Group have any agency agreements in force, as defined in Article 22 of Royal Decree 1245/1995, of 14 July.

1.6. Investments in the share capital of credit institutions

At 31 December 2009 and 2008, the Group did not hold any ownership interests of 5% or more in the share capital or voting power of any Spanish or foreign credit institutions.

1.7. Environmental impact

In view of the main business activities carried on by the Group, it does not have a significant impact on the environment. Therefore, the Group's consolidated financial statements for 2009 do not contain any disclosures on environmental issues.

1.8. Capital management objectives, policies and processes

Bank of Spain Circular 3/2008, of 22 May, on the calculation and control of minimum capital requirements, regulates the minimum capital requirements for Spanish credit institutions –both as individual entities and as consolidated groups– and how to calculate them, as well as the various internal capital adequacy assessment processes they should have in place and the information they should disclose to the market in this connection.

The entry into force of Bank of Spain Circular 3/2008 resulted in the repeal of Bank of Spain Circular 5/1993, of 26 March, on the basis of which the capital requirements for credit institutions were calculated until 2008.

This Circular is the final implementation, for credit institutions, of the legislation on capital and consolidated supervision of financial institutions, which was contained in Law 36/2007, of 16 November, amending Law 13/1985, of 25 May, on the investment ratios, capital and reporting requirements of financial intermediaries, and other financial regulations, and which also includes Royal Decree 216/2008, of 15 February, on the capital of financial institutions. Bank of Spain Circular 3/2008 also culminates the process of adaptation of Spanish legislation for credit institutions to Directive 2006/48/EC of the European Parliament and of the Council, of 14 June 2006, and Directive 2006/49/EC of the European Parliament and of the Council, of 14 June 2006. The minimum capital requirements for credit institutions and their consolidable groups were thoroughly revised in both Directives, based on the new Capital Accord adopted by the Basel Committee on Banking Supervision ("Basel II").

Therefore, the Group completed the process of adaptation to the new regulation on capital requirements.

The strategic capital management objectives set by Group management are as follows:

- To comply, at all times, both at individual and at consolidated level, with the applicable regulations on minimum capital requirements.
- To seek maximum capital management efficiency so that, together with other profitability and risk variables, the use of capital is considered as a key variable in any analysis related to the Group's investment decisions.

In order to meet these objectives, the Group has in place a series of capital management policies and processes, the main cornerstones of which are as follows:

- In the Group's strategic and operational planning, the impact of decisions on the Group's eligible capital and the use-profitability-risk relationship is considered to be a key decision-making factor.
- As part of its organisational structure the Group has monitoring and control units which at all times analyse the level of compliance with the Bank of Spain regulations on capital, with alerts in place to guarantee compliance with the applicable regulations.

Bank of Spain Circular 3/2008, of 22 May, establishes the elements that are eligible for inclusion in capital for the purpose of compliance with the minimum capital requirements set forth therein. Under this Circular, capital must be classified into Tier 1 and Tier 2 capital. The capital calculated for the purposes of the Circular differs from the capital calculated in accordance with accounting standards, since the Circular considers certain items as capital and establishes certain mandatory deductions from capital in respect of items which are not considered to be part of capital under accounting standards. In accordance with the aforementioned Bank of Spain Circular 3/2008, the Group's capital is managed and calculated at the level of its consolidable group of credit institutions, as defined in the Circular. The consolidable group of credit institutions, of which the Confederación is the head, differs from the economic group of which it is the parent (see Note 1.1), basically with respect to the consolidation or measurement methods applied to the Group entities which are not considered consolidable entities due to their activity (non-financial entities).

The Group's management of its capital, as regards conceptual definitions, is in keeping with Bank of Spain Circular 3/2008. In this connection, the Group considers eligible capital to be that specified in Rule Eight of Bank of Spain Circular 3/2008, with the deductions and limits stated in Rules Nine to Eleven of the Circular.

The minimum capital requirements established by the aforementioned Circular are calculated by reference to the Group's exposure to credit and dilution risk (on the basis of assets, obligations and other memorandum items that present these risks, depending on their amounts, characteristics, counterparties, guarantees, etc.), to counterparty risk and position and settlement risk in the trading book, to foreign exchange and gold position risk (on the basis of the overall net foreign currency position and of the net gold position) and to operational risk. Additionally, the Group is subject to compliance with the risk concentration limits and the requirements concerning internal corporate governance, capital adequacy assessment, interest rate risk measurement and disclosure of information to the market, also established in Bank of Spain Circular 3/2008. With a view to guaranteeing compliance with the aforementioned objectives, the Group performs an integrated management of these risks, in accordance with the policies and processes indicated above.

Following is a detail, classified into Tier 1 and Tier 2 capital, of the Confederación Española de Cajas de Ahorros Group's capital at 31 December 2009 and 2008 calculated in accordance with Bank of Spain Circular 3/2008:

Thousands of Euros

	2009	2008
Tier 1 capital	591,136	544,249
Tier 2 capital	81,172	75,902
Total eligible capital	**672,308**	**620,151**
Minimum Tier capital	**439,144**	**451,372**

Tier 1 capital in the above table basically includes the sum of the Group's reserves from retained earnings, participation certificates and the portion of consolidated profit for 2009 which the Group companies proposed be allocated to unrestricted reserves (see Note 4), less the balance of the intangible assets owned by the Group.

Tier 2 capital in the above table basically comprises the revaluation reserves relating to tangible assets set up in prior years pursuant to applicable legislation and the percentages established in Bank of Spain Circular 3/2008 applied to the carrying amounts of the unrealised gains on available-for-sale financial assets recognised under "Valuation Adjustments" in Group equity.

At 31 December 2009 and 2008 and throughout these years, the Group's eligible capital exceeded the minimum capital requirements under the applicable legislation.

1.9. Minimum reserve ratio

Monetary Circular 1/1998, of 29 September, which came into force on 1 January 1999, repealed the ten-year cash ratio and replaced it with the minimum reserve ratio.

At 31 December 2009 and 2008, and throughout 2009 and 2008, the Confederación, the only Group company to which the ratio is applicable, met the minimum reserve ratio required by the applicable legislation.

At 31 December 2009 the Group's cash balance with Bank of Spain for these purposes amounted to EUR 66,576 thousand (2008: EUR 51,106 thousand). This ratio is calculated on the basis of the daily ending balance held by the Confederación in this account during the required period.

1.10. Deposit guarantee fund

The Confederación is the only Group entity that participates in the Deposit Guarantee Fund. The contributions made to this Fund amounted to approximately EUR 63 thousand in 2009 (2008: EUR 53 thousand), and the related expense was recognised under "Other Operating Expenses" in the accompanying consolidated income statement for 2009 (see Note 39).

1.11 Changes in accounting policies

In 2009 there were no significant in the accounting policies applied by the Group in the consolidated financial statements in 2008.

2. ACCOUNTING POLICIES AND MEASUREMENT BASES

The accounting policies and measurement bases applied in preparing the Group's consolidated financial statements for 2009 were as follows:

2.1. Investments

2.1.1. Subsidiaries

"Subsidiaries" are defined as entities over which the Confederación has the capacity to exercise control; control is, in general but not exclusively, presumed to exist when the Confederación owns directly or indirectly half or more of the voting power of the investee or, even if this percentage is lower or zero, when there are other circumstances or agreements that give the Confederación control.

In accordance with IAS 27, control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Dividends accrued in the year on these investments are recognised under "Income from Equity Instruments" in the consolidated income statement.

At 31 December 2009 and 2008, in accordance with the aforementioned bases, the Confederación considered Caja Activa, S.A., in which it held a 99.99% in 2009 and 2008 ownership interest, and CEA Trade Services Limited, a wholly-owned investee in 2009 and 2008, to be subsidiaries of the Group of which it is the parent. Appendix I to these notes to the consolidated financial statements contains relevant information on these companies.

The financial statements of the subsidiaries are consolidated with those of the Confederación using the full consolidation method as defined in the applicable regulations. Accordingly, all material balances of the transactions between consolidated entities are eliminated on consolidation.

2.1.2. Jointly controlled entities

"Jointly controlled entities" are deemed to be ventures that are not subsidiaries but which are jointly controlled by the Confederación and by one or more other entities, either individually or in conjunction with the other entities of the group to which they belong.

The financial statements of investees classified as jointly controlled entities are proportionately consolidated with those of the Confederación, as stipulated in the current regulations. Therefore, the aggregation of balances in the consolidated balance sheet and consolidated income statement and subsequent eliminations of the balances and effects of intra-Group transactions are only made in proportion to the Group's ownership interest in the capital of these entities.

At 31 December 2009 and 2008, in accordance with the aforementioned rules, only Ahorro y Titulización, Sociedad Gestora de Fondos de Titulización, S.A., in which the Confederación owned a 50% holding in 2009 and 2008, was considered to be a jointly controlled entity. Appendix II to these notes to the consolidated financial statements contains significant information on this entity.

2.1.3. Associates

"Associates" are defined as companies over which the Confederación is in a position to exercise significant influence, but not control or joint control. Significant influence generally exists when the Confederación holds - directly or indirectly - 20% or more of the voting power of the investee.

In general, investments in associates are accounted for using the equity method, as defined in the applicable regulations. However, investments in associates that qualify for classification as non-current assets held for sale are recognised under "Non-Current Assets Held for Sale - Equity Instruments" in the consolidated balance sheet and are measured in accordance with the policies applicable to these assets (see Note 2.17).

At 31 December 2009 and 2008, in accordance with the aforementioned criteria, the Confederación did not hold any ownership interests in companies considered to be associates.

At 31 December 2009 and 2008, the Confederación owned 20% of the share capital of Tevea International, S.A. (formerly, Euro - Tevea S.A.). This investee was not classified as an associate, as although the Group owns more than 20% of its voting rights, it does not exercise significant influence over it. As a result, this investment is recognised in these consolidated financial statements under "Available – for - Sale Financial Assets - Other Equity Instruments" in the consolidated balance sheet at those dates and is measured at cost, in accordance with the criteria explained in Note 2.2.4.

At 31 December 2009, the Confederación owns 21.48% of the share capital of Eufiserv Payments, S.C.R.L. At 31 December 2009 this investment was not considered an associate since, in spite of owning 21.48% of the voting power, the Confederación does not exercise significant influence over this company. Therefore, this investment is recognised in these consolidated financial statements under "Available – for - Sale Financial Assets - Equity Instruments" in the consolidated balance sheet at that date and is measured at cost in accordance with the criteria explained in Note 2.2.4.

2.2. Financial instruments - Initial recognition, derecognition, definitions of fair value and amortised cost and classification categories and measurement of financial assets and liabilities

2.2.1. Initial recognition of financial instruments

Financial instruments are initially recognised in the consolidated balance sheet when the Group becomes a party to the contract originating them in accordance with the terms and conditions thereof. Specifically, debt instruments, such as loans and cash deposits, are recognised from the date on which the legal right to receive or the legal obligation to pay cash arises. Derivative financial instruments are generally recognised from the trade date.

A regular way purchase or sale of financial assets, defined as one in which the parties' reciprocal obligations must be discharged within a time frame established by regulation or convention in the marketplace and that may not be settled net, such as stock market and forward currency purchase and sale contracts, is recognised on the date from which the rewards, risks, rights and duties attaching to all owners are for the purchaser, which, depending on the type of financial asset purchased or sold, may be the trade date or the settlement or delivery date. In particular, transactions performed in the spot currency market are recognised on the settlement date; equity instruments traded in Spanish secondary securities markets are recognised on the trade date and debt instruments traded in these markets are recognised on the settlement date.

2.2.2. Derecognition of financial instruments

A financial asset is derecognised when:

- The contractual rights to the cash flows from the financial asset expire; or
- The financial asset is transferred and substantially all its risks and rewards are transferred or, although these are not substantially transferred or retained, control over the financial asset is transferred (see Note 2.8).

Also, a financial liability is derecognised when the obligations it generates have been extinguished or when it is purchased by the Group, with the intention either to re-sell it or to cancel it.

2.2.3. Fair value and amortised cost of financial instruments

The fair value of a financial instrument on a given date is taken to be the amount for which it could be bought or sold on that date by two knowledgeable parties in an arm's length transaction. The most objective and common reference for the fair value of a financial instrument is the price that would be paid for it on an organised, transparent and deep market ("quoted price" or "market price").

If there is no market price for a given financial instrument, its fair value is estimated on the basis of the price established in recent transactions involving similar instruments and, in the absence thereof, of valuation techniques commonly used by the financial community, taking into account the specific features of the instrument to be measured and, particularly, the various types of risk associated with it.

Specifically, the fair value of financial derivatives included in the portfolios of financial assets or liabilities held for trading which are traded in organised, transparent and deep markets is deemed to be their daily quoted price and if, for exceptional reasons, the quoted price at a given date cannot be determined, these financial derivatives are measured using methods similar to those used to measure OTC derivatives.

The fair value of OTC derivatives or derivatives traded in scantly deep or transparent organised markets is taken to be the sum of the future cash flows arising from the instrument, discounted to present value at the date of measurement ("present value" or "theoretical close") using valuation techniques recognised by the financial markets: "net present value" (NPV), option pricing models, etc.

Amortised cost is understood to be the acquisition cost of a financial asset or liability plus or minus, as appropriate, the principal and interest repayments and the cumulative amortisation (taken to the income statement), calculated using the effective interest method, of the difference between the initial cost and the maturity amount of such financial instruments. In the case of financial assets, amortised cost furthermore includes any reductions for impairment or uncollectibility.

The effective interest rate is the discount rate that exactly matches the initial amount of a financial instrument to the present value of all its estimated cash flows of all kinds during its remaining life, disregarding future losses from credit risk. For fixed rate financial instruments, the effective interest rate coincides with the contractual interest rate established on the acquisition or arrangement date adjusted, where applicable, for the fees, premiums, discounts and transaction costs that, pursuant to the applicable standards, must be included in the calculation of the effective interest rate. In the case of floating rate financial instruments, the effective interest rate is determined using a method similar to that for fixed rate transactions and is recalculated on each contractual interest reset date, taking into account any changes in the future cash flows.

2.2.4. Classification and measurement of financial assets and liabilities

Financial instruments are classified in the Group's consolidated balance sheet as follows:

- **Financial assets and liabilities at fair value through profit or loss:** pursuant to current legislation, this category includes financial instruments classified as held for trading and other financial assets and liabilities classified at fair value through profit or loss:
  - **Financial assets held for trading** include those acquired for the purpose of selling them in the near term or those which are part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent pattern of short-term profit taking and derivatives not designated as hedging instruments, including those separated from hybrid financial instruments pursuant to the applicable standards.
  - **Financial liabilities held for trading** include those that have been issued with an intention to repurchase them in the near term or that form part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent pattern of short-term profit taking; short positions arising from sales of financial assets acquired under non-optional resale agreements or borrowed securities, and financial derivatives not designated as hedging instruments, including those separated from hybrid financial instruments pursuant to the applicable standards.
  - **Other financial assets at fair value through profit or loss** are financial assets designated as such from their initial recognition, whose fair value may be estimated reliably and that meet any of the following requirements:
    - In the case of **hybrid financial instruments** for which it is compulsory to separate the embedded derivative(s) from the host contract, the fair value of the embedded derivative(s) cannot be estimated reliably.
    - In the case of **hybrid financial instruments** for which it is mandatory to separate the embedded derivative(s), the Group elected from their initial recognition to classify the entire hybrid financial instrument under this category, since the requirements established by current regulations were met in the sense that the embedded derivative(s) significantly alter the cash flows that the host contract would have had if it had been considered separately from the embedded derivative(s) and that there is an obligation to separate for accounting purposes the embedded derivative(s) from the host contract.

- As a result of classifying a financial asset in this category, **more relevant information is obtained** because such designation eliminates or significantly reduces inconsistencies in recognition or measurement (also known as accounting mismatches) that would otherwise arise from measuring assets or liabilities or recognising the related gains or losses on different bases or because the gain value basis reflects management's investment management or assessment strategy, as established in the applicable regulations. Note 8 contains details on the financial instruments classified in this category.

- **Other financial liabilities at fair value through profit or loss** are financial liabilities designated as such from their initial recognition, whose fair value may be estimated reliably and that meet any of the following requirements:

  - In the case of **hybrid financial instruments** for which it is compulsory to separate the embedded derivative(s) from the host contract, the fair value of the embedded derivative(s) cannot be estimated reliably.

  - In the case of **hybrid financial instruments** for which it is mandatory to separate the embedded derivative(s), the Group elected from their initial recognition, to classify the entire hybrid financial instrument under this category, since the requirements established by current regulations were met in the sense that the embedded derivative(s) significantly alter the cash flows that the host contract would have had if it had been considered separately from the embedded derivative(s) and that there is an obligation to separate for accounting purposes the embedded derivative(s) from the host contract.

  - As a result of classifying a financial liability in this category, **more relevant information is obtained** because such designation eliminates or significantly reduces inconsistencies in recognition or measurement (also known as accounting mismatches) that would otherwise arise from measuring assets or liabilities or recognising the related gains or losses on different bases or because the fair value basis reflects management's investment management or assessment strategy, as established in the applicable regulations. Note 8 contains details on the financial instruments classified in this category.

Only financial instruments which, from their initial recognition, would have been classified as financial assets and liabilities at fair value through profit or loss are included in this category.

Financial instruments at fair value through profit or loss are initially measured at fair value. Subsequent to acquisition, financial instruments classified in this category continue to be measured at fair value at the reporting date and any changes in the fair value are recognised under "Gains/Losses on Financial Assets and Liabilities (Net)" in the consolidated income statement, except for the fair value changes due to accrued returns on financial instruments other than trading derivatives, which are recognised under "Interest and Similar Income", "Interest Expense and Similar Charges" or "Income from Equity Instruments" in the consolidated income statement, depending on their nature. The accrued returns on debt instruments included in this category are calculated using the effective interest method.

Notwithstanding the foregoing, financial derivatives that have as their underlyings equity instruments whose fair value cannot be determined in a sufficiently objective manner and are settled by delivery of those instruments are measured, where appropriate, at cost.

- **Loans and receivables:** pursuant to current legislation, this category includes unquoted debt instruments, financing granted to third parties in connection with ordinary lending activities carried out by the Group (other than those classified at fair value through profit or loss) and receivables from users of services.

  The financial assets included in this category are initially measured at fair value adjusted by the amount of the fees and commissions and transaction costs that are directly attributable to the acquisition or arrangement of the financial asset and which, in accordance with IAS 39, must be allocated to the consolidated income statement by the effective interest method through maturity. Subsequent to acquisition, assets included in this category are measured at amortised cost.

  Assets acquired at a discount are measured at the cash amount paid and the difference between their repayment value and the amount paid is recognised as finance income using the effective interest method during the remaining term to maturity.

  The Group generally intends to hold the loans and credits included in this category granted by it until their final maturity and, therefore, they are presented in the consolidated balance sheet at their amortised cost.

  The interest accrued on these assets, which is calculated using the effective interest method, is recognised under "Interest and Similar Income" in the consolidated income statement. Exchange differences on assets included in this portfolio denominated in currencies other than the euro are recognised as set forth in Note 2.5. Any impairment losses on these assets are recognised as explained in Note 2.9.

- **Available-for-sale financial assets:** this category includes debt instruments not classified as held-to-maturity investments, as loans and receivables or as financial assets at fair value through profit or loss and equity instruments owned by the Group relating to entities other than subsidiaries, jointly controlled entities or associates that are not classified at fair value through profit or loss.

  The instruments included in this category are initially recognised at fair value adjusted by the amount of the transaction costs that are directly attributable to the acquisition of the financial asset, which are recognised in the consolidated income statement by the effective interest method, except for those relating to financial assets with no fixed maturity, which are recognised in the consolidated income statement when the assets become impaired or are derecognised. Subsequent to acquisition, financial assets included in this category are measured at fair value at each reporting date.

  However, equity instruments whose fair value cannot be determined in a sufficiently objective manner are measured in these consolidated financial statements at cost, net of any impairment loss, calculated as detailed in Note 2.9.

  Changes in the fair value of available-for-sale financial assets relating to accrued interest or dividends are recognised under "Interest and Similar Income" (calculated using the effective interest method) and "Income from Equity Instruments" in the consolidated income statement, respectively. Any impairment losses on these instruments are recognised as described in Note 2.9. Exchange differences on financial assets denominated in currencies other than the euro are recognised as explained in Note 2.5.

Other changes in the fair value of available-for-sale financial assets from the acquisition date are recognised in equity under "Valuation Adjustments Đ Available-for-Sale Financial Assets" until the financial asset is derecognised, when the balance recorded under this item is recognised under "Gains/Losses on Financial Assets and Liabilities (net)" in the consolidated income statement, or in the case of equity instruments considered to be strategic investments for the Group, they are recognised under "Gains/(Losses) on Non-Current Assets Held for Sale not Classified as Discontinued Operations".

- **Held-to-maturity investments:** pursuant to current legislation, this category includes debt instruments traded on organised markets with fixed maturity and with fixed or determinable cash flows that the Confederación has, from inception and at any subsequent date, the positive intention and financial ability to hold to maturity.

  Debt instruments included in this category are initially measured at fair value adjusted by the amount of the transaction costs that are directly attributable to the acquisition of the financial asset, which are recognised in the consolidated income statement by the effective interest method as defined in IAS 39. They are subsequently measured at amortised cost calculated using the effective interest method.

  The interest accrued on these securities, which is calculated using the effective interest method, is recognised under "Interest and Similar Income" in the consolidated income statement. Exchange differences on assets included in this portfolio denominated in currencies other than the euro are recognised as set forth in Note 2.5. Any impairment losses on these securities are recognised as explained in Note 2.9.

  At 31 December 2009 and 2008 and throughout those years the Group did not have any financial instruments classified in this category.

- **Financial liabilities at amortised cost:** this category includes the Group's financial liabilities not included in any other category.

  The financial liabilities included in this category are initially measured at fair value adjusted by the amount of the transaction costs that are directly attributable to the issue or arrangement of the financial liability, which are recognised in the consolidated income statement by the effective interest method (as defined by IAS 39) through maturity. Subsequently, these financial liabilities are measured at amortised cost calculated using the effective interest method as defined in IAS 39.

  The interest accrued on these liabilities, which is calculated using the effective interest method, is recognised under "Interest Expense and Similar Charges" in the consolidated income statement. Exchange differences on securities included in this category denominated in currencies other than the euro are recognised as set forth in Note 2.5.

2.3. Reclassification between financial instrument portfolios

Reclassifications between financial instrument portfolios can only be made, where appropriate, as follows:

a) Except in the circumstances indicated in paragraph d) below, financial instruments classified as "at fair value through profit or loss" cannot be reclassified into or out of this financial instrument category once they have been acquired, issued or assumed.

b) If, as a result of a change in intention or financial ability of an entity, it is no longer appropriate to classify a financial asset as held to maturity, it is reclassified into the "available-for-sale financial assets" category. In this case, the same treatment shall be applied to all the financial instruments classified as held-to-maturity investments, unless the reclassification is made in any of the circumstances permitted under the applicable regulations (sales very close to maturity, substantially all of the financial asset's original principal has been collected, etc.).

In 2009 and 2008, the Group did not hold any securities classified as held-to-maturity investments and, therefore, it did not perform any reclassifications of the type described in the preceding paragraph.

c) If there is a change in the Group's intention or financial ability, or if the two penalty financial years established by the regulations applicable to the sale of financial assets classified in the held-to-maturity investment category (see paragraph b) above) have passed, the financial assets (debt instruments) included in the "available-for-sale financial assets" category can be reclassified into the "held-to-maturity investments" category. In this case, the fair value of these financial instruments on the date of reclassification becomes their new amortised cost and the difference between this amount and the redemption value is allocated to the consolidated income statement over the remaining life of the instrument using the effective interest method.

No reclassifications of the type described in the preceding paragraph were made in 2009 or 2008.

d) In accordance with the amendments to IAS 39 introduced in 2008 and adopted by the European Union, a non-derivative financial asset may be reclassified out of the held-for-trading category if it is no longer held for the purpose of selling or repurchasing it in the near term, provided that one of the following circumstances occurs:

a. In rare or exceptional circumstances, unless the assets could have been included in the loans and receivables category. For these purposes, rare and exceptional circumstances are those arising from a particular event, which is unusual and highly unlikely to recur in the foreseeable future.

b. When the entity has the intention and financial ability to hold the financial asset for the foreseeable future or until maturity, provided that the asset had met the definition of loans and receivables at initial recognition.

In these circumstances, the financial asset is reclassified at its fair value on the date of reclassification, any gain or loss already recognised in profit or loss is not reversed, and this fair value becomes its amortised cost. The financial assets so reclassified can in no case be reclassified again into the held-for-trading category.

In accordance with the amendments to IAS 39 introduced in 2008, the reclassifications described in this paragraph may only be performed from 1 July 2008. Any reclassification of a financial asset made in periods beginning on or after 1 November 2008 shall take effect only from the date when the reclassification is made.

The disclosures required by the applicable regulations in relation to the reclassifications of financial instruments between categories made by the Group in 2009 and 2008 are included in Note 29.7.

2.4 Hedge accounting and mitigation of risk

The Group uses financial derivatives as part of its strategy to reduce its exposure to interest rate, foreign currency and other risks. When these transactions meet the requirements stipulated in IAS 39, they qualify for hedge accounting.

When the Group designates a transaction as a hedge it does so upon initial recognition of the transactions or instruments included in the hedge, and the hedging transaction is documented appropriately. The hedge accounting documentation includes identification of the hedged item(s) and the hedging instrument(s), the nature of the risk to be hedged and the criteria or methods used by the Group to assess the effectiveness of the hedge over its entire life, taking into account the risk to be hedged.

The Group only applies hedge accounting for hedges that are considered highly effective over their entire lives. A hedge is considered to be highly effective if, during its expected life, the changes in fair value or cash flows of the hedged item that are attributable to the risk hedged in the hedging of the financial instrument(s) are almost fully offset by changes in the fair value or cash flows, as appropriate, of the hedging instrument(s).

To measure the effectiveness of hedges defined as such, the Group analyses whether, from the beginning to the end of the term defined for the hedge, the Group can expect, prospectively, that the changes in fair value or cash flows of the hedged item that are attributable to the hedged risk will be almost fully offset by changes in the fair value or cash flows, as appropriate, of the hedging instrument and, retrospectively, that the actual results of the hedge are within a range of 80% to 125% of the results of the hedged item.

In 2008 only two of the Group's transactions qualified for hedge accounting in accordance with the aforementioned criteria, and these, pursuant to current regulations, are classified as cash flow hedges, as their objective is to hedge the exposure to changes in the future cash flows of certain financial assets exposed to interest rate risk arising from highly probable future transactions affecting the consolidated income statement. These hedging transactions matured in 2008 and no other transactions qualified for hedge accounting, in accordance with the aforementioned criteria, at 31 December 2009 and 2008.

In cash flow hedges, the gains or losses attributable to the portion of the hedging instruments qualifying as an effective hedge are recognised temporarily in consolidated equity under "Valuation Adjustments - Cash Flow Hedges" and are taken to the consolidated income statement in the years in which the designated hedged items affect the income statement. Financial instruments hedged in this type of hedging transactions are recognised as explained in Note 2.2, with no change being made in the recognition criteria due to their consideration as hedged items.

The ineffective portion of the gains and losses on the hedging instruments of cash flow hedges is recognised directly under "Gains/Losses on Financial Assets and Liabilities (net)" in the consolidated income statement. In 2009 and 2008 no amounts for ineffective hedges were recognised in the consolidated income statement.

The Group discontinues hedge accounting when the hedging instrument expires or is sold, when the hedge no longer meets the requirements for hedge accounting or the designation as a hedge is revoked. In 2009 and 2008 hedge accounting was not discontinued for any hedging transactions.

2.5 Foreign currency transactions

2.5.1. Functional currency

The functional and reporting currency of the Group is the euro. Therefore, all balances and transactions denominated in currencies other than the euro are deemed to be denominated in "foreign currency".

The detail, by currency and item, of the equivalent value in thousands of euros of the main asset and liability balances denominated in foreign currencies in the consolidated balance sheets at 31 December 2009 and 2008 is as follows:

NATURE OF FOREIGN CURRENCY BALANCES:	EQUIVALENT VALUE IN THOUSANDS OF EUROS (*)			
	2009		2008	
	ASSETS	LIABILITIES	ASSETS	LIABILITIES
Balances in US dollars-				
Cash and balances with central banks	8,247	-	40,390	-
Financial assets and liabilities held for trading	465,311	532,622	42,547	155,037
Loans and receivables	162,915	-	273,659	-
Financial liabilities at amortised cost	-	777,739	-	598,258
Other	395	385	399	265
	636,868	**1,310,746**	**356,995**	**753,560**
Balances in Japanese yen-				
Cash and balances with central banks	675	-	647	-
Loans and receivables	97,518	-	126,740	-
Financial liabilities at amortised cost	-	4,153	-	7,289
	98,193	**4,153**	**127,387**	**7,289**
Balances in pounds sterling-				
Cash and balances with central banks	17,113	-	7,807	-
Financial assets and liabilities held for trading	4,589	734	4,037	2,007
Available-for-sale financial assets	-	-	1,042	-
Loans and receivables	81,381	-	94,788	-
Tangible assets	118	-	-	-
Financial liabilities at amortised cost	-	329,535	-	188,817
Other	107	238	216	234
	103,308	**330,507**	**107,890**	**191,058**

NATURALEZA DE LOS SALDOS EN MONEDA EXTRANJERA	EQUIVALENT VALUE IN THOUSANDS OF EUROS (*) 2009 ASSETS	2009 LIABILITIES	2008 ASSETS	2008 LIABILITIES
Balances in Swiss francs-				
Cash and balances with central banks	1,449	-	787	-
Loans and receivables	159,193	-	159,376	-
Financial liabilities at amortised cost	-	7,325	-	18,188
Tangible assets	-	-	-	-
	160,642	**7,325**	**160,163**	**18,188**
Balances in Norwegian krone-				
Cash and balances with central banks	1,092	-	392	-
Loans and receivables	2,212	-	212	-
Financial liabilities at amortised cost	-	3,312	-	2,348
	3,304	**3,312**	**604**	**2,348**
Balances in Swedish krone-				
Cash and balances with central banks	475	-	266	-
Loans and receivables	148,916	-	73,204	-
Financial liabilities at amortised cost	-	2,787	-	1,529
Other	-	-	-	-
	149,391	**2,787**	**73,470**	**1,529**
Balances in other currencies-				
Cash and balances with central banks	5,044	-	3,017	-
Loans and receivables	156,598	-	8,206	-
Financial liabilities at amortised cost	-	14,932	-	12,482
Other	-	-	-	162
	161,642	**14,932**	**11,223**	**12,644**
TOTAL BALANCES DENOMINATED IN FOREIGN CURRENCIES	**1,313,348**	**1,673,762**	**837,732**	**986,616**

(*) Equivalent value calculated by applying the exchange rates at 31 December 2009 and 2008, respectively.

In addition to the currency positions recognised in the consolidated balance sheets at 31 December 2009 and 2008 shown in the preceding table, the Group recognised various currency derivatives and forward foreign currency contracts which are used to manage the exchange rate risk to which it is exposed and which should be considered together with the balance sheet positions for a correct understanding of the Group's exposure to such risks (see Note 24).

2.5.2. Translation of foreign currency balances

Foreign currency balances are translated to euros in two consecutive stages:

- Translation of foreign currency to the functional currency of each of the Group entities and joint ventures, and
- Translation to euros of the balances of consolidated companies whose reporting currency is not the euro.

Translation of foreign currency to the functional currency: foreign currency transactions performed by Group companies are initially recognised in the financial statements at the equivalent value in their functional currencies, translated using the exchange rates prevailing at the transaction date. Subsequently, the following rules are applied:

1. Monetary assets and liabilities are translated at the closing rate, which is taken to be the average spot exchange rate at the date of the financial statements.
2. Non-monetary items measured at historical cost are translated to the functional currency at the exchange rate at the date of acquisition.
3. Non-monetary items measured at fair value are translated to the functional currency at the exchange rate at the date when the fair value was determined.
4. Income and expenses are translated at the exchange rate prevailing at the transaction date.

Entities whose reporting currency is not the euro: the balances in the financial statements of consolidated entities whose functional currency is not the euro are translated to euros as follows:

1. Assets and liabilities, at the closing rates.
2. Income and expenses and cash flows, at the average exchange rate for the year.
3. Equity items, at the historical exchange rates.

2.5.3. Exchange rates

The exchange rates used by the Group in translating the foreign currency balances to euros for the purpose of preparing the consolidated financial statements, taking into account the methods mentioned above, were those published by the European Central Bank.

2.5.4. Recognition of exchange differences

The exchange differences arising on the translation of foreign currency balances (using the aforementioned translation methods) to the functional currency of the Group are generally recognised at their net amount under "Exchange Differences (net)" in the consolidated income statement, except for exchange differences arising on financial instruments at fair value through profit or loss, which are recognised under "Gains/Losses on Financial Assets and Liabilities (net)" in the consolidated income statement, without distinguishing them from other changes in their fair value.

However, exchange differences arising on non-monetary items measured at fair value through equity and exchange differences arising on the translation to euros of the financial statements of consolidated entities which are not denominated in euros are recognised in consolidated equity under "Valuation Adjustments _ Exchange Differences" in the consolidated balance sheet until they are realised. Exchange differences recognised in consolidated equity are taken to the consolidated income statement when realised.

2.6. Recognition of income and expenses

The most significant accounting criteria used by the Group to recognise its income and expenses are summarised as follows:

2.6.1. Interest income, interest expenses, dividends and similar items

Interest income, interest expenses and similar items are generally recognised on an accrual basis using the effective interest method. Dividends received from other companies, other than those received from Group companies, jointly controlled entities or associates, as the case may be, are recognised as income when the Group's right to receive them arises.

2.6.2. Commissions, fees and similar items

Fee and commission income and expenses that are not to be included in the calculation of the effective interest rate of transactions and/or are not included in the acquisition cost of financial assets or liabilities other than those classified as at fair value through profit or loss are recognised in the consolidated income statement using criteria that vary according to their nature. The main criteria are as follows:

- Fee and commission income and expenses relating to the acquisition of financial assets and liabilities measured at fair value through profit or loss are recognised in the consolidated income statement when collected or paid.
- Those arising from transactions or services that are performed over a period of time are recognised in the consolidated income statement over the life of these transactions or services.
- Those relating to services provided in a single act are recognised in the consolidated income statement when the single act is carried out.

2.6.3. Non-finance income and expenses

These are recognised for accounting purposes on an accrual basis.

2.6.4. Deferred collections and payments

These are recognised for accounting purposes at the amount resulting from discounting the expected cash flows at market rates.

2.7. Offsetting

Asset and liability balances are offset, i.e. reported in the consolidated balance sheet at their net amount, when, and only when, they arise from transactions in which a contractual or legal right of set-off exists and the Group intends to settle them on a net basis, or to realise the asset and settle the liability simultaneously.

In this regard, the presentation required by the applicable legislation in these consolidated financial statements in respect of the financial assets subject to valuation adjustments for decline in value or impairment, i.e. net of these adjustments, is not deemed to be "offsetting".

2.8. Transfers of financial assets

The accounting treatment of transfers of financial assets depends on the extent to which the risks and rewards associated with the transferred assets are transferred to third parties:

- If the Group transfers substantially all the risks and rewards of the transferred assets to third parties -unconditional sale of financial assets, sale of financial assets with a repurchase agreement at its fair value at the repurchase date, sale of financial assets with a purchased call option or written put option that is deeply out of the money, securitisation of assets in which the transferor does not retain a subordinated debt or grant any credit enhancement to new holders and other similar cases-, the transferred financial asset is derecognised and any rights or obligations retained or created in the transfer are recognised simultaneously.

- If the Group retains substantially all the risks and rewards associated with the transferred financial asset -sale of financial assets under an agreement to repurchase them at a fixed price or at the sale price plus interest, a securities lending agreement in which the borrower undertakes to return the same or similar assets, securitisation of financial assets in which a subordinated debt or another type of credit enhancement is retained that absorbs substantially all the expected credit losses on the securitised assets, and other similar cases-, the transferred financial asset is not derecognised and continues to be measured by the same criteria as those used before the transfer. However, the following items are recognised, without offsetting:

  - An associated financial liability, for an amount equal to the consideration received; this liability is subsequently measured at amortised cost, or, if the aforementioned requirements for classification of other financial liabilities at fair value through profit or loss are met, at fair value, in accordance with the aforementioned criteria for this type of financial liability.

  - The income from the transferred financial asset not derecognised and any expense incurred on the new financial liability.

- If the Group neither transfers nor retains substantially all the risks and rewards associated with the transferred financial asset -sale of financial assets with a purchased call option or written put option that is not deeply in or out of the money, securitisation of financial assets in which the transferor retains a subordinated debt or another type of credit enhancement for a portion of the transferred asset, and other similar cases- the following distinction is made:

  - If the transferor does not retain control, the transferred financial asset is derecognised and any right or obligation retained or created in the transfer is recognised.

  - If the transferor retains control, it continues to recognise the transferred financial asset in the consolidated balance sheet for an amount equal to its exposure to changes in value and recognises a financial liability associated with the transferred financial asset. The net carrying amount of the transferred asset and the associated liability is the amortised cost of the rights and obligations retained, if the transferred asset is measured at amortised cost, or the fair value of the rights and obligations retained, if the transferred asset is measured at fair value.

Accordingly, financial assets are only derecognised when the cash flows they generate have been extinguished or when substantially all the significant inherent risks and rewards have been transferred to third parties.

Notes 29.2 and 29.5 contain a summary of the main circumstances of the principal transfers of assets outstanding at 2009 and 2008 year-end which did not lead to the derecognition of the related assets (securities lending transactions and sales of asset under non-optional repurchase agreements).

2.9. Impairment of financial assets

A financial asset is considered to be impaired -and therefore its carrying amount is adjusted to reflect the effect of impairment- when there is objective evidence that events have occurred which:

- In the case of debt instruments (loans and debt securities), give rise to an adverse impact on the future cash flows that were estimated at the transaction date.
- In the case of equity instruments, mean that their carrying amount may not be fully recovered.

In this connection, the situations whose occurrence is considered by the Group as objective evidence that a financial instrument might be impaired, and which give rise to a specific analysis of these financial instruments in order to determine the amount of their possible impairment, include those indicated in IAS 39.59 and, in particular with regard to debt instruments, those indicated in Annex IX of Bank of Spain Circular 4/2004. The situations that constitute objective evidence for the Group of the possible impairment of a financial instrument include the following:

a) significant financial difficulty of the issuer or obligor;

b) breach of the contract, such as default on or delayed payments of interest or principal;

c) when the Group, for economic or legal reasons relating to financial difficulties of the borrower, grants the borrower concessions or advantages that it would not otherwise have granted, in conformity with the requirements established in the legislation applicable to the Group at all times;

d) when it is considered probable that the borrower will be declared bankrupt or undergo any other form of financial reorganisation relating to difficulties to meet its payment obligations;

e) when an active market for the financial asset in question ceases to exist due to financial difficulties of the debtor or of the counterparty of the risk assumed by the Group;

f) when observable data evidence a decrease in the estimated future cash flows in a homogenous group of financial assets since their initial recognition, even though the decrease cannot yet be identified with individual assets in the group. These data include:

i) adverse changes in the ability to pay of the borrowers in the group, such as a growing number of delayed payments, debtors that display an inadequate financial structure or any other type of difficulty in meeting their payment obligations, or

ii) changes in local or domestic economic conditions that correlate with defaults on the assets in the group, such as an increase in the unemployment rate in the geographical area of the borrowers or adve rse changes in industry conditions that affect the parties borrowing from the Group.

g) for equity instruments, information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates, as well as the specific situations affecting the entities invested in and which indicates that the cost of the investment in the equity instrument may not be recovered. A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost is also objective evidence of impairment, although it requires an analysis by the Group in order to ascertain whether this decrease actually relates to impairment of the investment thus allowing the Group to conclude that the amount invested by it will not be recovered.

As a general rule, despite of the aforementioned criteria, the carrying amount of impaired financial instruments is adjusted with a charge to the consolidated income statement for the period in which the impairment becomes evident, and the reversal, if any, of previously recognised impairment losses is recognised in the consolidated income statement for the period in which the impairment is reversed or reduced.

When the recovery of any recognised amount is considered unlikely, the amount is written off ("written-off asset"), without prejudice to any actions that the Group may initiate to seek collection until their contractual rights are extinguished due to expiry of the statute-of-limitations period, forgiveness or any other cause.

The criteria applied by the Group to determine possible impairment losses in each of the various financial instrument categories and the method used to recognise such impairment losses are as follows:

2.9.1. Debt instruments carried at amortised cost

The amount of an impairment loss incurred on a debt instrument carried at amortised cost is equal to the positive difference between its carrying amount and the present value of its estimated future cash flows. The market value of quoted debt instruments is deemed to be a reliable estimate of the present value of their future cash flows.

In estimating the future cash flows of debt instruments the following factors are taken into account:

- All the amounts that are expected to be obtained over the remaining life of the instrument, including, where appropriate, those which may result from the collateral provided for the instrument (less the costs for obtaining and subsequently selling the collateral).
- The various types of risk to which each instrument is subject; and
- The circumstances in which collections will foreseeably be made.

These cash flows are subsequently discounted using the instrument's effective interest rate (if its contractual rate is fixed) or the effective contractual rate at the discount date (if it is variable).

Specifically as regards impairment losses resulting from materialisation of the insolvency risk of the obligors (credit risk), a debt instrument is impaired due to insolvency:

- When there is evidence of a deterioration of the obligor's ability to pay, either because it is in arrears or for other reasons, and/or;
- When country risk materialises: country risk is defined as the risk that is associated with debtors resident in a given country due to circumstances other than normal commercial risk.

Impairment losses on these assets resulting from materialisation of the insolvency risk of the obligors (credit risk) are assessed as follows:

- Individually, for all significant debt instruments and for instruments which, although not material, are not susceptible to being classified in homogeneous groups of instruments with similar risk characteristics: instrument type, debtor's sector and geographical location, type of guarantee or collateral, age of past-due amounts receivable, etc.
- Collectively: the Group classifies transactions on the basis of the nature of the obligors, the conditions of the countries in which they reside, transaction status and type of collateral or guarantee, age of past-due amounts, etc. For each risk group it establishes the impairment losses ("identified losses"), which must be recognised in the financial statements consolidated, applying the parameters established by the Bank of Spain. Impairment losses are estimated taking into account the possibility of collection of the interest accrued on these impaired assets.

  In addition, the Group recognises an overall impairment loss on risks in relation to which specific losses have not been identified. This loss is quantified by application of the parameters established by the Bank of Spain based on experience and on the information available to it on the Spanish banking industry.

The amount of the impairment losses on debt instruments at amortised cost or, as the case may be, their subsequent reversal, estimated in accordance with the criteria described above, are recognised under "Impairment Losses on Financial Assets (net) - Loans and Receivables" and "Impairment Losses on Financial Assets (net) - Other Financial Assets Not Measured at Fair Value Through Profit or Loss", depending on the category of financial instrument in which the debt instruments are classified (see Note 2.2).

2.9.2. Debt instruments classified as available for sale

The amount of the impairment losses on debt instruments included in the available-for-sale financial asset portfolio is the positive difference between their acquisition cost (net of any principal repayment or amortisation) and their fair value less any impairment loss previously recognised in the consolidated income statement.

In the case of impairment losses arising due to the insolvency of the issuer of the debt instruments classified as available for sale, the procedure followed by the Group for calculating such losses is the same as the method used for debt instruments carried at amortised cost explained in section 2.9.1 above.

When there is objective evidence that the losses arising on measurement of these assets are due to impairment, they are removed from the consolidated equity item "Valuation Adjustments _ Available-for-Sale Financial Assets" and are recognised, for their cumulative amount, in the consolidated income statement under "Impairment Losses (net) _ Other Financial Instruments Not Measured at Fair Value Through Profit or Loss". If all or part of the impairment losses are subsequently reversed, the reversed amount would be recognised in the consolidated income statement for the period in which the reversal occurred under "Impairment Losses on Financial Assets (net) _ Other Financial Assets Not Measured at Fair Value Through Profit or Loss".

Similarly, the impairment losses arising on measurement of debt instruments classified as "non-current assets held for sale" which are recognised in the Group's consolidated equity are considered to be realised and, therefore, are recognised in the consolidated income statement when the assets are classified as "non-current assets held for sale".

2.9.3. Equity instruments classified as available for sale

The impairment losses on equity instruments included in the available-for-sale financial asset portfolio are the positive difference between their acquisition cost (net of any principal repayment or amortisation) and their fair value less any impairment loss previously recognised in the consolidated income statement.

The criteria for recognising impairment losses on equity instruments classified as available for sale are similar to those for debt instruments classified as available for sale (as explained in Note 2.9.2), with the exception that any reversal of these losses is recognised in consolidated equity under "Valuation Adjustments _ Available-for-Sale Financial Assets" rather than in the consolidated income statement.

2.9.4. Equity instruments carried at cost

The amount of the impairment losses on equity instruments carried at cost is the positive difference between their carrying amount and the present value of the expected future cash flows discounted at the market rate of return for similar securities.

Impairment losses are recognised in the consolidated income statement for the period in which they arise as a direct reduction of the cost of the instrument. These losses can only be reversed subsequently if the related assets are sold.

2.10. Financial guarantees and provisions for financial guarantees

"Financial guarantees" are defined as contracts whereby an entity undertakes to make specific payments on behalf of a third party if the latter fails to do so, irrespective of the various legal forms they may have, such as guarantees, irrevocable documentary credits issued or confirmed by the Group, etc.

In accordance with EU-IFRSs, the financial guarantees provided by the Group are treated as financial instruments.

Financial guarantees, regardless of the guarantor, instrumentation or other circumstances, are reviewed periodically so as to determine the credit risk to which they are exposed and, if appropriate, to consider whether a provision is required. The credit risk is determined by application of criteria similar to those established for quantifying impairment losses on debt instruments carried at amortised cost (described in Note 2.9.1 above).

The provisions for financial guarantees are recognised under "Provisions - Provisions for Contingent Liabilities and Commitments" on the liability side of the consolidated balance sheet (see Note 17). These provisions are recognised and reversed with a charge or credit, respectively, to "Provisions (Net)" in the consolidated income statement.

2.11. Staff costs

2.11.1. Pension obligations

Under the Collective Labour Agreement currently in force, the Confederación is required to supplement the social security benefits accruing to its employees or their beneficiary right holders in the event of retirement, disability, death of spouse or death of parent.

The Confederación's post-employment obligations to its employees are deemed to be "defined contribution plans" when the Group makes predetermined contributions to a separate entity and will have no legal or effective obligation to make further contributions if the separate entity cannot pay the employee benefits relating to the service rendered in the current and prior periods. Post-employment obligations that do not meet the aforementioned conditions are classified as "defined benefit plans".

The actuarial gains and losses on the measurement of defined benefit plans are recognised in the consolidated income statement by the Confederación in the year in which they arise.

The Confederación has set up an external fund known as the "CECA Employees' Pension Plan" and has taken out insurance policies to cover its pension obligations to its employees. The external fund, in turn, comprises three subplans: a defined benefit plan (for employees hired by the Confederación prior to 29 May 1986 who opted not to convert their benefits into defined contribution benefits and for early retirees) and two defined contribution retirement benefit subplans (for employees hired by the Confederación prior to 29 May 1986 who opted to convert their benefits into defined contribution benefits, as described below, and for employees hired by the Confederación after 29 May 1986, respectively). The pension plan also includes the obligations to the beneficiaries of the benefits.

In 2003 the defined benefit pension subplan was converted into a defined contribution scheme for most current employees for whom this possibility was envisaged in the Collective Company Agreement on Early Retirement and Supplementary Employee Welfare Benefits ("the Agreement") entered into by the Confederación and representatives of its Workers' Committee and Workplace Trade Union Branch on 2 April 2001.

In 2009 the accrued expense for the contributions to be made to the external pension fund, relating to defined contribution plans, amounted to EUR 4,187 thousand (2008: EUR 1,761 thousand), and this amount was recognised under "Administrative Expenses – Staff Costs" in the consolidated income statement (see Note 37).

Pursuant to the aforementioned Agreement, in 2003 the Confederación decided to insure contributions to the pension plan in excess of the current legal and tax ceilings by arranging two insurance policies with Caja de Seguros Reunidos, Compañía de Seguros y Reaseguros, S.A. ("Caser"). In 2004 the Confederación converted one of these policies into a single-premium policy. The premiums on these policies and on other insurance policies covering pension obligations and other obligations to employees totalled EUR 3,013 thousand in 2009 (2008: EUR 1,927 thousand), and this amount was recognised under "Administrative Expenses – Staff Costs" in the consolidated income statement (see Note 37).

At 31 December 2009, the total pension obligations to current and retired employees amounted to EUR 199,415 thousand (31 December 2008: EUR 198,963 thousand). Of this amount, EUR 192,979 thousand were covered by the aforementioned external pension fund and insurance policies (31 December 2008: EUR 192,729 thousand), and EUR 6,436 thousand by an internal provision recognised under "Provisions - Provisions for Pensions and Similar Obligations" in the consolidated balance sheet (31 December 2008: EUR 6,234 thousand) (see Note 17) that had not yet been transferred to the external pension fund at 31 December 2009.

The actuarial assumptions used in calculating these obligations were: PERM 2000-P mortality tables; a discount rate of 4.27% for the obligations covered by the external pension plan and the interest rate guaranteed in the insurance policies for the obligations covered by them; an adjustable pension increase rate of 1.5%; an adjustable salary increase rate of 2.68% (2% for early retirees); an expected rate of return on pension plan assets of 4.27%; and estimated increase rates ranging from 2.57% to 4.45% for the obligations covered by insurance policies, based on the characteristics thereof.

2.11.2. Other long-term benefits

2.11.2.1. Early retirements

The aforementioned Agreement entered into by the Confederación, the Workplace Trade Union Branch and the representatives of the Workers'

Committee envisaged the possibility of voluntary early retirement for certain Confederación employees who met specific age requirements on the date the Agreement came into force in the form of several non-discriminatory offers, which ended on 31 December 2003. Employees who did not accept early retirement during the offer period were excluded from further offers in subsequent years.

At 31 December 2009, the obligations in respect of future salaries, future social security costs and incentives relating to early retirees, as well as the obligations for future contributions to the Pension Plan (all of which were considered as defined benefit obligations) were covered by an internal provision amounting to EUR 333 thousand (31 December 2008: EUR 1,327 thousand), which was recognised under "Provisions - Provisions for Pensions and Similar Obligations" in the consolidated balance sheet (see Note 17) and related to early retirement obligations incurred as a result of the aforementioned Agreement dated 2 April 2001. At 31 December 2009 and 2008, this provision covered the full amount of the Confederación's early retirement obligations at those dates.

The obligations covered by this internal provision were calculated by an independent actuary, using a discount rate of 1.1564%, PRM-2000-P mortality tables and a 2% increase in adjustable pre-retirement salaries.

2.11.2.2. Death and disability

The commitments for death or disability of current employees are included in the benefits covered by the aforementioned pension fund.

2.11.2.3. Long-service bonuses

The Group has undertaken to pay a bonus to employees reaching 25 years of service at the Confederación.

The amounts paid in this connection at 2009 and 2008 year-end totalled approximately EUR 98 thousand and EUR 43 thousand, respectively.

2.11.3. Termination benefits

Under current legislation, the Spanish consolidated entities and certain foreign entities are required to pay termination benefits to employees terminated without just cause.

In 2009 a provision was recognised in this connection which gave rise to an expense of EUR 3,530 thousand for the Confederación, which is recognised under "Administrative Expenses – Staff Costs" (see Note 37) in the accompanying consolidated income statement. EUR 1,698 thousand of this amount had been paid at 31 December 2009.

Also, the Confederación has entered into agreements with some of its executives and/or directors to pay them certain benefits in the event that they are terminated without just cause. The amount of the benefit, which in any case would not have a material effect on the Group, would be charged to the consolidated income statement when the decision to terminate the employment of the executive or director concerned were made.

2.11.4. Loans to employees

Under the collective labour agreement in force and the additional agreements entered into in 2004 with the Confederación's employees, employees are entitled to apply for mortgage loans from the Confederación for a maximum period of 40 years at an interest rate of 70% of Euribor (with upper and lower limits for 2009 of 5.25% and 1.50%, respectively).

Under the applicable industry collective labour agreement and pursuant to collective agreements reached by the Confederación implementing it, employees of the Confederación may, in specific cases, apply for interest free advances and other "welfare" loans or loans for the expansion of their residence, with a repayment period of 10 and 15 years, respectively, at the Euribor interest rate.

In the event of exceptional circumstances requiring an employee of the Confederación to apply for a type of loan that does not fully or partially comply with the regulations stipulated in the industry collective labour agreement, or its implementing regulations, the employee may apply for the loan through the ALCO, indicating the exceptional circumstances.

These loans are recognised at amortised cost under "Loans and Receivables - Loans and Advances to Customers" in the consolidated balance sheet.

2.12. Income tax

The income tax expense is recognised in the consolidated income statement, except when it results from a transaction recognised directly in the Group's equity, in which case the income tax is also recognised in the Group's equity.

The current income tax expense is calculated as the tax payable with respect to the taxable profit for the year, adjusted by the amount of the changes in the year in the assets and liabilities (deferred taxes) recognised as a result of temporary differences and tax credit and tax loss carryforwards (see Note 21).

The Group considers that there is a temporary difference when there is a difference between the carrying amount of an asset or liability and its tax base. The tax base of an asset or liability is the amount attributed to that asset or liability for tax purposes. A taxable temporary difference is one that will generate a future obligation for the Group to make a payment to the related tax authorities. A deductible temporary difference is one that will generate a right for the Group to a refund or a reduction in its tax charge in the future.

Tax credit and tax loss carryforwards are amounts that, after performance of the activity or obtainment of the profit or loss giving entitlement to them, are not used for tax purposes in the related tax return until the conditions for doing so established in the tax regulations are met and the Group considers it probable that they will be used in future periods.

Current tax assets and liabilities are the taxes that are expected to be recoverable from or payable to the related tax authorities within 12 months from the balance sheet date. Deferred tax assets and liabilities are the taxes that are expected to be recoverable from or payable to the related tax authorities in over 12 months from the balance sheet date.

Deferred tax liabilities are recognised for all taxable temporary differences. However, deferred tax liabilities arising from the initial recognition of goodwill are not recognised.

The Group only recognises deferred tax assets arising from deductible temporary differences and from tax credit and for tax loss carryforwards when the following conditions are met:

- If it is considered probable that the Group will obtain sufficient future taxable profit against which the deferred tax assets can be utilised; and
- In the case of deferred tax assets arising from tax loss carryforwards, the tax losses result from identifiable causes which are unlikely to recur.

No deferred tax assets or liabilities are recognised if they arise from the initial recognition of an asset or liability (except in the case of a business combination) that at the time of recognition affects neither accounting profit nor taxable profit.

The deferred tax assets and liabilities recognised are reassessed at each balance sheet date in order to ascertain whether they still exist, and the appropriate adjustments are made on the basis of the findings of the analyses performed. On 29 November 2006, the Official State Gazette published Law 35/2006, of 28 November, on Personal Income Tax and partially amending the Spanish Corporation Tax, Non-Resident Income Tax and Wealth Tax Laws which established, inter alia, a reduction in the standard corporation tax rate from 35% to 32.5% for tax years beginning on or after 1 January 2007, and to 30% for tax years beginning on or after 1 January 2008.

It was not necessary to make any adjustments in 2008, as a result of this change in the tax rate, as these were made in prior years.

2.13. Tangible assets

2.13.1. Property, plant and equipment for own use

Property, plant and equipment for own use includes the assets that are held by the Group for present or future administrative purposes other than those of welfare projects, or for the production or supply of goods and services and which are expected to be used for more than one year. Property, plant and equipment for own use is recognised at acquisition cost in the consolidated balance sheet, less:

- The related accumulated depreciation, and
- Any estimated impairment losses (net carrying amount higher than recoverable amount).

In accordance with current regulations, with effect from 1 January 2004, the Group measured certain items of property, plant and equipment for own use at fair value at that date and this fair value was deemed to be their new acquisition cost for all purposes.

Depreciation is calculated by the straight-line method on the basis of the acquisition cost of the assets less their residual value. The land on which the buildings and other structures stand has an indefinite life and, therefore, is not depreciated.

The tangible asset depreciation charge is recognised under "Depreciation and Amortisation" in the consolidated income statement and is calculated basically using the following depreciation rates (based on the average years of estimated useful life of the various assets):

	Annual Rate
Property	2% to 4%
Furniture and office equipment	6.25% to 10%
Computer hardware	10% to 25%
Fixtures	6.25% to 10%
Transport equipment	10%

The Group assesses at the reporting date whether there is any internal or external indication that an asset may be impaired (i.e. its carrying amount exceeds its recoverable amount). If this is the case, the carrying amount of the asset is reduced to its recoverable amount and future depreciation charges are adjusted in proportion to the revised carrying amount and to the new remaining useful life (if the useful life must be re-estimated). When necessary, the carrying amount of property, plant and equipment for own use is reduced with a charge to "Impairment Losses on Other Assets (Net) - Other Assets" in the consolidated income statement.

Similarly, if there is an indication of a recovery in the value of a previously impaired tangible asset, the Group recognises the reversal of the impairment loss recognised in prior periods with the related credit to "Impairment Losses on Other Assets (Net) - Other Assets" in the consolidated income statement and adjusts the future depreciation charges accordingly. In no circumstances may the reversal of an impairment loss on an asset raise its carrying amount above that which it would have if no impairment losses had been recognised in prior years.

The estimated useful lives of the items of property, plant and equipment for own use are reviewed at least once a year with a view to detecting significant changes therein. If changes are detected, the useful lives of the assets are adjusted by correcting the depreciation charge to be recognised in the consolidated income statement in future years on the basis of the new useful lives.

Upkeep and maintenance expenses relating to property, plant and equipment for own use are recognised as an expense under "Administrative Expenses – Other General Administrative Expenses" in the consolidated income statement in the year in which they are incurred.

2.13.2. Property, plant and equipment assigned to welfare projects

"Tangible Assets - Property, Plant and Equipment Assigned to Welfare Projects" in the consolidated balance sheet includes the carrying amounts of the tangible assets assigned to the Confederación's welfare projects.

The criteria used to recognise the acquisition cost of assets assigned to welfare projects, to calculate their depreciation and their respective estimated useful lives and to recognise any impairment losses thereon are consistent with those described in relation to property, plant and equipment for own use (see Note 2.13.1), the only exception being that the depreciation charges and the recognition and reversal of any impairment losses on these assets are not recognised in the consolidated income statement but rather under "Welfare Fund" on the liability side of the consolidated balance sheet (see Note 28).

At 31 December 2009 and 2008, and throughout those years, there were no tangible assets assigned to welfare projects.

2.13.3. Investment property

"Tangible Assets - Investment Property" in the consolidated balance sheet reflects the net values of the land, buildings and other structures held either to earn rentals or for capital appreciation.

The criteria used to recognise the acquisition cost of investment property, to calculate its depreciation and its estimated useful life and to recognise any impairment losses thereon are consistent with those described in relation to property, plant and equipment for own use (see Note 2.13.1).

2.14. Intangible assets

Intangible assets are identifiable non-monetary assets without physical substance which arise as a result of a legal transaction or which are developed internally by the Group. Only intangible assets whose cost can be estimated reasonably objectively and from which the Group considers it probable that future economic benefits will be generated are recognised.

Intangible assets are recognised initially at acquisition or production cost and are subsequently measured at cost less any accumulated amortisation and any accumulated impairment losses.

2. 14.1. Other intangible assets

Intangible assets other than goodwill are recognised in the consolidated balance sheet at acquisition or production cost, less the related accumulated amortisation and any accumulated impairment losses.

Intangible assets can have an indefinite useful life -when, based on an analysis of all the relevant factors, it is concluded that there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the Group- or a finite useful life, in all other cases.

Intangible assets with indefinite useful lives are not amortised, but rather at the end of each reporting period the Group reviews the remaining useful lives of the assets in order to determine whether they continue to be indefinite and, if this is not the case, to take the appropriate steps. At 31 December 2009 and 2008, and throughout these years, there were no intangible assets with indefinite useful lives.

Intangible assets with finite useful lives are amortised on a straight-line basis over their estimated useful lives, which range from three to five years depending on the class of asset. The period amortisation charge for intangible assets with finite useful lives is recognised under "Depreciation and Amortisation" in the consolidated income statement.

For intangible assets other than goodwill with indefinite useful lives and with finite useful lives, the Group recognises any impairment loss on the carrying amount of these assets, and any reversal of previously recognised impairment losses, with a charge or credit, as appropriate, to "Impairment Losses on Other Assets (net) – Goodwill and Other Intangible Assets" in the consolidated income statement. The criteria used to recognise the impairment losses on these assets and, where applicable, the reversal of impairment losses recognised in prior years are similar to those used for property, plant and equipment for own use (see Note 2.13.1), except that in no circumstances may any impairment recognised for goodwill in the consolidated balance sheet be reversed.

2.15. Provisions and contingent liabilities

When preparing the consolidated financial statements, the directors made a distinction between:

- **Provisions:** credit balances covering present obligations at the balance sheet consolidated date arising from past events which could give rise to a loss for the consolidated entities, which is considered to be likely to occur and certain as to its nature but uncertain as to its amount and/or timing; and
- **Contingent liabilities:** possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more future events not wholly within the control of the consolidated entities.

The Group's consolidated financial statements include all the material provisions with respect to which it is considered that it is more likely than not that the obligation will have to be settled. Contingent liabilities are not recognised in the consolidated financial statements, but rather are disclosed, as required by the applicable standards.

Provisions, which are quantified on the basis of the best information available on the consequences of the event giving rise to them and are reviewed and adjusted at the end of each year, are used to cater for the specific obligations for which they were originally recognised. Provisions are fully or partially reversed when such obligations cease to exist or are reduced.

The provisions considered necessary pursuant to the foregoing criteria and their eventual reversal, should the reasons for their recognition disappear, are recognised with a charge or credit, respectively, to "Provisions (net)" in the consolidated income statement.

2.15.1. Litigation and/ or claims in process

At the end of 2009 certain litigation and claims were in process against the Group arising from the ordinary course of its operations. The Group's legal advisers and directors consider that the outcome of the litigation and claims will not have a material effect on the consolidated financial statements for the years in which they are settled.

2.16. Consolidated cash flow statements

The following terms are used in the consolidated cash flow statements with the meanings specified:

- **Cash flows:** inflows and outflows of cash and cash equivalents, which are short-term, highly liquid investments that are subject to an insignificant risk of changes in value.
- **Operating activities:** the principal revenue-producing activities of credit institutions and other activities that are not investing or financing activities. Operating activities also include interest paid on any financing received, even if this financing is considered to be financing activity. Activities performed with the various financial instrument categories detailed in Note 2.2.4 above are classified, for the purpose of this statement, as operating activities.
- **Investing activities:** the acquisition, sale or disposal by other means of long-term assets and other investments not included in cash and cash equivalents, such as tangible assets, intangible assets, investments, non-current assets held for sale and associated liabilities, equity instruments classified as available for sale which are strategic investments and debt instruments included in held-to-maturity investments.
- **Financing activities:** includes the cash flows from activities that result in changes in the size and composition of the consolidated equity and liabilities that are not operating activities.

For cash flow statement preparation purposes, the balance of "Cash and Balances with Central Banks" on the asset side of the consolidated balance sheet, disregarding any impairment losses, was considered to be "cash and cash equivalents".

2.17. Non-current assets held for sale

"Non-Current Assets Held for Sale" in the consolidated balance sheet includes the carrying amount of items - individual items, disposal groups or items forming part of a business unit earmarked for disposal ("discontinued operations") - which, because of their nature, are estimated to have a realisation or recovery period exceeding one year, but are earmarked for disposal by the Group and whose sale in their present condition is highly probable to be completed within one year from the date of the consolidated financial statements.

Investments in associates that meet the requirements set forth in the foregoing paragraph are also considered to be non-current assets held for sale.

Therefore, the carrying amount of these items -which can be of a financial nature or otherwise- will foreseeably be recovered through the proceeds from their disposal rather than from continuing use.

Specifically, property or other non-current assets received by the consolidated entities as total or partial settlement of its debtors' payment obligations to it are deemed to be non-current assets held for sale, unless the consolidated entities has decided classified as property, plant and equipment for own use, investment property or inventories on the basis of their nature and intended use. These assets are initially recognised at cost, which is taken to be the carrying amount of the debts giving rise to them, calculated in accordance with the regulations applicable to the Confederación. Subsequently, these assets are measured as indicated in this Note.

Symmetrically, "Liabilities Associated with Non-Current Assets Held for Sale" in the consolidated balance sheet includes the balances payable, if any, associated with disposal groups and the Group's discontinued operations.

In general, non-current assets held for sale are measured at the lower of their carrying amount calculated as at the classification date and their fair value less estimated costs to sell. Tangible and intangible assets that are depreciable and amortisable by nature are not depreciated or amortised during the time they remain classified in this category.

If the carrying amount of the assets exceeds their fair value less costs to sell, the Group adjusts the carrying amount of the assets by the amount of the excess with a charge to "Gains/(Losses) on Non-Current Assets Held for Sale not Classified as Discontinued Operations" in the consolidated income statement. If the fair value of such assets subsequently increases, the Group reverses the losses previously recognised and increases the carrying amount of the assets without exceeding the carrying amount prior to the impairment, with a credit to "Gains/(Losses) on Non-Current Assets Held for Sale not Classified as Discontinued Operations" in the consolidated income statement.

Despite the foregoing, financial assets, assets arising from remuneration to employees and any deferred tax assets that are part of a disposal group or of a discontinued operation are not measured as described in the preceding paragraphs, but rather in accordance with the accounting policies and rules applicable to these items, which were explained in previous sections of Note 2.

2.18. Welfare Fund

The Confederación's Welfare Fund is recognised under "Welfare Fund" on the liability side of the consolidated balance sheet (see Note 28).

Transfers to the welfare fund are recorded as an appropriation of the Confederación's profit. Welfare project expenses are presented in the consolidated balance sheet as deductions from the welfare fund and in no case may they be recognised in the consolidated income statement. Tangible assets and liabilities assigned to welfare projects, if any, are included in separate asset and liability items in the consolidated balance sheet.

2.19. Consolidated statement of recognised income and expense

The consolidated statement of recognised income and expense presents the income and expenses generated by the Group as a result of its business activity in the year, and a distinction is made between the income and expenses recognised in the consolidated income statement for the year and the other income and expenses recognised, in accordance with current regulations, directly in consolidated equity.

Accordingly, this statement presents:

a) Consolidated profit for the year.

b) The net amount of the income and expenses recognised temporarily in consolidated equity under "Valuation Adjustments".

c) The net amount of the income and expenses recognised definitively in consolidated equity during the year and other items that are recognised directly and definitively in consolidated equity, if any.

d) The income tax incurred in respect of the items indicated in b) and c) above.

e) The total recognised consolidated income and expenses, calculated as the sum of a) and d) above.

The changes in income and expenses recognised in consolidated equity under "Valuation Adjustments" are broken down as follows:

a) Revaluation gains/(losses): includes the amount of the income, net of the expenses incurred in the year, recognised directly in consolidated equity. The amounts recognised in the year under "Valuation Adjustments" are recorded in this line item, even though they are transferred in the same year to the consolidated income statement, to the initial value of other assets or liabilities, or are reclassified into another line item.

b) Amounts transferred to the consolidated income statement: includes the amount of the revaluation gains and losses previously recognised in consolidated equity, albeit in the same year, which are recognised in the consolidated income statement.

c) Amount transferred to the initial carrying amount of hedged items: includes the amount of the revaluation gains and losses previously recognised in consolidated equity, albeit in the same year, which are recognised in the initial carrying amount of the assets or liabilities as a result of cash flow hedges.

d) Other reclassifications: includes the amount of the transfers made in the year between valuation adjustment items in accordance with current regulations.

The amounts of these items are presented gross and the related tax effect is recognised in this statement under "Income Tax".

2.20. Consolidated statement of changes in total equity

The consolidated statement of changes in total equity presents all the changes in consolidated equity, including those arising from changes in accounting policies and from the correction of errors. Accordingly, this statement presents a reconciliation of the carrying amount at the beginning and end of the year of all the consolidated equity items, and the changes in the year are grouped together on the basis of their nature into the following items:

a) Adjustments due to changes in accounting policies and adjustments made to correct errors: include significant changes in consolidated equity arising as a result of the retrospective restatement of the balances in the consolidated financial statements due to changes in accounting policies or to the correction of errors.

b) Recognised income and expense: includes the total recognised income and expenses reported in the consolidated statement of recognised income and expense.

c) Other changes in equity: includes the remaining items recognised in consolidated equity, including, inter alia, distribution of Group profit, transfers between consolidated equity items and any other increases or decreases in consolidated equity.

2.21. Reserves

The balance of "Reserves - Accumulated Reserves (Losses)" in the consolidated balance sheets at 31 December 2009 and 2008 includes, by type:

- Asset revaluation reserves: reserves generated in previous years to recognise the adjustment performed by the Group on the date of first-time application of EU-IFRSs in order to recognize certain items of property, plant and equipment at their fair value at that date.
- Unrestricted reserves from retained earnings generated by various Group entities in prior years.

Note 20 includes information relating to the Group's reserves at 31 December 2009 and 2008.

3. CONFEDERACIÓN ESPAÑOLA DE CAJAS DE AHORROS GROUP

Confederación Española de Cajas de Ahorros (CECA) is the Group's Parent. Its individual financial statements are prepared by applying the accounting principles and standards included in Bank of Spain Circular 4/2004, of 22 December, for credit institutions on public and confidential financial reporting rules and financial statement formats, as amended by Bank of Spain Circular 6/2008, of 26 November.

The Confederación accounts for approximately 99.97% of the Group's assets and 99.70% of the equity attributable to the Group at 31 December 2009 (31 December 2008: 99.95% and 99.60%, respectively) after the related uniformity adjustments and eliminations on consolidation.

Following are the summarised financial statements of Confederación Española de Cajas de Ahorros at 31 December 2009 and 2008 and for the years then ended:

CONFEDERACIÓN ESPAÑOLA DE CAJAS DE AHORROS

BALANCE SHEETS AT 31 DECEMBER 2009 AND 2008

(Thousands of Euros)

ASSETS	2009	2008
1. Cash and balances with central banks	**606,283**	**319,441**
2. Financial assets held for trading	**12,266,587**	**8,248,015**
2.1 Loans and advances to credit institutions	-	-
2.2 Loans and advances to customers	-	-
2.3 Debt instruments	8,782,117	6,228,460
2.4 Equity instruments	44,883	23,877
2.5 Trading derivatives	3,439,587	1,995,678
Memorandum item: Loaned or advanced as collateral	4,634,523	4,020,092
3. Other financial assets at fair value through profit or loss	**4,547,105**	**4,817,944**
3.1 Loans and advances to credit institutions	3,748,450	4,421,974
3.2 Loans and advances to customers	798,655	395,970
3.3 Debt instruments	-	-
3.4 Equity instruments	-	-
Memorandum item: Loaned or advanced as collateral	1,838,335	3,244,151
4. Available-for-sale financial assets	**717,299**	**561,225**
4.1 Debt instruments	591,324	437,445
4.2 Equity instruments	125,975	123,780
Memorandum item: Loaned or advanced as collateral	23,052	116,930
5. Loans and receivables	**3,757,619**	**3,894,952**
5.1 Loans and advances to credit institutions	3,056,937	3,321,318
5.2 Loans and advances to customers	543,061	291,882
5.3 Debt instruments	157,621	281,752
Memorandum item: Loaned or advanced as collateral	227,307	113,739
6. Held-to-maturity investments	**-**	**-**
Memorandum item: Loaned or advanced as collateral	-	-
7. Changes in the fair value of hedged items in portfolio hedges of interest rate risk	**-**	**-**
8. Hedging derivative	**-**	**-**

CONFEDERACIÓN ESPAÑOLA DE CAJAS DE AHORROS

BALANCE SHEETS AT 31 DECEMBER 2009 AND 2008

(Thousands of Euros)

ASSETS	2009	2008
9. Non-current assets held for sale	**161**	**161**
10. Investments	**515**	**515**
10.1 Associates	-	-
10.2 Jointly controlled entities	451	451
10.3 Group companies	64	64
11. Insurance contracts linked to pensions	**-**	**-**
13. Tangible assets	**107,736**	**108,778**
13.1 Property, plant and equipment	106,532	107,538
13.1.1 For own use	106,532	107,538
13.1.2 Leased out under an operating lease	-	-
13.1.3 Assigned to welfare projects	-	-
13.2 Investment property	1,204	1,240
Memorandum item: Acquired under a finance lease	-	-
14. Intangible assets	**2,281**	**4,727**
14.1 Goodwill	-	-
14.2 Other intangible assets	2,281	4,727
15. Tax assets	**70,986**	**37,386**
15.1 Current	840	565
15.2 Deferred	70,146	36,821
16. Other assets	**24,753**	**26,623**
TOTAL ASSETS	**22,101,325**	**18,019,767**
MEMORANDUM ITEMS		
1. Contingent liabilities	**82,683**	**125,237**
2. Contingent commitments	**1,177,506**	**716,569**

CONFEDERACIÓN ESPAÑOLA DE CAJAS DE AHORROS

BALANCE SHEETS AT 31 DECEMBER 2009 AND 2008

LIABILITIES AND EQUITY

(Thousands of Euros)

LIABILITIES	2009	2008
1. Financial liabilities held for trading	**4,349,645**	**2,396,595**
1.1 Deposits from central banks	-	-
1.2 Deposits from credit institutions	-	-
1.3 Customer deposits	-	-
1.4 Marketable debt securities	-	-
1.5 Trading derivatives	3,486,403	2,119,152
1.6 Short positions	863,242	277,443
1.7 Other financial liabilities	-	-
2. Other financial liabilities at fair value through profit or loss	**7,619,524**	**7,085,827**
2.1. Deposits from central banks	1,209,104	20,502
2.2 Deposits from credit institutions	2,371,801	2,282,949
2.3 Customer deposits	4,038,619	4,782,376
2.4 Marketable debt securities	-	-
2.5 Subordinated liabilities	-	-
2.6 Other financial liabilities	-	-
3. Financial liabilities at amortised cost	**9,236,004**	**7,742,588**
3.1 Deposits from central banks	279,737	286,750
3.2 Deposits from credit institutions	5,162,482	3,850,190
3.3 Customer deposits	3,234,186	2,777,061
3.4 Marketable debt securities	-	-
3.5 Subordinated liabilities	-	-
3.6 Other financial liabilities	559,599	828,587
4. Changes in the fair value of hedged items in portfolio hedges of interest rate risk	**-**	**-**
5. Hedging derivatives	**-**	**-**
6. Liabilities associated with non-current assets held for sale	**-**	**-**

CONFEDERACIÓN ESPAÑOLA DE CAJAS DE AHORROS

BALANCE SHEETS AT 31 DECEMBER 2009 AND 2008

LIABILITIES AND EQUITY

(Thousands of Euros)

LIABILITIES	2009	2008(*)
8. Provisions	**75,824**	**55,671**
8.1 Provisions for pensions and similar obligations	6,769	7,561
8.2 Provisions for taxes and other legal contingencies	-	-
8.3 Provisions for contingent liabilities and commitments	13	6
8.4 Other provisions	69,042	48,104
9. Tax liabilities	**58,212**	**48,931**
9.1 Current	15,075	8,362
9.2 Deferred	43,137	40,569
10. Welfare fund	**503**	**363**
11. Other liabilities	**67,267**	**44,816**
12. Equity refundable on demand	**-**	**-**
TOTAL LIABILITIES	**21,406,979**	**17,374,791**

EQUITY		
1. Own funds	**659,582**	**620,008**
1.1 Endowment fund	-	-
1.1.1 Registered capital	-	-
1.1.2 Less: Uncalled capital	-	-
1.2 Share premium	-	-
1.3 Reserves	583,069	549,622
1.4 Other equity instruments	30,051	30,051
1.4.1 Equity component of compound financial instruments	-	-
1.4.2 Non-voting equity units and associated funds	30,051	30,051
1.4.3 Other equity instruments	-	-
1.5 Less: Treasury shares	-	-
1.6 Profit for the year	46,462	40,335
1.7 Less: Dividends and remuneration	-	-

CONFEDERACIÓN ESPAÑOLA DE CAJAS DE AHORROS

BALANCE SHEETS AT 31 DECEMBER 2009 AND 2008

LIABILITIES AND EQUITY

(Thousands of Euros)

EQUITY	2009	2008
2. Valuation adjustments	34,764	24,968
2.1 Available-for-sale financial assets	34,764	24,968
2.2 Cash flow hedges	-	-
2.3 Hedges of net investments in foreign operations	-	-
2.4 Exchange differences	-	-
2.5 Non-current assets held for sale	-	-
2.7 Other valuation adjustments	-	-
TOTAL EQUITY	**694,346**	**644,976**
TOTAL LIABILITIES AND EQUITY	**22,101,325**	**18,019,767**

CONFEDERACIÓN ESPAÑOLA DE CAJAS DE AHORROS

INCOME STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2009 AND 2008

	(Thousands of Euros) Income / (Expense)	
	2009	2008
1. Interest and similar income	487,364	611,113
2. Interest expense and similar charges	(399,460)	(520,543)
3. Return of equity refundable on demand	-	-
A. NET INTEREST INCOME	**87,904**	**90,570**
4. Income from equity instruments	136,761	31,777
5. Fee and commission income	101,143	106,863
6. Fee and commission expense	(29,902)	(28,498)
8. Gains/losses on financial assets and liabilities (net)	(34,200)	(71,749)
8.1 Held for trading	(18,624)	(92,071)
8.2 Other financial instruments at fair value through profit or loss	(28,906)	28,337
8.3 Financial instruments not measured at fair value through profit or loss	13,330	(8,015)
8.4 Other	-	-
9. Exchange differences (net)	21,640	50,409
10. Other operating income	84,327	83,092
11. Other operating expenses	(2,012)	(1,204)
B. GROSS INCOME	**365,661**	**261,260**
12. Administrative expenses	(172,540)	(159,194)
12.1 Staff costs	(84,176)	(72,300)
12.2 Other general administrative expense	(88,364)	(86,894)

CONFEDERACIÓN ESPAÑOLA DE CAJAS DE AHORROS

INCOME STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2009 AND 2008

	(Thousands of Euros) Income / (Expense)	
	2009	**2008**
13. Depreciation and amortisation	(9,392)	(10,326)
14. Provisions (net)	(19.976)	(33,839)
15. Impairment losses on financial assets (net)	(102,614)	(5,545)
15.1 Loans and receivables	(96,726)	(5,553)
15.2 Other financial instruments not measured at fair value through profit or loss	(5,888)	8
C. PROFIT FROM OPERATIONS	**61,139**	**52,356**
16. Impairment losses on other assets (net)	-	-
16.1 Goodwill and other intangible assets	-	-
16.2 Other assets	-	-
17. Gains (losses) on disposal of assets not classified as non-current assets held for sale	(3)	(14)
18. Negative goodwill on business combinations	-	-
19. Gains (losses) on non-current assets held for sale not classified as discontinued operations	-	10
D. PROFIT BEFORE TAX	**61,136**	**52,352**
20. Income tax	(14,674)	(12,017)
21. Mandatory transfer to welfare projects and funds	-	-
E. PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS	**46,462**	**40,335**
22. Profit/Loss from discontinued operations (net)	-	-
F. PROFIT FOR THE YEAR	**46,462**	**40,335**

05
Consolidated Financial Statements

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CONFEDERACIÓN ESPAÑOLA DE CAJAS DE AHORROS

STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2009 AND 2008

I. STATEMENTS OF RECOGNISED INCOME AND EXPENSE FOR THE YEARS ENDED 31 DECEMBER 2009 AND 2008

(Thousands of Euros)

	2009	2008
A) PROFIT FOR THE YEAR	**46,462**	**40,335**
B) OTHER RECOGNISED INCOME AND EXPENSE	**9,796**	**(52,218)**
1. Available-for-sale financial assets	13,994	(78,593)
1.1 Revaluation gains (losses)	28,749	(86,608)
1.2 Amounts transferred to income statement	(14,755)	8,015
1.3 Other reclassifications	-	-
2. Cash flow hedges	-	3,996
2.1 Revaluation gains (losses)	-	1,362
2.2 Amounts transferred to income statement	-	-
2.3 Amounts transferred to the initial carrying amount of hedged items	-	2,634
2.4 Other reclassifications	-	-
3. Hedges of net investments in foreign operations	-	-
3.1 Revaluation gains (losses)	-	-
3.2 Amounts transferred to income statement	-	-
3.3 Other reclassifications	-	-
4. Exchange differences	-	-
4.1 Revaluation gains (losses)	-	-
4.2 Amounts transferred to income statement	-	-
4.3 Other reclassifications	-	-
5. Non-current assets held for sale	-	-
5.1 Revaluation gains (losses)	-	-
5.2 Amounts transferred to income statement	-	-
5.3 Other reclassifications	-	-
6. Actuarial gains (losses) on pension plans	-	-
8. Other recognised income and expense	-	-
9. Income tax	(4,198)	22,379
C) TOTAL RECOGNISED INCOME AND EXPENSE (A+B)	**56,258**	**(11,883)**

CONFEDERACIÓN ESPAÑOLA DE CAJAS DE AHORROS

STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2009 AND 2008

II. STATEMENTS OF CHANGES IN TOTAL EQUITY FOR THE YEARS ENDED 31 DECEMBER 2009 AND 2008

(Thousands of Euros)

	OWN FUNDS									
	Endowment Fund	Share Premium	Reserves	Other Equity Instruments	Less: Treasury Shares	Profit for the Year	Less: Dividends and Remuneration	Total Own Funds	VALUATION ADJUSTMENTS	TOTAL EQUITY
1. Ending balance at 31/12/08	**-**	**-**	**549,622**	**30,051**	**-**	**40,335**	**-**	**620,008**	**24,968**	**644,976**
1.1. Adjustments due to changes in accounting policies	-	-	-	-	-	-	-	-	-	-
1.2. Adjustments made to correct errors	-	-	-	-	-	-	-	-	-	-
2. Adjusted beginning balance	**-**	**-**	**549,622**	**30,051**	**-**	**40,335**	**-**	**620,008**	**24,968**	**644,976**
3. Total recognised income and expense	**-**	**-**	**-**	**-**	**-**	**46,462**	**-**	**46,462**	**9,796**	**56,258**
4. Other changes in equity	**-**	**-**	**33,447**	**-**	**-**	**(40,335)**	**-**	**(6,888)**	**-**	**(6,888)**
4.1. Increases in endowment fund	-	-	-	-	-	-	-	-	-	
4.2. Capital reductions	-	-	-	-	-	-	-	-	-	-
4.3. Conversion of financial liabilities into equity	-	-	-	-	-	-	-	-	-	-
4.4. Increases in other equity instruments	-	-	-	-	-	-	-	-	-	-
4.5. Reclassification of financial liabilities to other equity instruments	-	-	-	-	-	-	-	-	-	-
4.6. Reclassification of other equity instruments to financial liabilities	-	-	-	-	-	-	-	-	-	-
4.7. Distribution of dividends / Remuneration of shareholders	-	-	-	-	-	(2,089)	-	(2,089)	-	(2,089)
4.8. Transactions involving own equity instruments	-	-	-	-	-	-	-	-	-	-
4.9. Transfers between equity items	-	-	33,446	-	-	(33,446)	-	-	-	-
4.10. Increases (decreases) due to business combinations	-	-	-	-	-	-	-	-	-	-
4.11. Discretionary transfer to welfare projects and funds	-	-	-	-	-	(4,800)	-	(4,800)	-	(4,800)
4.12. Equity-instrument-based payments	-	-	-	-	-	-	-	-	-	-
4.13. Other increases (decreases) in equity	-	-	1	-	-	-	-	1	-	1
5. Ending balance at 31/12/09	**-**	**-**	**583,069**	**30,051**	**-**	**46,462**	**-**	**659,582**	**34,764**	**694,346**

CONFEDERACIÓN ESPAÑOLA DE CAJAS DE AHORROS

STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2009 AND 2008

II. STATEMENTS OF CHANGES IN TOTAL EQUITY FOR THE YEARS ENDED 31 DECEMBER 2009 AND 2008

(Thousands of Euros)

	OWN FUNDS									
	Endowment Fund	Share Premium	Reserves	Other Equity Instruments	Less: Treasury Shares	Profit for the Year	Less: Dividends and Remuneration	Total Own Funds	VALUATION ADJUSTMENTS	TOTAL EQUITY
1. Ending balance at 31/12/07	**-**	**-**	**516,466**	**30,051**	**-**	**41,479**	**-**	**587,996**	**77,186**	**665,182**
1.1. Adjustments due to changes in accounting policies	-	-	-	-	-	-	-	-	-	-
1.2. Adjustments made to correct errors	-	-	-	-	-	-	-	-	-	-
2. Adjusted beginning balance	**-**	**-**	**516,466**	**30,051**	**-**	**41,479**	**-**	**587,996**	**77,186**	**665.182**
3. Total recognised income and expense	**-**	**-**	**-**	**-**	**-**	**40,335**	**-**	**40,335**	**(52,218)**	**(11,883)**
4. Other changes in equity	**-**	**-**	**33,156**	**-**	**-**	**(41,479)**	**-**	**(8,323)**	**-**	**(8,323)**
4.1. Increases in endowment fund	-	-	-	-	-	-	-	-	-	
4.2. Capital reductions	-	-	-	-	-	-	-	-	-	-
4.3. Conversion of financial liabilities into equity	-	-	-	-	-	-	-	-	-	-
4.4. Increases in other equity instruments	-	-	-	-	-	-	-	-	-	-
4.5. Reclassification of financial liabilities to other equity instruments	-	-	-	-	-	-	-	-	-	-
4.6. Reclassification of other equity instruments to financial liabilities	-	-	-	-	-	-	-	-	-	-
4.7. Distribution of dividends / Remuneration of shareholders	-	-	-	-	-	(2,281)	-	(2,281)	-	(2,281)
4.8. Transactions involving own equity instruments	-	-	-	-	-	-	-	-	-	-
4.9. Transfers between equity items	-	-	32,770	-	-	(32,770)	-	-	-	-
4.10. Increases (decreases) due to business combinations	-	-	-	-	-	-	-	-	-	-
4.11. Discretionary transfer to welfare projects and funds	-	-	-	-	-	(6,428)	-	(6,428)	-	(6,428)
4.12. Equity-instrument-based payments	-	-	-	-	-	-	-	-	-	-
4.13. Other increases (decreases) in equity	-	-	386	-	-	-	-	386	-	386
5. Ending balance at 31/12/08	**-**	**-**	**549,622**	**30,051**	**-**	**40,335**	**-**	**620,008**	**24,968**	**644,976**

CONFEDERACIÓN ESPAÑOLA DE CAJAS DE AHORROS

CASH FLOW STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2009 AND 2008

(Thousands of Euros)

	2009	2008
A) CASH FLOWS FROM OPERATING ACTIVITIES	**294,858**	**(314,062)**
1. Profit for the year	**46,462**	**40,335**
2. Adjustments made to obtain the cash flows from operating activities	**118,375**	**159,733**
2.1. Depreciation and amortisation	9,392	10,326
2.3. Other adjustments	108,983	149,407
3. Net (increase)/decrease in operating assets	**(3,836,368)**	**(4,060,855)**
3.1. Financial assets held for trading	(3,938,444)	(5,195,005)
3.2. Other financial assets at fair value through profit or loss	241,933	(4,896,537)
3.3. Available-for-sale financial assets	(147,968)	(71,075)
3.4. Loans and receivables	40,607	6,050,212
3.5. Other operating assets	(32,496)	51,550
4. Net (increase)/decrease in operating liabilities	**4,009,306**	**3,554,756**
4.1. Financial liabilities held for trading	1,953,050	540,316
4.2. Other financial liabilities at fair value through profit or loss	533,697	7,085,827
4.3. Financial liabilities at amortised cost	1,493,416	(4.100,613)
4.4. Other operating liabilities	29,143	29,226
5. Collections/(Payments) of income tax	**(42,917)**	**(8,031)**
B) CASH FLOWS FROM INVESTING ACTIVITIES	**(5,927)**	**(4,417)**
6. Payments	**(5,927)**	**(4,427)**
6.1. Tangible assets	(5,282)	(3,533)
6.2. Intangible assets	(645)	(894)
6.3. Investments	-	-
6.4. Other business units	-	-
6.5. Non-current assets held for sale and associated liabilities	-	-
6.6. Held-to-maturity investments	-	-
6.7. Other payments related to investing activities	-	-

CONFEDERACIÓN ESPAÑOLA DE CAJAS DE AHORROS

CASH FLOW STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2009 AND 2008

(Thousands of Euros)

	2009	2008
7. Collections	**-**	**10**
7.1. Tangible assets	-	-
7.2. Intangible assets	-	-
7.3. Investments	-	-
7.4. Other business units	-	-
7.5. Non-current assets held for sale and associated liabilities	-	10
7.6. Held-to-maturity investments	-	-
7.7. Other payments related to investing activities	-	-
C) CASH FLOWS FROM FINANCING ACTIVITIES	**(2,089)**	**(2,281)**
8. Payments	**2.089**	**2,281**
8.1. Dividends	2,089	2,281
8.2. Subordinated liabilities	-	-
8.3. Redemption of own equity instruments	-	-
8.4. Acquisition of own equity instruments	-	-
8.5. Other payments related to financing activities	-	-
9. Collections	**-**	**-**
9.1. Subordinated liabilities	-	-
9.2. Issuance of own equity instruments	-	-
9.3. Disposal of equity instruments	-	-
9.4. Other collections related to financing activities	-	-
D) EFFECT OF CHANGES IN EXCHANGE RATES	**-**	**-**
E) NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS (A+B+C+D)	**286,842**	**(320,760)**
F) CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**319,441**	**640,201**
G) CASH AND CASH EQUIVALENTS AT END OF YEAR	**606,283**	**319,441**
MEMORANDUM ITEMS COMPONENTS OF CASH AND CASH EQUIVALENTS AT END OF YEAR		
1.1. Cash	39,704	32,396
1.2. Cash equivalents at central banks	566,579	287,045
1.3. Other financial assets	-	-
1.4. Less: Bank overdrafts refundable on demand	-	-
Total cash and cash equivalents at end of year	606,283	319,441

4. DISTRIBUTION OF THE CONFEDERACIÓN'S PROFIT

The distribution of the Confederación's net profit for 2009 that the Board of Directors will propose for approval by the General Assembly (the figures for 2008 are presented for comparison purposes only) is as follows:

Thousands of Euros	2009	2008
Reserves	40,478	33,446
Transfer to welfare fund (Note 28)	3,707	4,800
Return on participation certificates (Note 19)	2,277	2,089
Net profit for the year	**46,462**	**40,335**

5. BUSINESS SEGMENT

The Confederación's wholesale business, which is carried on in Spain, represents substantially all the Group's activities, of which the retail business accounts for less than 1%. For this reason the Group's non-current assets are located in Spain.

Following is a detail of the revenue from external customers in 2009 and 2008 by the geographical areas giving rise thereto:

2009:

	Thousands of Euros			
	Spain	Rest of Europe	Rest of the world	Total
Interest and similar income (Note 30)	438,375	49,037	-	**487,412**
Fee and comisión income (Note 33)	98,908	2,235	738	**101,881**
Gains /losses on financial assets and liabilities (net) (Note 35)	(33,185)	(1,015)	-	**(34,200)**
Other operating income (Note 36)	92,661	149	-	**92,810**

2008:

	Thousands of Euros			
	Spain	Rest of Europe	Rest of the world	Total
Interest and similar income (Note 30)	559,234	52,105	-	**611,339**
Fee and comisión income (Note 33)	103,105	3,758	917	**107,780**
Gains /losses on financial assets and liabilities (net) (Note 35)	(71,886)	137	-	**(71,749)**
Other operating income (Note 36)	90,366	185	-	**90,551**

Note 27 contains information on geographical distribution, by counterparty, of the Group's main activities.

At 31 December 2009 and 2008 and in those years, the Group did not have any single customer which individually accounted for 10% or more of its revenue.

6. REMUNERATION OF DIRECTORS AND SENIOR EXECUTIVES

6.1. Remuneration of directors

The members of the Board of Directors of the Confederación (Parent of the Group) receive an attendance fee for attendance of meetings. The detail for 2009 and 2008 is shown in the table below.

Thousands of Euros	2009	2008
Alzamora Carbonell, Fernando	6	-
Arvelo Hernández, Álvaro	17	17
Batle Mayol, Pedro	12	15
Beltrán Aparicio, Fernando	17	17
Blesa de la Parra, Miguel	40	34
Crespo Martínez, Modesto	8	-
De Doria Lagunas, Pedro Antonio	-	3
De Irala Esteve, Xabier	11	6
Egea Krauel, Carlos	40	38
Escribano Soto, Manuel	2	-
Espinosa Herrero, José Manuel	11	-
Fainé Casas, Isidro	37	38
Fernández Gayoso, Julio	5	9
Formosa Prat, Feliú	5	14
Franco Lahoz, Amado	18	14
García Nuñez, Leoncio	6	9
García Peña, Francisco Manuel	6	-
Herrero Autet, Didac	11	-
Ibern Gallart, Josep	8	14
Loza Xuriach, José María	-	3
Mata Tarragó, Enric	11	-
Medel Cámara, Braulio	40	32
Medina Ocaña, Jesús	14	17
Méndez López, José Luis	11	5
Mestre González, Jordi	11	-
Olavarrieta Arcos, José Antonio	40	11
Olivas Martínez, José Luis	40	35
Pagés Font, Ricardo	6	15
Pulido Gutiérrez, Antonio	17	17
Quintás Seoane, Juan Ramón	40	38
Ros Maorad, José Luis	18	17
Ruiz Díez, Santiago	-	6
Sala Belló, Vicente	11	17
Sánchez Rojas, José Manuel	12	-
Sanz Sesma, Miguel	17	17
Suárez del Toro, Juan Manuel	17	-
Todó Rovira, Adolfo	17	15
Total	**580**	**473**

In 2009, the directors were paid fees for attending Standing Committee meetings and representing the Board amounting to EUR 162 thousand (2008: EUR 37 thousand). Note 43 details the Group's other balances with its directors and entities or individuals related to them.

6.2. Remuneration of senior executives and of members of the Board of Directors in their capacity as Group executives

For the purposes of the preparation of these consolidated financial statements, the 16 members of the Management Committee were considered to be senior executives of the Confederación at 31 December 2009 (31 December 2008: 15 executives).

The detail of the remuneration earned in 2009 and 2008 by senior executives and by the Board members in their capacity as Group executives was as follows (in thousands of euros):

	Thousands of Euros	
	2009	2008
Short-Term Remuneration	5,183	4,085
Post-Employment Benefits	2,330	1,729
Total	**7,513**	**5,814**

No additional remuneration was earned by senior executives in 2009 and 2008 in connection with other long-term benefits, termination benefits or share-based payments as defined by the applicable regulations.

At 31 December 2009, the vested pension rights of the senior executives and Board members in their capacity as Group executives amounted to EUR 17,667 thousand (31 December 2008: EUR 15,337 thousand).

Also, the post-employment benefits accrued in 2009 by former members of the Group's Board of Directors amounted to EUR 67 thousand and their vested rights in this connection totalled EUR 1,345 thousand at 31 December 2009 (2008: EUR 37 thousand; 31 December 2008: EUR 1,152 thousand).

7. CASH AND BALANCES WITH CENTRAL BANKS

The breakdown of the balance of "Cash and Balances with Central Banks" in the consolidated balance sheets at 31 December 2009 and 2008 is as follows:

	Thousands of Euros	
	2009	2008
Cash	39,704	32,396
Balances with the Bank of Spain	566,576	251,106
Balances with other central banks	-	35,927
	606,280	**319,429**
Valuation adjustments:		
Of which-		
Other valuation adjustments	3	12
	3	**12**
	606,283	**319,441**

Note 22 includes information on the fair value of these instruments at 31 December 2009 and 2008. Note 25 provides information on the liquidity risk associated with financial instruments, including information on the maturities of these assets.

The balance of "Cash and Balances with Central Banks" at 31 December 2009 and 2008 represents the maximum exposure to credit risk assumed by the Group in relation to these instruments.

At 31 December 2009 and 2008, there were no assets with uncollected past-due amounts or impaired classified under "Cash and Balances with Central Banks".

8. FINANCIAL INSTRUMENTS THROUGH PROFIT OR LOSS

8.1. Financial assets and liabilities held for trading

8.1.1. Financial assets and liabilities held for trading - Breakdown

Following is a detail of the balances of "Financial Assets/Liabilities Held for Trading" in the consolidated balance sheets at 31 December 2009 and 2008:

	Thousands of Euros			
	Financial Assets Held for Trading		Financial Liabilities Held for Trading	
	2009	2008	2009	2008
Debt instruments	8,782,117	6,228,460	-	-
Equity instruments	44,883	23,877	-	-
Trading derivatives-				
Derivatives traded in organised markets	556	109	525	1,286
OTC derivatives	3,439,031	1,995,569	3,485,878	2,117,866
Short positions	-	-	863,242	277,443
	12,266,587	**8,248,015**	**4,349,645**	**2,396,595**

Note 23 discloses information on the credit risk assumed by the Group in relation to the financial assets, other than equity instruments, included in this category. In addition, Notes 24 and 25 include information on the market and liquidity risks, respectively, associated with the financial instruments included in this category. Note 22 provides information on the fair value of the financial instruments included in this category. Note 27 includes information on the concentration of risk relating to the financial assets held for trading. Note 26 shows information on the exposure to interest rate risk.

8.1.2. Financial assets and liabilities held for trading - Trading derivatives

Following is a breakdown, by type of risk, of the fair value of the trading derivatives arranged by the Group and of their notional amount (on the basis of which the future payments and collections on these derivatives are calculated) at 31 December 2009 and 2008:

	Thousands of Euros					
	2009			2008		
	Fair Value			Fair Value		
	Asset Balances	Liability Balances	Notional Amount	Asset Balances	Liability Balances	Notional Amount
Interest rate risk	3,364,173	3,421,714	162,542,112	1,874,788	1,959,212	148,245,415
Foreign currency risk	42,615	31,475	3,725,084	102,799	120,278	3,852,834
Share price risk	32,260	21,281	577,673	16,322	27,429	737,072
Credit risk	539	11,933	130,000	1,769	12,233	284,060
	3,439,587	**3,486,403**	**166,974,869**	**1,995,678**	**2,119,152**	**153,119,381**

The notional amount of the contracts entered into does not reflect the actual risk assumed by the Group for these contracts, since the net position in these financial instruments is the result of offsetting and/or combining them and of offsetting and/or combining them with other asset or liability positions.

8.1.3. Financial liabilities held for trading - Short positions

The detail, by type of transaction, of the balance of this item in the consolidated balance sheets at 31 December 2009 and 2008 is as follows:

Thousands of Euros

	2009	2008
Classification:		
Borrowed securities-		
Equity instruments	90,316	12,854
Short sales-		
Debt instruments	772,926	264,589
	863,242	**277,443**

"Short Positions - Short Sales – Debt Instruments" in the foregoing table includes the fair value of the Group's debt instruments purchased under reverse repurchase agreements and, therefore, as such not recognised on the asset side of the consolidated balance sheet, which have been sold and will be repurchased by the Group before maturity of the reverse repurchase agreement in which they are used as collateral, in order for the Group to return them at the maturity date.

8.2. Other financial instruments at fair value through profit or loss

8.2.1. Other financial assets at fair value through profit or loss

This heading includes reverse repurchase agreements arranged by the Group which are managed jointly with repurchase agreements relating to financial assets classified in "Other Financial Liabilities at Fair Value Through Profit or Loss" and with interest rate derivatives and financial instruments classified as held for trading.

The detail, by nature, of the financial assets included in "Other Financial Assets at Fair Value Through Profit or Loss" in the consolidated balance sheets at 31 December 2009 and 2008 is as follows:

Thousands of Euros

	2009	2008
Loans and advances to credit institutions-		
Reverse repurchase agreements	3,715,172	4,299,456
Valuation adjustments-		
Accrued interest	30,868	94,475
Revaluation gains	2,410	28,043
	33,278	122,518
	3,748,450	**4,421,974**
Loans and advances to customers-		
Reverse repurchase agreements	797,766	392,049
Valuation adjustments-		
Accrued interest	754	2,780
Revaluation gains	135	1,141
	889	3,921
	798,655	**395,970**
	4,547,105	**4,817,944**

Note 23 includes information on the Group's exposure to credit risk at 31 December 2009 and 2008 associated with these financial instruments.

Note 22 discloses information on the fair value of these financial instruments at 31 December 2009 and 2008. Note 24 provides information on the exposure to market risk of these financial instruments.

Note 25 contains information on the liquidity risk associated with the financial instruments owned by the Group at 31 December 2009 and 2008, including information on the terms to maturity at those dates of the financial assets included in this category.

Note 27 includes information on the concentration risk relating to these financial instruments at 31 December 2009 and 2008. Note 26 shows information on the Group's exposure to interest rate risk.

In view of the characteristics of the transactions included in this category (reverse repurchase agreements), the counterparties and collateral provided, it is estimated that substantially all the changes in the fair value of these financial instruments in 2009 recognised in the consolidated income statement are attributable to market risk and, more specifically, to interest rate risk.

8.2.2. Other financial liabilities at fair value through profit or loss

This heading includes repurchase agreements arranged by the Group which are managed jointly with reverse repurchase agreements relating to financial assets classified in "Other Financial Assets at Fair Value Through Profit or Loss" and with interest rate derivatives and financial instruments classified as held for trading.

The detail, by nature, of the financial liabilities included in "Other Financial Liabilities at Fair Value Through Profit or Loss" in the consolidated balance sheets at 31 December 2009 and 2008 is as follows:

Thousands of Euros

	2009	2008
Deposits from central banks-		
Taken deposits from Bank of Spain	1,200,000	-
Repurchase agreements with the Bank of Spain	-	20,389
Valuation adjustments-		
Accrued interest	6,318	90
Revaluation gains	2,786	23
	9,104	113
	1,209,104	**20,502**
Deposits from credit institutions-		
Repurchase agreements with credit institutions	2,368,811	2,278,337
Valuation adjustments-		
Accrued interest	2,659	3,535
Revaluation gains	331	1,077
	2,990	4,612
	2,371,801	**2,282,949**
Customer deposits-		
Repurchase agreements with the Public Treasury	790,898	3,611,755
Repurchase agreements to entities with central counterparties	2,909,998	-
Repurchase agreements with other resident sectors in Spain	337,100	1,167,089
Repurchase agreements with other non-resident sectors in Spain	-	3,164
Valuation adjustments-		
Accrued interest	626	633
Revaluation losses	(3)	(265)
	623	368
	4,038,619	**4,782,376**
	7,619,524	**7,085,827**

In view of the characteristics of these financial liabilities (sales of assets under non-optional repurchase agreements arranged by the Group), the significant changes in the fair value of these financial instruments in 2008 and accumulated at 31 December 2009 are attributable to market risk (mainly interest rate risk) rather than credit risk.

The amounts shown in the above table, net of their related valuation adjustments for "Revaluation Gains", represent the amortised cost of these liabilities at 31 December 2009, which does not differ significantly from the amount that would be payable by the Group if they matured at that date.

Note 22 discloses information on the fair value of the financial liabilities included in this category at 31 December 2009. Note 25 provides information on the liquidity risk associated with these financial liabilities.

Note 24 shows certain information on the market risk associated with these financial liabilities and Note 26 contains information on interest rate risk.

9. AVAILABLE-FOR-SALE FINANCIAL ASSETS

Following is a detail of the balances of "Available-for-Sale Financial Assets" in the consolidated balance sheets at 31 December 2009 and 2008:

Thousands of Euros

	2009	2008
Debt instruments-		
Government debt securities	81,291	80,759
Other securities	541,487	387,256
	622,778	**468,015**
Valuation adjustments-		
Accrued interest	6,804	5,041
Revaluation losses	(35,110)	(34,424)
Impairment losses	(3,148)	(1,190)
	(31,454)	(30,573)
	591,324	**437,442**
Equity instruments-		
Shares quoted on secondary organised markets	13,370	22,690
Shares not quoted on organised markets	31,733	31,312
	45,103	**54,002**
Valuation adjustments-		
Revaluation gains	81,472	70,092
Impairment losses	(600)	(600)
Other adjustments	-	286
	80,872	69,778
	125,975	123,780
	717,299	**561,222**

Note 22 contains certain information on the fair value of the financial instruments included in this category. Note 23 includes information on the credit risk to which the debt instruments included in this financial instrument category are subject.

Note 24 shows certain information on the market risk to which the Group is exposed in relation to these financial assets. Note 25 discloses certain information on the Group's liquidity risk, including information on the terms to maturity of these financial assets at 31 December 2009 and 2008.

Note 26 shows information on the exposure to interest rate risk. Note 27 includes information on the concentration risk associated to these financial assets.

10. LOANS AND RECEIVABLES

10.1. Breakdown

Following is a detail of the financial assets included in "Loans and Receivables" in the consolidated balance sheets at 31 December 2009 and 2008:

Thousands of Euros

	2009	2008
Loans and advances to credit institutions-		
Time deposits	1,153,511	1,861,597
Other accounts	1,223,566	882,167
Securities lending (*)	652,443	557,866
Other financial assets	24,397	9,833
Doubtful assets	1,116	1,155
	3,055,033	**3,312,618**
Valuation adjustments-		
Impairment losses	(1,183)	(328)
Accrued interest	3,126	9,066
	1,943	8,738
	3,056,976	**3,321,356**

Thousands of Euros

	2009	2008
Loans and advances to customers-		
Deposits for futures transactions and other guarantees given	216,150	91,464
Unsettled stock exchange transactions	111,545	64,716
Securities lending (*)	76,080	52,440
Mortgage loans	46,797	39,889
Unsecured credits and loans	20,916	30,898
Other assets	74,656	13,017
Reverse repurchase agreements	6,752	7,000
Doubtful assets	24	5
	552,920	**299,429**
Valuation adjustments-		
Impairment losses	(2,581)	(955)
Accrued interest	55	851
	(2,526)	(104)
	550,394	**299,325**
Debt instruments-		
Issued by non-residents in Spain	161,081	245,488
Issued by residents in Spain	22,361	24,075
Doubtful assets	71,432	17,592
Valuation adjustments-		
Impairment losses	(97,253)	(5,405)
	157,621	**281,750**
	3,764,991	**3,902,431**

(*) Relates to the amount delivered by the Confederación as security for securities lending transactions (see Note 29.5)

Note 22 provides information on the fair value at 31 December 2009 and 2008 of the financial assets included in this category. Note 23 discloses certain relevant information on the credit risk relating to the financial assets included in this financial instrument category at 31 December 2009 and 2008.

Note 24 includes information on the market risk associated with these financial assets at 31 December 2009 and 2008. Note 25 contains information on the liquidity risk associated with the Group's financial instruments at 31 December 2009 and 2008, including information on the terms to maturity at those dates of the financial assets included in this category.

Note 27 includes information on the concentration risk associated with the financial assets included in this category at 31 December 2009 and 2008. Note 26 shows information on the exposure to interest rate risk.

11. NON-CURRENT ASSETS HELD FOR SALE

The breakdown of the balance of "Non-Current Assets Held for Sale" in the consolidated balance sheets at 31 December 2009 and 2008 is as follows:

	Thousands of Euros	
	2009	2008
Tangible assets -		
Foreclosed residential assets	-	-
Other residential assets	161	161
Equity instruments -		
Investments in associates	-	-
Impairment losses	-	-
	161	**161**

In 2008 the Group sold its ownership interest in the share capital of Europay, España, S.C. The cost of the investment, which was provided for in full when it was sold, amounted to EUR 171 thousand. As a result of the sale, the Group received EUR 10 thousand in 2008 which are recognised in "Gains (Losses) on Non-Current Assets Held for Sale not Classified as Discontinued Operations" in the consolidated income statement for 2008.

During 2009 there were no changes in this part of the consolidated balance sheet.

12. INVESTMENTS

At 31 December 2009 and 2008 the Group did not have any investments classified as "Associates". There were no changes in this heading of the consolidated balance sheets in 2009 and 2008.

13. TANGIBLE ASSETS

The changes in 2009 and 2008 in "Tangible Assets" in the consolidated balance sheets were as follows:

Thousands of Euros	Property, Plant and Equipment for Own Use: Land and Buildings	Property, Plant and Equipment for Own Use: Furniture, Fixtures and Vehicles	Property, Plant and Equipment for Own Use: IT Equipment and Related Fixtures	Investment Property	Total
Cost:					
Balance at 1 January 2008	124,825	41,628	24,459	1,333	192,245
Additions	-	2,325	1,214	-	3,539
Disposals	-	(2,895)	(1,225)	-	(4,120)
Transfers and other changes	-	-	-	-	-
Exchange differences	-	(226)	81	-	(145)
Balance at 31 December 2008	**124,825**	**40,832**	**24,529**	**1,333**	**191,519**
Additions	-	3,530	1,781	-	5,311
Disposals	-	(296)	(4,535)	-	(4,831)
Transfers	-	63	97	-	160
Other	-	(41)	(93)	-	(134)
Balance at 31 December 2009	**124,825**	**44,088**	**21,779**	**1,333**	**192,025**
Accumulated depreciation:					
Balance at 1 January 2008	(27,240)	(32,527)	(20,631)	(57)	(80,455)
Charge for the year (Note 41)	(2,526)	(1,951)	(1,809)	(36)	(6,322)
Disposals	-	2,881	1,225	-	4,106
Transfers	-	-	-	-	-
Other	1	153	(48)	-	106
Balance at 31 December 2008	**(29,765)**	**(31,444)**	**(21,263)**	**(93)**	**(82,565)**
Charge for the year (Note 41)	(2,461)	(2,169)	(1,670)	(36)	(6,336)
Disposals	-	296	4,505	-	4,801
Transfers	-	(63)	(97)	-	(160)
Other	-	52	90	-	142
Balance at 31 December 2009	**(32,226)**	**(33,328)**	**(18,435)**	**(129)**	**(84,118)**
Tangible assets, net:					
Net balance at 31 December 2008	**95,060**	**9,388**	**3,266**	**1,240**	**108,954**
Net balance at 31 December 2009	**92,599**	**10,760**	**3,344**	**1,204**	**107,907**

At 31 December 2009, property, plant and equipment for own use totalling (gross) approximately EUR 46,154 thousand (EUR 44,793 thousand at 31 December 2008) had been depreciated in full.

At 31 December 2009 and 2008, the tangible assets owned by the Group were not impaired and there were no changes in this connection in those years.

The rental income earned from investment property owned by the Group amounted to approximately EUR 1,012 thousand in 2009 and EUR 1,033 thousand in 2008 (see Note 36).

14. INTANGIBLE ASSETS

14.1. Intangible assets - Other intangible assets

The balance of "Other Intangible Assets" relates in full to computer software, developed mainly by the Group, which is amortised by the straight-line method on the basis of its estimated useful life over a period of three to five years. The breakdown of the balance of "Other Intangible Assets" in the consolidated balance sheets at 31 December 2009 and 2008 is as follows:

Thousands of Euros

	2009	2008
Intangible assets with finite useful life	13,925	26,700
Less:		
Accumulated amortisation	(11,628)	(21,953)
Total net	**2,297**	**4,747**

At 31 December 2009 and 2008, the intangible assets owned by the Group were not impaired and there were no changes in this connection in those years.

At 31 December 2009 the balance of fully amortised intangible assets in use was EUR 10,373 thousand (31 December 2008: EUR 11,512 thousand).

The changes in 2009 and 2008 in "Other Intangible Assets" in the consolidated balance sheets were as follows:

	Thousands of Euros
Cost:	
Balance at 1 January 2008	25,983
Additions	717
Balance at 31 December 2008	**26,700**
Additions	657
Disposals	(13,432)
Balance at 31 December 2009	**13,925**
Accumulated amortisation:	
Balance at 1 January 2008	(17,890)
Charge for the year (Note 41)	(4,063)
Balance at 31 December 2008	**(21,953)**
Charge for the year (Note 41)	(3,107)
Disposals	13,432
Balance at 31 December 2009	**(11,628)**
Intangible assets, net:	
Net balance at 31 December 2008	**4,747**
Net balance at 31 December 2009	**2,297**

15. OTHER ASSETS

The breakdown of the balance of "Other Assets" in the consolidated balance sheets at 31 December 2009 and 2008 is as follows:

Thousands of Euros

	2009	2008
Prepayments and accrued income-		
Fees and commissions receivable	5,913	6,479
Prepayments	132	135
Other prepayments and accrued income	1,853	1,981
Other assets-		
Transactions in transit	4,588	6,477
Other	12,298	11,599
	24,784	**26,671**

"Prepayments and Accrued Income – Fees and Commissions Receivable" includes the accrued commissions receivable by the Group in relation to various services provided, basically in relation to the payment methods business and the custody business for collective investment undertakings and pension funds.

16. FINANCIAL LIABILITIES AT AMORTISED COST

16.1. Breakdown

The detail of the items composing the balance of "Financial Liabilities at Amortised Cost" in the consolidated balance sheets at 31 December 2009 and 2008 is as follows:

Thousands of Euros

	2009	2008
Deposits from central banks	279,680	286,714
Deposits from credit institutions	5,160,700	3,843,684
Customer deposits	3,231,265	2,760,784
Other financial liabilities	559,781	831,235
	9,231,426	7,722,417
Valuation adjustments	4,350	22,048
	9,235,776	**7,744,465**

16.2. Financial liabilities at amortised cost - Deposits from central banks

The breakdown of the balance of this item in the consolidated balance sheets at 31 December 2009 and 2008 is as follows:

Thousands of Euros

	2009	2008
Deposits from the Bank of Spain -		
Deposits taken	-	11
Deposits from other central banks	279,680	286,703
	279,680	286,714
Valuation adjustments	57	36
	279,737	**286,750**

16.3. Financial liabilities at amortised cost - Deposits from credit institutions

The breakdown, by geographical area of residence of the counterparty and type of instrument, of the balance of this item in the consolidated balance sheets at 31 December 2009 and 2008 is as follows:

Thousands of Euros

	2009	2008
By geographical location:		
Spain	4,390,685	3,241,768
Other EMU countries	414,471	386,194
Rest of the world	357,326	222,228
	5,162,482	**3,850,190**
By type of instrument:		
Demand deposits and other-		
Other accounts	3,166,765	1,657,341
Time deposits-		
Time deposits	1,766,804	2,073,145
Repurchase agreements	227,131	113,198
	5,160,700	3,843,684
Valuation adjustments:	1,782	6,506
	5,162,482	**3,850,190**

16.4. Financial liabilities at amortised cost - Customer deposits

The breakdown, by geographical area of residence of the counterparty, type of instrument and type of counterparty, of the balance of this item in the consolidated balance sheets at 31 December 2009 and 2008 is as follows:

Thousands of Euros

	2009	2008
By geographical location:		
Spain	3,058,314	2,305,210
Other EMU countries	42,377	209,058
Rest of the world	133,085	262,022
	3,233,776	**2,776,290**
By counterparty:		
Resident public sector	481,421	453,116
Non-resident public sector	1,936	2,188
Other resident sectors	2,574,408	1,836,694
Other non-resident sectors	173,500	468,786
	3,231,265	2,760,784
Valuation adjustments	2,511	15,506
	3,233,776	**2,776,290**
By type of instrument:		
Current accounts	2,906,760	1,647,756
Other demand deposits	26,864	43,642
Fixed-term deposits	297,641	1,068,843
Repurchase agreements	-	543
	3,231,265	2,760,784
Valuation adjustments	2,511	15,506
	3,233,776	**2,776,290**

16.5. Financial liabilities at amortised cost - Other financial liabilities

The breakdown of the balance of this item in the consolidated balance sheets at 31 December 2009 and 2008 is as follows:

	Thousands of Euros	
	2009	2008
Payment obligations	7,627	8,602
Collateral received	276	286
Tax collection accounts	7,475	8,441
Special accounts	89,227	51,646
Other	455,176	762,260
	559,781	**831,235**

The balance of "Special Accounts" in the foregoing table includes, among other items, unsettled securities underwriting transactions and other unsettled transactions performed in organised markets totalling EUR 88,482 thousand at 31 December 2009 (31 December 2008: EUR 51,283 thousand).

The balance of "Other" in the above table includes EUR 423,687 thousand at 31 December 2009 (31 December 2008: EUR 609,019 thousand) relating to items arising from the operating procedures for interbank transfers settled through the Spanish National Electronic Clearing System, which certain federated savings banks centralise through the Confederación. The related balances are transitory and are settled on the first business day following the date on which they arose.

17. PROVISIONS

17.1. Provisions (net)

The detail, according to the purpose of the net provisions recognised, of this item in the consolidated income statements for 2009 and 2008 is as follows:

	Thousands of Euros Net Additions/ (Reversals)	
	2009	2008
Additions to/ (Reversal of) provisions for pensions and similar obligations (Note 17.2)	(971)	2,358
Additions to/ (Reversal of) provisions for contingent liabilities and commitments (Note 17.3)	7	-
Additions to/ (Reversal of) other provisions (Note 17.3)	20,940	31,481
	19,976	**33,839**

17.2. Provisions - Provisions for pensions and similar obligations

The breakdown of this item in the consolidated balance sheets at 31 December 2009 and 2008 and the changes therein in 2009 and 2008, are as follows:

	Thousands of Euros		
	Pension Obligations (Note 2.11.1)	Other Long-Term Benefits (Note 2.11.2.1)	Total
Balances at 1 January 2008	**2,722**	**3,107**	**5,829**
Net addition/ (reversal) charged/(credited) to income (Note 17.1)	2,638	(280)	2,358
Payments to early retirees and contributions to the external pension plan	-	(1,595)	(1,595)
Current service cost (Note 37)	766	-	766
Finance cost (Note 31)	108	95	203
Balances at 31 December 2008	**6,234**	**1,327**	**7,561**
Net addition/ (reversal) charged/(credited) to income (Note 17.1)	(771)	(200)	(971)
Payments to early retirees and contributions to the external pension plan	-	(831)	(831)
Current service cost (Note 37)	708	-	708
Finance cost (Note 31)	265	37	302
Balances at 31 December 2009	**6,436**	**333**	**6,769**

17.3. Provisions - Provisions for contingent liabilities and commitments and other provisions

The changes in 2009 and 2008 in the balances of these items in the consolidated balance sheets at 31 December 2009 and 2008 were as follows:

	Thousands of Euros	
	Provisions for Contingent Liabilities and Commitments (Notes 2.10 and 23)	Other Provisions
Balances at 1 January 2008	**6**	**16,623**
Net addition/ (reversal) charged/ (credited) to income (Note 17.1)	-	31,481
Amounts used	-	-
Balances at 31 December 2008	**6**	**48,104**
Net addition/ (reversal) charged/ (credited) to income (Note 17.1)	7	20,940
Amounts used	-	(2)
Balances at 31 December 2009	**13**	**69,042**

The balance of "Other Provisions" in the foregoing table includes the amounts allocated by the Group to cover certain liabilities and contingencies arising from its business activities.

18. VALUATION ADJUSTMENTS

18.1. Valuation adjustments - Available-for-sale financial assets

This item in the consolidated balance sheets at 31 December 2009 and 2008 includes the amount, net of the related tax effect, of changes in the fair value of assets classified as available-for-sale assets (see Note 9) which, as stated in Note 2, should be recognised in the Group's consolidated equity; these changes are recognised in the consolidated income statements when the assets which gave rise to them are sold or when these assets become impaired. The accompanying consolidated statements of recognised income and expense show the changes in 2009 and 2008 in this item in the consolidated balance sheets at 31 December 2009 and 2008.

19. NON-VOTING EQUITY UNITS AND ASSOCIATED FUNDS

"Equity – Other Equity Instruments – Non-Voting Equity Units and Associated Funds" in the consolidated balance sheets at 31 December 2009 and 2008 includes the carrying value of the 5,000 participation certificates of EUR 6,010.12 face value each, issued by the Confederación and fully subscribed and paid by the federated member savings banks. These certificates, which are deemed to be equity, can only be transferred between federated savings banks.

Under Article 48 of its bylaws, the Confederación is required to transfer at least 50% of its profit to reserves or allowances not allocable to specific assets, and to use the remainder to create and support community welfare projects, either on its own or in cooperation with other parties, and to remunerate participation certificate holders. The return on the participation certificates is proposed by the Confederación's Board of Directors and approved by the General Assembly (see Note 4).

20. RESERVES - ACCUMULATED RESERVES (LOSSES)

The breakdown of "Reserves - Accumulated Reserves (Losses)" in the consolidated balance sheets at 31 December 2009 and 2008 is as follows:

	Thousands of Euros	
	2009	2008
Reserves attributed to the Confederación's Group:		
Voluntary reserves	545,172	509,594
Asset revaluation reserves	40,503	41,208
	585,675	**550,802**

Asset revaluation reserve

At, 31 December 2009 the balance of "Asset Revaluation Reserves" in the foregoing table includes the net reserves that arose on the revaluation of certain tangible assets on the date of first-time application of EU-IFRSs and Bank of Spain Circular 4/2004 (1 January 2004). The difference in the amount recognised in this connection at 31 December 2009 and 2008 relates to the amount transferred to unrestricted reserves in proportion to the depreciated amount of the assets (properties) revalued in 2009 on the basis of their useful lives.

Reserves (losses) of fully and proportionately consolidated entities

The detail, by entity, of the balances of "Accumulated Reserves (Losses)" relating to fully and proportionately consolidated entities in the consolidated balance sheets at 31 December 2009 and 2008 is as follows:

	Thousands of Euros	
	2009	2008
Confederación	**584,558**	**549,769**
Caja Activa, S.A.	110	100
CEA Trade Services Limited	-	-
Reserves at subsidiaries	**110**	**100**
Ahorro y Titulización, Sociedad Gestora de Fondos de Titulización, S.A.	1,007	933
Reserves at jointly controlled entities	**1,007**	**933**
Accumulated reserves (losses)	**585,675**	**550,802**

21. TAX MATTERS

The Group companies file individual income tax returns in accordance with the applicable tax regulations.

21.1. Years open for review by the tax authorities

Pursuant to current legislation, tax settlements cannot be deemed to be definitive until they have been reviewed by the tax authorities or until the related statute-of-limitations period has expired. In 2008, the Spanish Tax Agency reviewed the tax returns of the main taxes applicable to the Confederación for 2002 to 2005. As a result of the audit, the related assessments, totalling EUR 824 thousand were issued by the tax authorities, signed on an uncontested basis and settled in 2008. Of this amount, EUR 540 thousand were recognised under "Income Tax" in the consolidated income statement for 2008 (see Note 21.2); EUR 129 thousand of late-payment interest were recognised under "Interest and Similar Charges" in the aforementioned account (see Note 31); and EUR 155 thousand of items other than income tax were recognised under "Other Operating Expenses" in the aforementioned consolidated income statement (see Note 39).

Accordingly, at 31 December 2009, the Confederación and the other Group entities generally have 2006 and subsequent years open for review by the tax authorities for all the taxes to which their business activities are subject.

Because of the varying interpretations that can be made of the tax legislation, the outcome of any reviews of the open years by the tax authorities might give rise to tax liabilities which cannot be objectively quantified at the present time. However, the tax advisers and directors of the Group consider that the possibility of material liabilities arising in this connection additional to those already recognised is remote.

21.2. Income tax

The detail of "Income Tax" in the consolidated income statements for 2009 and 2008 is as follows:

	Thousands of Euros	
	2009	**2008**
Income tax expense for the year	16,206	13,407
Expense arising from tax assessments (Note 21.1)	-	540
Prior years' and other adjustments	(846)	(1,227)
	15,360	**12,720**

21.3. Reconciliation of accounting profit to taxable profit

The reconciliation of the income tax expense recognised for 2009 and 2008 to the consolidated accounting profit before tax multiplied by the tax rate applicable to the Confederación, and the income tax charge recognised at 31 December 2009 and 2008 are as follows:

	Thousands of Euros	
	2009	**2008**
Accounting profit before tax	61,296	54,481
Tax rate	30%	30%
	18,389	16,344
Permanent differences:		
Increases	756	480
Decreases	(1,271)	(1,500)
Total	**17,874**	**15,324**
(Tax credits)/(Tax relief)	(1,668)	(1,917)
Income tax expense for the year	**16,206**	**13,407**
Temporary differences:		
Increases	35,011	11,601
Decreases	(5,297)	(8,507)
Tax withholdings and prepayments	(30,574)	(7,886)
Income tax charge for the year (1)	**15,346**	**8,615**

(1) This amount is recognised under "Tax Liabilities - Current" in the consolidated balance sheets at 31 December 2009 and 2008.

The permanent decreases in the taxable profit in the foregoing table include, among other items, the deduction of EUR 3,707 thousand relating to the amounts the Confederación assigned to welfare projects in 2009 (2008: EUR 4,800 thousand) (see Note 4).

"Tax Credits/Tax Relief" in the foregoing table includes, inter alia, tax credits for double taxation of dividends regulated by the Consolidated Spanish Corporation Tax Law.

21.4. Tax recognised in equity

The income tax expense recognised directly in the Group's equity gave rise to a net credit of EUR 4,198 thousand in 2009 and a net charge of EUR 22,379 thousand in 2008 to "Valuation Adjustments".

21.5. Deferred taxes

Pursuant to the tax legislation in force, in 2009 and 2008 and previous years certain temporary differences arose that must be taken into account when quantifying the related income tax expense. The deferred taxes recognised in the consolidated balance sheets at 31 December 2009 and 2008 were as follows:

Thousands of Euros

	2009	2008
Deferred tax assets arising from:		
Additions and contributions to pension provisions and funds and other long-term obligations to employees	11,792	13,473
Additions to provisions	20,492	9,410
Impairment losses	25,519	1,608
Available-for-sale debt instruments	9,544	10,334
Other	2,799	1,996
	70,146	**36,821**

Thousands of Euros

	2009	2008
Deferred tax liabilities arising from:		
Revaluation of property	18,694	19,019
Capitalisation of intangible assets	-	516
Available-for-sale equity instruments	24,442	21,028
Available-for-sale debt instruments	1	6
	43,137	**40,569**

22. FAIR VALUE

22.1. Fair value of financial assets and liabilities

The fair value of the Group's financial instruments at 31 December 2009 and 2008 is broken down, by class of financial asset and liability, into the following levels in these consolidated financial statements.

- **LEVEL 1:** financial instruments whose fair value was determined by reference to their quoted price in active markets, without making any change to these assets
- **LEVEL 2:** financial instruments whose fair value is estimated by reference to quoted prices in organised markets for similar instruments or using other valuation techniques in which all the significant inputs are based on directly or indirectly observable market data.
- **LEVEL 3:** instruments whose fair value is estimated using valuation techniques in which certain significant inputs are not based on observable market data.

For the purposes of Levels 2 and 3, the prices were obtained using standard quantitative models fed by market data, which are either directly observable or can be calibrated or calculated using observable data. The most widely used models are the Black, Libor Market and Hull-White models for interest rates, the Black&Scholes model for equities and foreign currency, and the Jarrow-Turnbull and LHP models for credit products; the most common observable data are the interest rate, exchange rate and certain implied volatilities, and the most widely used non-observable data are implied correlations, certain implied volatilities and issuer curve spreads.

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The aforementioned level of fair value hierarchy (Level 1, 2 and 3) which includes the valuation of each of the Group's financial instruments, is determined on the basis of the lowest relevant level variable used to estimate their fair value.

The fair value of the Group's financial instruments at 31 December 2009 and 2008, broken down as indicated above, is as follows:

Financial assets – fair value at 31 December 2009-

	Thousands of Euros									
	Cash and Balances with Central Banks (Note 5)		Financial Assets Held for Trading (Note 6)		Other Financial Assets at Fair Value Through Profit or Loss (Note 6)		Available-for-sale Financial Assets (Note 7)		Loans and Receivables (Note 8)	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Level 1:										
Debt instruments	-	-	8,728,370	8,728,370	-	-	471,478	471,478	-	-
Equity instruments	-	-	44,883	44,883	-	-	13,690	13,690	-	-
Derivatives	-	-	556	556	-	-	-	-	-	-
	-	-	8,773,809	8,773,809	-	-	485,168	485,168	-	-
Level 2:										
Cash and balances with central banks	606,283	606,283	-	-	-	-	-	-	-	-
Loans and advances to credit institutions	-	-	-	-	3,748,450	3,748,450	-	-	3,056,976	3,056,976
Loans and advances to customers	-	-	-	-	798,655	798,655	-	-	550,394	550,394
Debt instruments	-	-	53,747	53,747	-	-	119,846	119,846	157,621	184,422
Equity instruments	-	-	-	-	-	-	112,285	112,285	-	-
Derivatives	-	-	3,439,031	3,439,031	-	-	-	-	-	-
	606,283	606,283	3,492,778	3,492,778	4,547,105	4,547,105	232,131	232,131	3,764,991	3,791,792
Level 3:										
Equity instruments carried at cost	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-
	606,283	**606,283**	**12,266,587**	**12,266,587**	**4,547,105**	**4,547,105**	**717,299**	**717,299**	**3,764,991**	**3,791,792**

Financial liabilities – fair value at 31 December 2009-

	Thousands of Euros					
	Financial Liabilities Held for Trading (Note 8)		Other Financial Liabilities at Fair Value Through Profit or Loss (Note 8)		Financial Liabilities at Amortised Cost (Note 16)	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Level 1:						
Derivatives	525	525	-	-	-	-
Short positions	863,242	863,242	-	-	-	-
	863,767	863,767	-	-	-	-
Level 2:						
Deposits from central banks	-	-	1,209,104	1,209,104	279,737	279,737
Deposits from credit institutions	-	-	2,371,801	2,371,801	5,162,482	5,162,482
Customer deposits	-	-	4,038,619	4,038,619	3,233,776	3,233,776
Derivatives	3,485,878	3,485,878	-	-	-	-
Other financial liabilities	-	-	-	-	559,781	559,781
	3,485,878	3,485,878	7,619,524	7,619,524	9,235,776	9,235,776
Level 3:						
Deposits from credit institutions	-	-	-	-	-	-
Customer deposits	-	-	-	-	-	-
Derivatives	-	-	-	-	-	-
Other financial liabilities	-	-	-	-	-	-
	-	-	-	-	-	-
Total	**4,349,645**	**4,349,645**	**7,619,524**	**7,619,524**	**9,235,776**	**9,235,776**

Financial assets – fair value at 31 December 2008-

	Thousands of Euros									
	Cash and Balances with Central Banks (Note 7)		Financial Assets Held for Trading (Note 8)		Other Financial Assets at Fair Value Through Profit or Loss (Note 8)		Available-for-sale Financial Assets (Note 9)		Loans and Receivables (Note 10)	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Level 1:										
Debt instruments	-	-	6,228,460	6,228,460	-	-	437,442	437,442	-	-
Equity instruments	-	-	23,877	23,877	-	-	23,036	23,036	-	-
Derivatives	-	-	109	109	-	-	-	-	-	-
	-	-	6,252,446	6,252,446	-	-	460,478	460,478	-	-
Level 2:										
Cash and balances with central banks	319,441	319,441	-	-	-	-	-	-	-	-
Loans and advances to credit institutions	-	-	-	-	4,421,974	4,421,974	-	-	3,321,356	3,321,356
Loans and advances to customers	-	-	-	-	395,970	395,970	-	-	299,325	299,325
Debt instruments	-	-	-	-	-	-	-	-	281.750	272.988
Equity instruments	-	-	-	-	-	-	100,744	100,744	-	-
Derivatives	-	-	1,995,569	1,995,569	-	-	-	-	-	-
	319,441	319,441	1,995,569	1,995,569	4,817,944	4,817,944	100,744	100,744	3,902,431	3,893,669
Level 3:										
Equity instruments carried at cost	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-
	319,441	**319,441**	**8,248,015**	**8,248,015**	**4,817,944**	**4,817,944**	**561,222**	**561,222**	**3,902,431**	**3,893,669**

Financial liabilities – fair value at 31 December 2008-

	Thousands of Euros					
	Financial Liabilities Held for Trading (Note 8)		Financial Liabilities at Amortised Cost (Note 8)		Hedging Derivatives (Note 16)	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Level 1:						
Derivatives	1,286	1,286	-	-	-	-
Short positions	277,443	277,443	-	-	-	-
	278,729	278,729	-	-	-	-
Level 2:						
Deposits from central banks	-	-	20,502	20,502	286,750	286,750
Deposits from credit institutions	-	-	2,282,949	2,282,949	3,850,190	3,850,190
Customer deposits	-	-	4,782,376	4,782,376	2,776,290	2,776,290
Derivatives	2,117,866	2,117,866	-	-	-	-
Other financial liabilities	-	-	-	-	831,235	831,235
	2,117,866	2,117,866	7,085,827	7,085,827	7,744,465	7,744,465
Level 3:						
Deposits from credit institutions	-	-	-	-	-	-
Customer deposits	-	-	-	-	-	-
Derivatives	-	-	-	-	-	-
Other financial liabilities	-	-	-	-	-	-
	-	-	-	-	-	-
	2,396,595	**2,396,595**	**7,085,827**	**7,085,827**	**7,744,465**	**7,744,465**

It should be mentioned, with respect to the fair values included in the foregoing tables, that:

- The fair value of the loans and advances to credit institutions and the loans and advances to customers classified under "Loans and Receivables" in the foregoing tables is the same as their carrying amount since, in view of their features (counterparties, interest rates and maturities), their fair value is not significantly different from their amortised cost.
- The fair value of the asset balances relating to cash and balances with central banks shown in the foregoing tables was estimated to be the same as their carrying amount, since it was considered that the fair value of these items was not significantly different from their carrying amount.
- The fair value of the liabilities classified as financial liabilities at amortised cost in the foregoing tables was the same as their carrying amount, since it was considered that, in view of the maturities and interest rates of these liabilities, their fair value was not significantly different from their amortised cost.

Following is a detail of the changes in fair value of the Group's financial instruments in respect of unrealised gains and losses at 31 December 2009 and 2008 which were recognised in the consolidated financial statements for 2009 and 2008. The fair value of these financial instruments is calculated applying a valuation technique in which variables are obtained from observable market data (Level 2) or using valuation techniques in which certain significant inputs are not based on observable market data (Level 3):

Thousands of Euros

	2009 Net Gain/ (Loss)	2008 Net Gain/ (Loss)
Level 2		
Financial assets held for trading-		
- Derivatives	1,443,462	459,872
- Debt instruments	2,579	-
Other financial assets at fair value through profit or loss		
- Loans and advances to credit institutions	(25,633)	28,043
- Loans and advances to customers	(1,006)	1,141
Financial liabilities held for trading		
- Derivatives	(1,368,012)	(573,682)
Other financial liabilities at fair value through profit or loss		
- Deposits from central banks	(2,786)	(23)
- Deposits from credit institutions	746	(1,077)
- Customer deposits	(261)	265
Loans and receivables		
- Debt instruments	-	-
Available-for-sale financial assets		
- Debt instruments	-	-
- Equity instruments	-	-
	49,089	**(85,461)**
Level 3	**-**	**-**
	49,089	**(85,461)**

At 31 December 2009 and 2008 the Group had entered into various reverse repurchase agreements (see Notes 8.2.1 and 10) and upon maturity of these agreements the Group must return title to the securities used as collateral to the borrower. At 31 December 2009 and 2008 the fair value of the securities received as collateral in these reverse repurchase agreements does not differ significantly from their carrying amount.

22.2. Fair value of tangible assets

The only tangible assets owned by the Group whose carrying amount differs significantly from their fair value are the properties owned by it. At 31 December 2009, the carrying amount of these properties amounted to EUR 96,803 thousand and their estimated fair value at that date was EUR 172,970 thousand.

The aforementioned fair value was estimated by Tinsa, S.A. using generally accepted valuation techniques.

23. EXPOSURE TO CREDIT RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS

23.1. Credit risk management objectives, policies and processes

One of the main risks to which the Group is exposed through its various operating units basically through its Treasury Desk, Capital Markets, Products and Services-is credit risk, which is defined as the risk that affects, or might affect, results or capital as a result of non-compliance by a borrower with its contractual obligations, or of the borrower failing to act as agreed. This category includes:

- Principal risk: the risk of loss of the principal delivered.
- Replacement cost or counterparty risk: this relates to the counterparty's ability and intention to meet its contractual obligations on maturity. Credit risk exists throughout the term of the transaction, but it can vary from one day to the next due to the settlement mechanisms involved and to changes in the marking to market. Total credit risk exposure to counterparty must include the cost of replacing unmatured transactions at current market prices.

  Replacement cost or counterparty risk is asymmetric and limited because the possibility of default does not affect the nominal amount of the transaction.

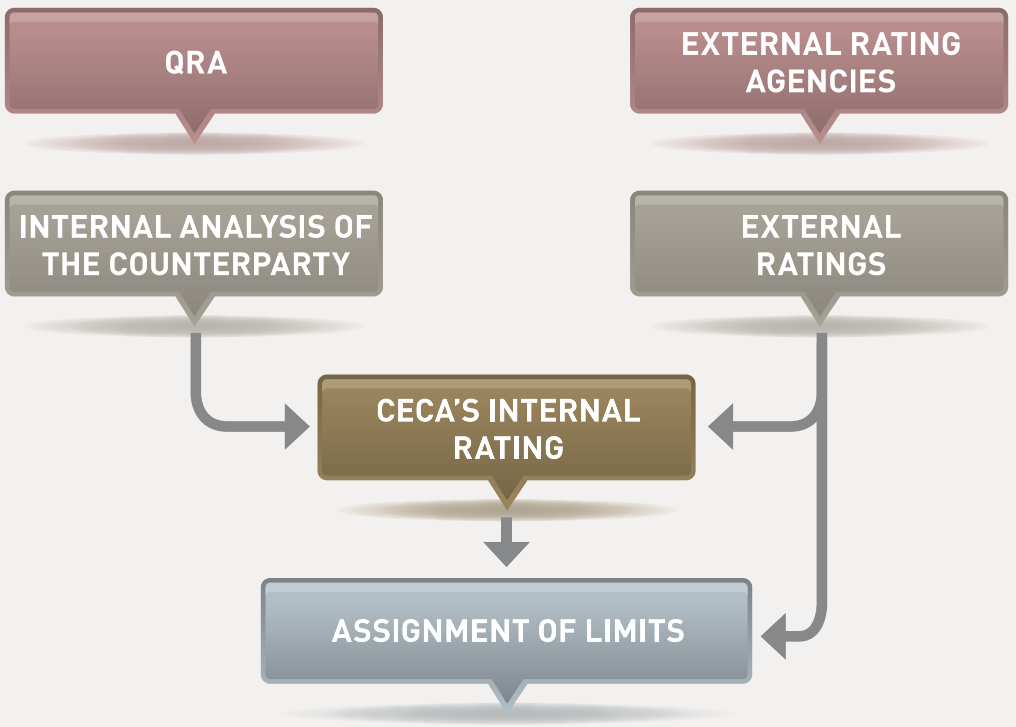
- **Issuer risk:** this risk arises when trading the financial assets of an issuer in primary and/or secondary markets and is defined as the risk of loss in value of these assets as a result of a change in the market perception of the issuer's economic and financial strength.
- **Settlement or delivery risk:** the risk that one of the parties to the transaction fails to deliver the agreed-upon consideration.
- **Country risk:** this is the feature that separates domestic and international risk. It is the credit risk associated with debts held by debtors in a given country due to circumstances other than normal commercial risk. It may take the form of transfer risk, sovereign risk or other risks arising from international financial activity.
- **Concentration risk:** measures the extent of the concentration of credit risk exposure to a specific geographical area/country, economic sector, product and customer group.

The Group has established certain procedures for the correct management of credit risk, the main features of which are as follows:

Credit risk analysis

At the Group, the process of assessing the credit quality of counterparties is closely linked with the assignment of limits. Thus, the Group assigns internal ratings (not related to the probability of default) to the various potential counterparties. This internal rating, together with the external agencies' ratings, contributes to the establishment of the maximum risk to be assumed with each entity. It also constitutes the basis for the acceptance and monitoring of risk.

The next diagram represents the rating assignation process and limits for the Group:



The rating is the result of an analysis of various quantitative and qualitative factors which are assessed independently and receive a specific weighting for the calculating of the final rating. The final rating results from an independent assessment performed by the Group's analysts, which brings together the perception of the credit quality of the entities with which the Group wishes to transact business.

Credit risk monitoring and control

Credit risk is monitored through active portfolio management. The main aim is to detect, sufficiently in advance, any counterparties whose creditworthiness might be deteriorating. Systematic monitoring allows the whole of the portfolio to be classified into standard risk counterparties and counterparties under special surveillance. All the counterparties belonging to the latter category are assigned a specific policy regarding the action to be taken, which ranges from simply reviewing any changes in their creditworthiness to ceasing all transactions with this counterparty, and a period for the reviewing the assigned policy.

As in risk analysis, ratings constitute the primary basis for the risk monitoring process together with other variables including the country and type of business, among others.

In addition, as part of the monitoring of the credit risk assumed in market operations, the adequacy of the contractual documentation supporting these operations is actively managed and monitored in conjunction with the Legal Department.

The control process comprises all the activities relating to the permanent checking of compliance with the established credit, counterparty and settlement risk limits, the management and reporting of overruns and the maintenance and update of product, customer, country and economic group parameterisations in the control tools.

Risk limit structure

The Group's general credit risk limit structure is divided into two major groups.

On one hand, there are the limits individually assigned to a counterparty (Maximum Weighted Limit), which determine the maximum level of risk (measured in terms of exposure) that the Group is willing to assume vis-à-vis a particular counterparty.

There are also a series of limits associated with certain activities, such as country risk limits and operating limits for private-sector fixed-income securities and equity securities.

Credit risk measurement methodology

CECA calculates credit risk exposure by applying the standardised approach provided in current regulations. As a general rule, it is calculated as the sum of the current exposure or market value (mark-to market) plus an add-on to reflect potential future exposure.

The management tools provide real-time information on the utilisation of credit risk limits for each counterparty and economic group, thus facilitating the ongoing monitoring of any change and/or overrun of these limits.

In accordance with current legislation, the existence of guarantees and collateral reduces the credit risk of transactions for which they are provided.

Concentration risk

With regard to credit risk, concentration risk is an essential management tool. The Confederación constantly monitors the extent of its credit risk concentration under various salient classifications: country, rating, sector, economic group, etc.

With regard to the level of risk concentration, Bank of Spain regulations establish that credit risk exposure to a single person or economic group cannot exceed 25% of the Group's capital. Also, the sum of all the large exposures (defined as 10% of capital) must be lower than eight times the Group's capital. Exposures to governments of developed OECD countries are excluded from this treatment.

The Group uses more conservative risk criteria for the management of concentration risk than those established by regulatory legislation, and this enables it to manage the available limits sufficiently comfortably with respect to the legally established concentration limits.

At 31 December 2009 the Group's overall risk exposure was significantly below the legal limit (1.7 times the Group's capital vs 8 times) and 68% thereof had a credit rating of between A- and AAA.

As regards geographical distribution, 96% of credit risk is to entities in countries with the highest credit ratings (AAA/AA).

The highest exposure is in Spain (70%) followed by the other euro-zone countries (14%), with North America accounting for only 5% of the total.

Since the Confederación's bylaw-stipulated scope of operations focuses on the provision of financial services to savings banks, it has a high level of industry concentration. Also, the risks in the financial services industry account for more than 90% of the total risk exposure, although when evaluating this level of industry concentration it should be taken into account that this exposure is to a highly regulated and supervised segment.

23.2. Maximum credit risk exposure level

The following tables show the maximum level of exposure to credit risk assumed by the Confederación at 31 December 2009 and 2008 by class and category of financial instrument, without deducting the collateral or other guarantees received by the Group to ensure debtors meet their obligations:

31 December 2009:

	Thousands of Euros					
	Assets					
	Financial Assets at Fair Value Through Profit or Loss					
	Financial Assets Held for Trading (Note 8.1) (1)	Other Assets (Note 8.2)	Available-for-Sale Financial Assets (Note 9)	Loans and Receivables (Note 10)	Memorandum Items	Total
1. Debt instruments-						
1.1 Loans and advances to credit institutions	**-**	**3,715,172**	**-**	**3,055,033**	**-**	**6,770,205**
- Reverse repurchase agreements	-	3,715,172	-	-	-	3,715,172
- Time deposits	-	-	-	1,153,511	-	1,153,511
- Guarantee deposits on securities lending transactions	-	-	-	652,443	-	652,443
- Doubtful assets	-	-	-	1,116	-	1,116
- Other accounts and other	-	-	-	1,247,963	-	1,247,963
1.2 Debt instruments	**8,782,117**	**-**	**622,778**	**254,874**	**-**	**9,659,769**
- Government debt securities	5,822,227	-	81,291	-	-	5,903,518
- Spanish credit institutions	2,428,547	-	176,324	9,030	-	2,613,901
- Non-resident credit institutions	-	-	12,001	-	-	12,001
- Private sector (Spain)	451,216	-	288,106	13,331	-	752,653
- Private sector (rest of the world)	80,127	-	65,056	161,081	-	306,264
- Doubtful assets	-	-	-	71,432	-	71,432
1.3 Loans and advances to customers	**-**	**797,766**	**-**	**552,920**	**-**	**1,350,686**
- Reverse repurchase agreements	-	797,766	-	6,752	-	804,518
- Mortgage loans	-	-	-	46,797	-	46,797
- Guarantee deposits on securities lending transactions	-	-	-	76,080	-	76,080
- Other loans and credits	-	-	-	20,916	-	20,916
- Doubtful assets	-	-	-	24	-	24
- Other assets	-	-	-	402,351	-	402,351
Total debt instruments	**8,782,117**	**4,512,938**	**622,778**	**3,862,827**	**-**	**17,780,660**

31 December 2009:

	Thousands of Euros					
	Assets					
	Financial Assets at Fair Value Through Profit or Loss					
	Financial Assets Held for Trading (Note 8.1) (1)	Other Assets (Note 8.2)	Available-for-Sale Financial Assets (Note 9)	Loans and Receivables (Note 10)	Memorandum Items	Total
2. Contingent liabilities -						
Financial guarantees (Note 29.1)	-	-	-	-	18,570	18,570
Documentary credits (Note 29.1)	-	-	-	-	39,647	39,647
Total contingent liabilities	**-**	**-**	**-**	**-**	**58,217**	**58,217**
3. Other exposures -						
Derivatives	3,439,587	-	-	-	-	3,439,587
Contingent commitments (Note 29.3)	-	-	-	-	561,414	561,414
Total other exposures	**3,439,587**	**-**	**-**	**-**	**561,414**	**4,001,001**
4. Less: recognised impairment losses	**-**	**-**	**(3,148)**	**(101,017)**	**(13)**	**(104,178)**
Maximum credit risk exposure level (1+2+3+4)	**12,221,704**	**4,512,938**	**619,630**	**3,761,810**	**619,618**	**21,735,700**
Valuation adjustments	-	34,167	(28,306)	3,181	-	9,042
Total accounting balance	**12,221,704**	**4,547,105**	**591,324**	**3,764,991**	**619,618**	**21,744,742**

(1) The maximum credit risk exposure of the instruments included in the foregoing table was taken to be their fair value at 31 December 2009.

31 December 2008:

	Thousands of Euros					
	Assets					
	Financial Assets at Fair Value Through Profit or Loss					
	Financial Assets Held for Trading (Note 8.1) (1)	Other Assets (Note 8.2)	Available-for-Sale Financial Assets (Note 9)	Loans and Receivables (Note 10)	Memorandum Items	Total
1. Debt instruments -						
1.1 Loans and advances to credit institutions	**-**	**4,299,456**	**-**	**3,312,618**	**-**	**7,612,074**
- Reverse repurchase agreements	-	4,299,456	-	-	-	4,299,456
- Time deposits	-	-	-	1,861,597	-	1,861,597
- Guarantee deposits on securities lending transactions	-	-	-	557,866	-	557,866
- Doubtful assets	-	-	-	1,155	-	1,155
- Other accounts and other	-	-	-	892,000	-	892,000
1.2 Debt instruments	**6,228,460**	**-**	**468,015**	**287,155**	**-**	**6,983,630**
- Government debt securities	6,089,040	-	80,759	-	-	6,169,799
- Spanish credit institutions	57,169	-	57,447	9.102	-	123,718
- Non-resident credit institutions	-	-	11,991	-	-	11,991
- Private sector (Spain)	342	-	223,550	14,973	-	238,865
- Private sector (rest of the world)	81,909	-	94,268	245,488	-	421,665
- Doubtful assets	-	-	-	17,592		17,592
1.3 Loans and advances to customers	**-**	**392,049**	**-**	**299,429**	**-**	**691,478**
- Reverse repurchase agreements	-	392,049	-	7,000	-	399,049
- Mortgage loans	-	-	-	39,889	-	39,889
- Guarantee deposits on securities lending transactions	-	-	-	52,440	-	52,440
- Other loans and credits	-	-	-	30,898	-	30,898
- Doubtful assets	-	-	-	5	-	5
- Other assets	-	-	-	169,197	-	169,197
Total debt instruments	**6,228,460**	**4,691,505**	**468,015**	**3,899,202**	**-**	**15,287,182**

31 December 2008:

	Thousands of Euros					
	Assets					
	Financial Assets at Fair Value Through Profit or Loss					
	Financial Assets Held for Trading (Note 8.1) (1)	Other Assets (Note 8.2)	Available-for-Sale Financial Assets (Note 9)	Loans and Receivables (Note 10)	Memorandum Items	Total
2. Contingent liabilities -						
Financial guarantees (Note 29.1)	-	-	-	-	18,235	18,235
Documentary credits (Note 29.1)	-	-	-	-	70,113	70,113
Total contingent liabilities	**-**	**-**	**-**	**-**	**88,348**	**88,348**
3. Other exposures -						
Derivatives	1,995,678	-	-	-	-	1,995,678
Contingent commitments (Note 29.3)	-	-	-	-	480,314	480,314
Total other exposures	**1,995,678**	**-**	**-**	**-**	**480,314**	**2,475,992**
4. Less: impairment losses	**-**	**-**	**(1,190)**	**(6,688)**	**(6)**	**(7,884)**
Maximum credit risk exposure level (1+2+3+4)	**8,224,138**	**4,691,505**	**466,825**	**3,892,514**	**568,656**	**17,843,638**
Valuation adjustments	-	126,439	(29,383)	9,917	-	106,973
Total accounting balance	**8,224,138**	**4,817,944**	**437,442**	**3,902,431**	**568,656**	**17,950,611**

(1) The maximum credit risk exposure of the instruments included in the foregoing table was taken to be their fair value at 31 December 2008.

With respect to the credit derivatives arranged by the Group, the foregoing tables include only the fair value thereof at 31 December 2009 and 2008, respectively.

The contingent liabilities are presented at the maximum amount guaranteed by the Group. In general, it is considered that most of these balances will expire without any actual financing obligation arising for the Group. The collateral on these transactions must also be taken into account (see Note 23.3 below). The (drawable) balances of the contingent liabilities are presented at the maximum amounts drawable by the counterparties.

23.3. Collateral received and other credit enhancements

Contractual netting and financial guarantee or collateral agreements

The Group's policy with regard to the arrangement of transactions involving financial derivative products, repos, sell/buy backs and securities lending is to enter into contractual netting agreements drafted by national or international associations. These agreements enable the transactions performed thereunder to be terminated and settled early in the event of default by the counterparty in such a way that the parties can only claim the net balance resulting from the settlement of such transactions.

Derivative financial instruments are arranged using ISDA Master Agreements, which are subject to the laws of England and Wales or the State of New York, or the Framework Agreement for Financial Transactions (CMOF) which is subject to Spanish law, depending on the counterparty. Financial guarantee agreements, namely the Credit Support Annex for ISDA Master Agreements and Appendix III for CMOFs, are entered into to hedge derivative financial instruments exceeding certain risk levels.

Standard Global Master Repurchase Agreements (GMRA) are entered into for repo and sell/buy back transactions, while standard European Master Agreement (EMA) or Global Master Securities Lending Agreements (GMSLA) are used for securities lending transactions. The clauses of these types of contractual netting agreements include regulations on the financial guarantees or spreads on the transactions.

Following is a detail of the Group's maximum credit risk exposure to each financial instrument class secured by collateral or other credit enhancements in addition to the personal guarantee of the borrower, disregarding recognised impairment losses, at 31 December 2009 and 2008:

31 December 2009:

	Thousands of Euros							
	Secured by Spanish Government Debt Securities	Secured by Other Fixed-Income Securities	Secured by Shares	Netting Agreements	Secured by Mortgage	Secured by Cash Deposits	Guaranteed by Credit Institutions	Total
1. Debt instruments-								
1.1 Loans and advances to credit institutions	1,418,346	2,296,826	652,443	-	-	199,492	-	4,567,107
- Reverse repurchase agreements	1,418,346	2,296,826	-	-	-	-	-	3,715,172
- Guarantee deposits on securities lending transactions	-	-	652,443	-	-	-	-	652,443
- Time deposits	-	-	-	-	-	199,492	-	199,492
1.2 Debt instruments	-	-	-	-	-	-	-	-
1.3 Loans and advances to customers	804,518	-	76,080	-	46,797	-	-	927,395
- Reverse repurchase agreements	804,518	-	-	-	-	-	-	804,518
- Mortgage loans	-	-	-	-	46,797	-	-	46,797
- Guarantee deposits on securities lending transactions	-	-	76,080	-	-	-	-	76,080
Total debt instruments	**2,222,864**	**2,296,826**	**728,523**	**-**	**46,797**	**199,492**	**-**	**5,494,502**
2. Contingent liabilities-								
Financial bank guarantees	-	-	-	-	-	16,454	2,116	18,570
Documentary credits	-	-	-	-	-	-	39,647	39,647
Total contingent liabilities	**-**	**-**	**-**	**-**	**-**	**16,454**	**41,763**	**58,217**
3. Other exposures-								
Derivatives	-	-	-	1,079,135	-	-	-	1,079,135
Total other exposures	**-**	**-**	**-**	**1,079,135**	**-**	**-**	**-**	**1,079,135**
Total amount covered	**2,222,864**	**2,296,826**	**728,523**	**1,079,135**	**46,797**	**215,946**	**41,763**	**6,631,854**

31 December 2008:

	Thousands of Euros							
	Secured by Spanish Government Debt Securities	Secured by Other Fixed-Income Securities	Secured by Shares	Netting Agreements	Secured by Mortgage	Secured by Cash Deposits	Guaranteed by Credit Institutions	Total
1. Debt instruments-								
1.1 Loans and advances to credit institutions	177,492	4,121,964	557,866	-	-	895,482	-	5,752,804
- Reverse repurchase agreements	177,492	4,121,964	-	-	-	-	-	4,299,456
- Guarantee deposits on securities lending transactions	-	-	557,866	-	-	-	-	557,866
- Time deposits	-	-	-	-	-	895,482	-	895,482
1.2 Debt instruments	-	-	-	-	-	-	-	-
1.3 Loans and advances to customers	254,492	144,557	52,440	-	39,889	-	-	491,378
- Reverse repurchase agreements	254,492	144,557	-	-	-	-	-	399,049
- Mortgage loans	-	-	-	-	39,889	-	-	39,889
- Guarantee deposits on securities lending transactions	-	-	52,440	-	-	-	-	52,440
Total debt instruments	**431,984**	**4,266,521**	**610,306**	**-**	**39,889**	**895,482**	**-**	**6,244,182**
2. Contingent liabilities-								
Financial bank guarantees	-	-	-	-	-	16,816	1,419	18,235
Documentary credits	-	-		-	-	-	70,113	70,113
Total contingent liabilities	**-**	**-**	**-**	**-**		**16,816**	**71,532**	**88,348**
3. Other exposures-								
Derivatives	-	-	-	1,011,203	-	-	-	1,011,203
Total other exposures	**-**	**-**	**-**	**1,011,203**	**-**	**-**	**-**	**1,011,203**
Total amount covered	**431,984**	**4,266,521**	**610,306**	**1,011,203**	**39,889**	**912,298**	**71,532**	**7,343,733**

23.4. Credit quality of unimpaired, non-past-due financial assets

23.4.1. Analysis of credit risk exposure by credit rating

At 31 December 2009, 73% of the exposure had been rated by a credit rating agency recognised by the Bank of Spain. In spite of the general downgrades in credit ratings, 92% of the rated exposure was still rated as investment grade

The distribution, by rating, of the rated exposure is as follows:

Level	Rating (*)	Percentage
1	AAA-AA	15.4%
2	A	47.1%
3	BBB	29.5%
4	BB	4.0%
5	B	1.9%
6	CCC and below	2.1%
	Total	**100%**

(*) The exposures were classified taking the most conservative of the ratings granted by the three rating agencies used to manage the Confederación's risk: Fitch, Moody's and S&P.

The table shows that Levels 2 and 3 account for 77% of rated exposure, and the savings banks account for 55% of this total, being these tranches the ones in which most Spanish savings banks are positioned.

23.4.2. Classification of credit risk exposure by counterparty

Following is a detail, by counterparty, of the maximum credit risk exposure (disregarding recognised impairment losses) in connection with financial assets not past-due or impaired at 31 December 2009 and 2008:

31 December 2009:

	Thousands of Euros							
	Resident Public Sector	Resident Credit Institutions	Other Resident Entities	Other Residents	Non-resident Public Sector	Non-Resident Credit Institutions	Other non-Resident Sectors	Total
1. Debt instruments-								
1.1 Loans and advances to credit institutions	-	6,066,488	-	-	-	702,601	-	6,769,089
- Reverse repurchase agreements	-	3,493,661	-	-	-	221,511	-	3,715,172
- Time deposits	-	873,512	-	-	-	279,999	-	1,153,511
- Guarantee deposits on securities lending transactions	-	523,477	-	-	-	128,966	-	652,443
- Other accounts	-	1,152,214	-	-	-	71,352	-	1,223,566
- Other	-	23,624	-	-	-	773	-	24,397
1.2 Debt instruments	5,782,675	2,613,901	752,653	-	120,843	12,001	306,264	9,588,337
1.3 Loans and advances to customers	96	-	1,233,831	53,171	51	-	63,513	1,350,662
- Reverse repurchase agreements	-	-	804,518	-	-	-	-	804,518
- Guarantee deposits on securities lending transactions	-	-	76,080	-	-	-	-	76,080
- Other loans and credits	96	-	14,085	6,374	51	-	310	20,916
- Mortgage loans	-	-	-	46,797	-	-	-	46,797
- Other assets		-	339,148	-	-	-	63,203	402,351
Total debt instruments	**5,782,771**	**8,680,389**	**1,986,484**	**53,171**	**120,894**	**714,602**	**369,777**	**17,708,088**
2. Contingent liabilities-								
Financial bank guarantees	-	2,116	-	-	-	16,454	-	18,570
Documentary credits	-	-	39,647	-	-	-	-	39,647
Total contingent liabilities	**-**	**2,116**	**39,647**	**-**	**-**	**16,454**	**-**	**58,217**
3. Other exposures-								
Derivatives	-	1,828,802	1,256,843	-	-	353,942	-	3,439,587
Contingent commitments	182,550	56,607	321,957	-	-	-	300	561,414
Total other exposures	**182,550**	**1,885,409**	**1,578,800**	**-**	**-**	**353,942**	**300**	**4,001,001**
Total	**5,965,321**	**10,567,914**	**3,604,931**	**53,171**	**120,894**	**1,084,998**	**370,077**	**21,767,306**

31 December 2008:

	Thousands of Euros							
	Resident Public Sector	Resident Credit Institutions	Other Resident Entities	Other Residents	Non-resident Public Sector	Non-Resident Credit Institutions	Other non-Resident Sectors	Total
1. Debt instruments-								
1.1 Loans and advances to credit institutions	**-**	**7,216,878**	**-**	**-**	**-**	**394,041**	**-**	**7,610,919**
- Reverse repurchase agreements	-	4,195,806	-	-	-	103,650	-	4,299,456
- Time deposits	-	1,673,791	-	-	-	187,806	-	1,861,597
- Guarantee deposits on securities lending transactions	-	557,596	-	-	-	270	-	557,866
- Other accounts	-	780,469	-	-	-	101,697	-	882,166
- Other	-	9,216	-	-	-	618	-	9,834
1.2 Debt instruments	**5,914,693**	**123,718**	**238,865**	**-**	**255,106**	**11,991**	**421,665**	**6,966,038**
1.3 Loans and advances to customers	**106**	**-**	**593,249**	**46,338**	**3**	**-**	**51,777**	**691,473**
- Reverse repurchase agreements	-	-	399,049	-	-	-	-	399,049
- Guarantee deposits on securities lending transactions	-	-	52,440	-	-	-	-	52,440
- Other loans and credits	106	-	23,690	6,449	3	-	650	30,898
- Mortgage loans	-	-	-	39,889	-	-	-	39,889
- Other assets	-	-	118,070	-	-	-	51,127	169,197
Total debt instruments	**5,914,799**	**7,340,596**	**832,114**	**46,338**	**255,109**	**406,032**	**473,442**	**15,268,430**
2. Contingent liabilities-								
Financial bank guarantees	-	1,419	-	-	-	16,816	-	18,235
Documentary credits	-	-	70,113	-	-	-	-	70,113
Total contingent liabilities	**-**	**1,419**	**70,113**	**-**	**-**	**16,816**	**-**	**88,348**
3. Other exposures-								
Derivatives	-	1,296,141	363,282	-	-	336,255	-	1,995,678
Contingent commitments	118,500	56,521	304,993	-	-	-	300	480,314
Total other exposures	**118,500**	**1,352,662**	**668,275**	**-**	**-**	**336,255**	**300**	**2,475,992**
Total	**6,033,299**	**8,694,677**	**1,570,502**	**46,338**	**255,109**	**759,103**	**473,742**	**17,832,770**

23.5. Information on non-performing loans ratios

In view of the activities carried on by the Group and the risk profile assumed by it, its non-performing loans ratios, measured as doubtful assets as a percentage of total credit risk, were 0.33% and 0.10% at 31 December 2009 and 2008, respectively.

23.6. Financial assets renegotiated in the year

In view of the activities carried on by the Group and the risk profile assumed by it, no financial instruments had their original financial terms and conditions significantly renegotiated in 2009 and 2008. Had any renegotiations not taken place, it is considered that such financial instruments would have matured or become impaired at 31 December 2009 and 2008.

23.7. Impaired assets

Following is a detail, by method used to calculate impairment losses, of the financial assets considered to be impaired due to credit risk at 31 December 2009 and 2008:

	Thousands of Euros					
	31 December 2009			31 December 2008		
	Financial Assets Individually Assessed as Impaired	Financial Assets Collectively Assessed as Impaired	Total Impaired Assets	Financial Assets Individually Assessed as Impaired	Financial Assets Collectively Assessed as Impaired	Total Impaired Assets
1. Debt instruments-						
1.1 Loans and advances to credit institutions	1,116	-	1,116	1,155	-	1,155
1.2 Debt instruments	71,432	-	71,432	17,592	-	17,592
1.3 Loans and advances to customers	24	-	24	5	-	5
Total debt instruments	72,572	-	72,572	18,752	-	18,752
2. Contingent liabilities-						
2.1 Financial bank guarantees	-	-	-	-	-	-
2.2 Documentary credits	-	-	-	-	-	-
Total contingent liabilities	-	-	-	-	-	-
3. Other exposures-						
3.1 Derivatives	-	-	-	-	-	-
3.2 Contingent commitments	-	-	-	-	-	-
Total other exposures	-	-	-	-	-	-
Total	**72,572**	-	**72,572**	**18,752**	-	**18,752**

Assets (secured loans) presented by the Group in the foregoing table as "individually impaired" at 31 December 2009 and 2008 were classified on the basis of an analysis of each such transaction, taking into account factors such as the financial position and solvency of the debtors, adverse changes in the fair value of the assets, giving rise to impairment, and other evidence justifying their classification as individually impaired under current legislation.

In connection with the information provided in the foregoing tables, it should be noted that financial assets classified as at fair value through profit or loss which might be impaired due to credit risk were not included, since when such assets are measured at fair value, any impairment losses are recognised as an adjustment to fair value in the Group's consolidated financial statements.

All the transactions considered by the Group to be impaired at 31 December 2009 and 2008 were classified under the "Loans and Receivables" category.

23.8. Changes in impairment losses

Following are the changes in the impairment losses due to credit risk recognised by the Group in 2009 and 2008:

2009:

	Thousands of Euros					
	Balance at 1 January 2009	Net Additions (Reversals) Charged (Credited) to Income (**)	Transfers Between Items	Amounts Used in the Year	Other Changes (*)	Balance at 31 December 2009
1. Impairment losses not specifically identified						
1.1 Debt instruments-						
- Loans and advances to credit institutions	39	28	-	-	-	67
- Debt instruments	2,197	951	-	-	-	3,148
- Loans and advances to customers	949	1,607	-	-	1	2,557
Total debt instruments	**3,185**	**2,586**	**-**	**-**	**1**	**5,772**
1.2 Contingent liabilities-						
- Financial bank guarantees	6	7	-	-	-	13
Total contingent liabilities	**6**	**7**	**-**	**-**	**-**	**13**
1.3 Other exposures-	-	-	-	-	-	-
Total	**3,191**	**2,593**	**-**	**-**	**1**	**5,785**
2. Specifically identified impairment losses						
2.1 Debt instruments-						
- Loans and advances to credit institutions	289	853	-	-	(26)	1,116
- Debt instruments (***)	4,398	98,532	-	(1,982)	(3,695)	97,253
- Loans and advances to customers	6	18	-	-	-	24
Total debt instruments	**4,693**	**99,403**	**-**	**(1,982)**	**(3,721)**	**98,393**
2.2 Contingent liabilities-	-	-	-	-	-	-
Total contingent liabilities	**-**	**-**	**-**	**-**	**-**	**-**
2.3 Other exposures-	-	-	-	-	-	-
Total	**4,693**	**99,403**	**-**	**(1,982)**	**(3,721)**	**98,393**
Total impairment losses (1+2)	**7,884**	**101,996**	**-**	**(1,982)**	**(3,720)**	**104,178**

(*) Basically includes compensation for the impairment of debt securities classified as" available for sale" for the purpose of submission of impairment losses whose deterioration has been recorded under the caption "Impairment of financial assets (net) - Other no financial valued at fair value through profit or loss "account in the consolidated income statement. Additionally, list the adjustments for differences in change.

(**) Of the total, 101,989 thousand Euros are recognized under "Impairment of financial assets (net) (see Note 40) and 7 thousand Euros under " Provisions (net) (see Note 17.3) in the consolidated income statement for the year 2009.

(***) Of the total of 97,253 thousand Euros of impairment losses specifically identified debt securities, 25,821 thousand relate to providing substandard.

2008:

	Thousands of Euros					
	Balance at 1 January 2009	Net Additions (Reversals) Charged (Credited) to Income (**)	Transfers Between Items	Amounts Used in the Year	Other Changes (*)	Balance at 31 December 2008
1. Impairment losses not specifically identified						
1.1 Debt instruments-						
- Loans and advances to credit institutions	55	(16)	-	-	-	39
- Debt instruments	1,195	1,002	-	-	-	2,197
- Loans and advances to customers	1,062	(113)	-	-	-	949
Total debt instruments	**2,312**	**873**	**-**	**-**	**-**	**3,185**
1.2 Contingent liabilities-						
- Financial bank guarantees	6	-	-	-	-	6
Total contingent liabilities	**6**	**-**	**-**	**-**	**-**	**6**
1.3 Other exposures-	-	-	-	-	-	-
Total	**2,318**	**873**	**-**	**-**	**-**	**3,191**
2. Specifically identified impairment losses						
2.1 Debt instruments-						
- Loans and advances to credit institutions	-	289	-	-	-	289
- Debt instruments	-	4,399	-	-	(1)	4,398
- Loans and advances to customers	14	(8)	-	-	-	6
Total debt instruments	**14**	**4,680**	**-**	**-**	**(1)**	**4,693**
2.2 Contingent liabilities-						
Total contingent liabilities	**-**	**-**	**-**	**-**	**-**	**-**
2.3 Other exposures-	-	-	-	-	-	-
Total	**14**	**4,680**	**-**	**-**	**(1)**	**4,693**
Total impairment losses (1+2)	**2,332**	**5,553**	**-**	**-**	**(1)**	**7,884**

(*) Relating to adjustments for rounding to thousands of euros.

(**) The net charge for the year was recognised under "Impairment Losses on Financial Assets (net)" in the consolidated income statement for 2008 (see Note 40).

Following is a detail, by financial instrument category, of the impairment losses recognised by the Group due to credit risk at 31 December 2009 and 2008::

31 December 2009:

	Thousands of Euros			
	Available-For-Sale Financial Assets	Loans and Receivables	Provisions for Contingent Liabilities and Commitments (Note 17.3)	Total
1. Impairment losses not specifically identified				
1.1 Debt instruments-				
- Loans and advances to credit institutions	-	67	-	67
- Debt instruments	3,148	-	-	3,148
- Loans and advances to customers	-	2,557	-	2,557
Total debt instruments	**3,148**	**2,624**	**-**	**5,772**
1.2 Contingent liabilities-				
- Financial bank guarantees	-	-	13	13
Total contingent liabilities	**-**	**-**	**13**	**13**
1.3 Other exposures-	-	-	-	-
Total	**3,148**	**2,624**	**13**	**5,785**
2. Specifically identified impairment losses				
2.1 Debt instruments-				
- Loans and advances to credit institutions	-	1,116	-	1,116
- Debt instruments	-	97,253	-	97,253
- Loans and advances to customers	-	24	-	24
Total debt instruments	**-**	**98,393**	**-**	**98,393**
2.2 Contingent liabilities-	-	-	-	-
2.3 Other exposures-	-	-	-	-
Total	**-**	**98,393**	**-**	**98,393**
Total impairment losses (1+2)	**3,148**	**101,017**	**13**	**104,178**

31 December 2008:

	Thousands of Euros			
	Available-For-Sale Financial Assets	Loans and Receivables	Provisions for Contingent Liabilities and Commitments (Note 17.3)	Total
1. Impairment losses not specifically identified				
1.1 Debt instruments-				
- Loans and advances to credit institutions	-	39	-	39
- Debt instruments	1,190	1,007	-	2,197
- Loans and advances to customers	-	949	-	949
Total debt instruments	**1,190**	**1,995**	**-**	**3,185**
1.2 Contingent liabilities-				
- Financial bank guarantees	-	-	6	6
Total contingent liabilities	**-**	**-**	**6**	**6**
1.3 Other exposures-	-	-	-	-
Total	**1,190**	**1,995**	**6**	**3,191**
2. Specifically identified impairment losses				
2.1 Debt instruments-				
- Loans and advances to credit institutions	-	289	-	289
- Debt instruments	-	4,398	-	4,398
- Loans and advances to customers	-	6	-	6
Total debt instruments	**-**	**4,693**		**4,693**
2.2 Contingent liabilities-	-	-	-	-
2.3 Other exposures-	-	-	-	-
Total	**-**	**4,693**	**-**	**4,693**
Total impairment losses (1+2)	**1,190**	**6,688**	**6**	**7,884**

As previously stated, pursuant to the applicable legislation, the Group does not calculate impairment losses due to credit risk on equity instruments owned by the Group (impairment losses on these financial assets are calculated as set forth in Note 2.9) and on debt instruments classified at fair value through profit or loss since, because they are carried at fair value, any changes in fair value due to credit risk are recognised immediately in the consolidated income statement. Accordingly, these impairment losses are not included in the foregoing tables.

23.9. Past-due but not impaired assets

At 31 December 2009 and 2008 the Group had not recognised any material past-due but not impaired assets in its consolidated financial statements.

23.10. Write-off of impaired financial assets

At 31 December 2009 and 2008 the Group did not have any material financial assets that, pursuant to the criteria set forth in Note 2, had been written off due to credit risk, and there were no significant changes in this connection in 2009 and 2008.

23.11. Other disclosures on credit risk

At 31 December 2009 and 2008 the amount of accrued uncollected past-due receivables on impaired financial assets was not material.

In 2009 and 2008 no guarantees associated with financial assets owned by the Group were executed in order to guarantee the collection thereof.

24. EXPOSURE TO MARKET RISK

24.1. Market risk management objectives, policies and processes

Market risk is defined as the risk that affects results or capital as a result of adverse changes in the prices of bonds, securities and commodities and in the exchange rates of transactions recognised in the trading book. This risk arises in market making and trading activities and the taking of positions in bonds, securities, foreign currencies, commodities and derivatives (on bonds, securities, currencies and commodities). This risk includes foreign currency risk, which is defined as the actual or potential risk that affects results or capital as a result of adverse changes in exchange rates in the banking book. In view of the composition of the Group, the market risk to which it is exposed mainly relates to the activities carried on by the Confederación.

The Confederación's exposure to market risk arises from several financial factors affecting market prices. These factors include mainly, but not only, the following:

- Interest rates in each country and product type.
- Spreads of each instrument over the risk-free interest rate curve (including credit and liquidity spreads).
- Market liquidity levels.
- Price levels.
- Exchange rates.
- Levels of volatility of the above factors.

At the Confederación, Value at Risk ("VaR") provides an integrated measure of market risk and encompasses the basic elements thereof: interest rate risk, spread risk, foreign currency risk, equity risk and the risk of volatility of the foregoing factors.

Interest rate risk

Interest rate risk is the exposure to market fluctuations due to changes in the general level of interest rates. The exposure to interest rate risk can be divided into the following two elements:

Directional, slope and basis risk

Directional risk is the sensitivity of income to parallel shifts in the interest rate curve, while interest rate curve risk is the sensitivity of gains to changes in the structure of the rate curve, due to a change either in the slope or the shape of the curve.

Basis risk is the potential loss arising from unexpected changes in the spreads between the various interest rate curves with respect to which portfolio positions are held. Liquidity conditions in markets and the perception of the specific risk usually trigger this type of fluctuation, although other factors can also play a part.

The Confederación controls all the interest rate risks described above using VaR, which includes all the factors relevant to the measurement thereof, covering the maturity spectrum and all the relevant curves (including specific industry curves by rating).

Spread risk

Spread risk arises from holding corporate bond positions (and credit derivatives) and is defined as the exposure to the specific risk of each issuer.

Certain circumstances relating to the market and/or the issue itself can widen the spreads due to the liquidity premium.

The Confederación's VaR model also includes these risk factors.

Foreign currencies

In view of its foreign currency and international capital markets operations, the Confederación is exposed to the following two types of foreign currency risk:

Foreign exchange risk

Foreign exchange risk arises on the net positions of one currency against the euro or one currency against another. Therefore, foreign exchange risk is the potential fluctuation in spot exchange rates affecting the value of positions.

Interest rate spread risk

Net interest rate spread risk arises from the difference between interest rates in two different currencies and its effect on forward foreign currency positions.

The Confederación measures both of these risks using VaR and includes exchange rates and currency yield curves as risk factors.

Equity risk

This represents the risk of incurring losses as a result of changes in share prices.

The Confederación includes the measurement of this risk in the calculation of VaR, which includes the main international stock market indexes as risk factors and "maps" the positions in individual securities to these indexes through their betas (correlation between the behaviour of a specific security and the related benchmark index). This pertains to the parametric methodology for calculating VaR, since the VaR calculated by the historical simulation methodology includes the specific risk of each of the securities in the portfolio.

Volatility risk

As part of its portfolio management activities, the Confederación arranges options on various underlyings on a habitual basis.

The most immediate way of measuring the risk of these options is through their delta, a parameter that proxies the risk of an option as an equivalent position in another simpler (linear) instrument.

But the non-linear nature of the value of options makes it advisable, in the case of complex options, basically to perform additional monitoring of the other parameters affecting the value of the option, which are as follows:

Delta risk

Delta measures the change in the value of the option arising from a one-point change in the price of the underlying asset. Accordingly, delta risk is the exposure to unexpected changes in the value of the option portfolio as a result of changes in the prices of the underlying instruments.

Gamma risk

The gamma of an option measures the sensitivity of its delta to a one-point change in the price of the underlying asset. It represents the risk that the delta of an option portfolio may vary as a result of a change in the prices of the underlying assets.

Vega risk

Vega is a measure of the sensitivity of the value of an option to a one-point change in the volatility of the price of the underlying asset.

Theta risk

Theta risk relates to the decline in the value of option positions as a consequence of the passage of time.

The Confederación measures delta and vega risk through the parametric VaR and measures options risks using historical simulation VaR, since this methodology is based on the complete revaluation of options.

For transactions with certain complex exotic options which are particularly complicated to manage and measure, the Confederación's general policy is to eliminate this risk from the portfolio by arranging back-to-back transactions in the market.

24.2. Market risk measurement

The methodology used to measure market risk is as follows.

VaR is calculated and monitored in the same way for available-for-sale and investment securities as it is for the trading book, although at present market risk limits have not been set for these portfolios.

Value at Risk

As stated above, VaR is the indicator used to monitor market risk exposure limits. It provides a unique measure of market risk by bringing together the following basic aspects:

- Interest rate risk.
- Credit spread risk.
- Foreign currency risk.
- Equity risk.
- Volatility risk (for optionalities).
- Liquidity risk.

Parametric VaR

The VaR measure used to monitor the limits described above is parametric VaR with the following features:

- Time horizon: 1 day
- Confidence interval: 99%
- Decay factor: 0.97
- Depth of the series: 250 trading days

It is calculated daily and the base currency is the euro.

In addition to the total VaR of the Treasury Room, VaR is also obtained for the long- and short-term areas and for each desk in each area.

The distribution of the VaR of the trading book by desk at 31 December 2009 and 2008 is as follows:

Thousands of Euros

	2009	2008
Money and currency markets	1,096	1,507
Fixed-income and equities trading	195	237
Loan trading	87	130
Derivatives and structured products	182	250

Every day the Confederación calculates and reports an analytical measure derived from VaR known as the Component VaR of market risk, which enables the total risk contributed by each position and market risk factor (risk concentration) to be known and the sensitivity of VaR to changes in portfolio positions to be proxied.

Component VaR can be obtained at a higher level of disaggregation and is reported by:

- Product
- Risk vertex

Backtesting

At present the Confederación is performing a dirty backtest (the results include fees and commissions and the results of intraday operations), and a clean backtesting model is being implemented, in which the aforementioned factors are filtered, since it is considered necessary to analyse both tests in order to ascertain the accuracy of the potential loss estimation model.

Historical simulation VaR

In addition to the matters described in the preceding sections, in order to make up for the other limitations of parametric VaR (treatment of options, assumption of normality and proxy through betas on indexes), historical simulation VaR is also calculated and reported daily to test the risk estimate obtained using this other methodology.

Historical simulation VaR uses historical data (provided by the Confederación's Market Data Service) to calculate the changes in market risk factors, which are applied to current values to generate simulated gain and loss distributions without making any a priori assumptions regarding the form thereof, since only the actual distribution is used.

To make the data comparable, the model uses the same parameters regarding confidence levels, time decay factors, data series and time horizon of the estimate as those used to calculate parametric VaR.

Management results

Starting with risk tools, management results for the trading portfolios are calculated daily using the prices and curve levels provided by the Market Data Service.

The method used is mark-to-market for positions with directly observable market prices (debt, Treasury bills, futures, exchange-traded options) and mark-to-model (theoretical valuation) with market inputs for transactions without quoted prices (deposits, OTC derivatives, etc.).

Sensitivity measures

Although limits are structured with respect to the VaR measure that combines all types of risks and portfolios in a single indicator, there is a series of supplementary measures to monitor exposure to market risk, which are quantified and reported daily. The sensitivity measures performed by the Confederación are as follows:

Total delta

Sensitivity of net present value (NPV) to parallel shifts in the interest rate curve.

Curve risk

Sensitivity of NPV to changes in the maturity structure of the interest rate curve due to changes in the slope or the shape of the curve in particular tranches.

Spread risk

Measurement of the specific risk assumed to bond issuers.

Liquidity risk is also quantified taking into account the nature of portfolio positions and the situation in the financial markets.

Exchange rate sensitivity

Sensitivity of the NPV of foreign currency positions in the portfolio to changes in exchange rates.

Price sensitivity

Sensitivity of the NPV of equity positions in the portfolio to changes in the prices of the securities held.

Volatility sensitivity

Sensitivity of the NPV of option positions in the portfolio to changes in the volatility of the underlyings (vega risk).

Stress testing

The purpose of stress tests is to estimate the effects, in terms of losses, of an extreme movement in the market on the current portfolio. To this end, one or more worst case scenarios of price and interest rate fluctuations are defined based on real situations observed in the past or other situations that might arise.

The inclusion of the results of the stress tests in reporting systems enables traders and managers to be informed of the losses that might be incurred in extreme scenarios and facilitates the identification of the portfolio's risk profile in such situations.

24.3. Market risk limits

The market risk of the trading book is measured through VaR, using both the parametric and historical simulation methodologies (for the purposes of usage of limits, the former is currently used), including diversification and risk correlation (diversification benefits) criteria.

The general limit structure is determined by the following guidelines:

- The ALCO establishes a general framework of limits for the measurement of market risk
- The Board of Directors reviews and ratifies changes to limits proposed by the ALCO.
- The Deputy Head of the Finance Division (together with the Methodology and Treasury Control Division of the Risk Area) fully or partially delegates the setting of these limits to the persons responsible for each Treasury and Capital Markets Division desk.
- The Deputy Head of the Finance Division will, in all cases, be responsible for the use of the overall limit and delegated limits, and any overrun of these limits must be authorised by the ALCO.

Treasury room limits, monitoring and authorisation of limit overruns

There are two limit structures to control the market risk of Treasury activities:

- VaR limits measure the maximum authorised potential loss for a one-day time horizon based on the size and composition of the portfolio's risk exposure at the close of each day.
- Stop loss limits set the maximum authorised actual losses for both the Treasury Room and the various desks composing it, and include the results of intraday transactions. There are monthly and annual limits.

The stop loss limits are reviewed every six months and the review takes place at the same time as the review of VaR limits.

25. LIQUIDITY RISK

25.1. Liquidity risk management objectives, policies and processes

The aim of the Confederación (the Group entity in which liquidity risk is basically concentrated) as regards liquidity risk is to have in place at all times the instruments and processes to enable it to meet its payment commitments on a timely basis, so that it has available to it the instruments to enable it to maintain sufficient levels of liquidity to meet its payment commitments without significantly compromising the Confederación's results and, accordingly, the Group's results, and to maintain the mechanisms to enable it to meet its payment commitments in the event of various eventualities.

Traditionally, the Confederación has generally had several ways of obtaining liquidity, including attracting customer deposits, the availability of various cash facilities at official agencies and raising liquidity through the interbank market.

It should be mentioned in this context that the financial crisis has continued affecting international and domestic markets it has given rise to a severe contraction in the financial markets and, accordingly, a significant decrease in the various sources of funding for international and domestic credit institutions. Thus, the raising of funds in the interbank market was considerably affected by the aforementioned financial crisis.

Accordingly, due to the situation in the financial markets, in 2009 certain decisions were taken with a view to adapting the Confederación to the new situation and ensuring that it has the liquidity required to enable it to meet its payment commitments on a timely basis and attain its strategic and operating investment and growth targets. Mention must be made of the adoption by the Confederación of a series of specific measures in 2009 to protect it from the systemic crisis, pursuant to a previously established plan.

Liquidity risk

Liquidity risk is defined as:

- The uncertainty regarding the availability, at reasonable prices, of funds to enable the Confederación to meet its commitments when recourse to external financing is difficult for a particular period of time.
- The maintenance or generation of levels of liquidity required to finance future business growth.

In other words, this risk reflects the probability of incurring losses or having to reject new business or growth in current business as a result of being unable to meet commitments normally when they fall due or being unable to finance additional needs at market rates. In order to mitigate this risk, the Confederación periodically monitors its liquidity conditions and assesses any action that may be required. Furthermore, the Group has planned measures to enable it to restore the Confederación's overall financial equilibrium in the event of a possible shortfall in liquidity.

25.2. Liquidity risk measurement

Following is a detail the measures employed by the Methodology and Treasury Control Division to measure liquidity risk.

Liquidity gap

The liquidity gap is the profile of maturities and settlements by risk type (assets and liabilities classified by residual maturity plus the interest flows arising therefrom) and shows the mismatch structure in the Confederación's balance sheet in terms of cash inflows and outflows.

It reflects the liquidity level maintained under normal market conditions and provides information on contractual and non-contractual cash inflows and outflows for a given period under certain assumptions regarding behaviour.

It is calculated fortnightly.

Liquidity inventory

At least twice a day, a list is made to enable monitoring of available liquid assets in order to identify possible available sources of liquidity in the event of a liquidity contingency.

Liquidity ratios

The purpose of liquidity ratios is to value and measure the Confederación's on-balance-sheet liquidity, as follows:

- Structural liquidity ratio: the purpose of this ratio is to identify the Confederación's funding mismatch, showing the liquidity generation structure and funding/lending structure by maturity.
- Short-term liquidity ratio: this ratio estimates the Confederación's potential capacity to generate liquidity in a period of seven, fifteen and thirty days in order to cater for a liquidity eventuality and evaluate the sufficiency of the proportion of demand deposits obtained held as liquid assets.

Stress scenarios, in which the unavailability of various sources of funding is combined with scenarios of the immediate withdrawal by customers of positions classified as stable, are also analysed.

- Survival ratio: this ratio estimates the period of time for which the Confederación can meet its liquidity commitments for a thirty-day period in the event of a lack of access to the interbank market or alternative sources of funding. Scenarios of the unavailability of sources of funding envisaged in the calculation are combined with scenarios of the immediate withdrawal by customers of positions classified as stable.

Additionally, a daily monitoring of a series of alert indicators and intensity of the liquidity crisis is carried out, as wells as a detailed inventory which is refreshed permanently of the liquation capacity of the assets in the balance sheet.

25.3. Liquidity risk limits

As part of its function of monitoring the Confederación, the Board of Directors establishes a framework of liquidity risk limits based on monitoring the Confederación's short-term liquidity position.

In particular, limits were established on the following indicators:

- **Short-term liquidity ratio:**

  This ratio estimates the Confederación's potential capacity to generate liquidity to meet its payment commitments over a given period of time on the assumption that recourse cannot be had to the interbank market.

 Capability to generate liquidity includes:

  - Collections from the current portfolio
  - Capability to continue to discount eligible paper.
  - Potential liquidity, which is all cashable assets except repurchase agreements.

  Also, in order to provide complete information to facilitate optimum liquidity management, an additional stress scenario is included which envisages an immediate withdrawal at one day of 20% of stable funding.

- **Liquidity gap at one month with respect to stable funding:**

  This ratio measures the net refinancing requirement at one month with respect to the amount of financing considered not to be volatile (i.e. the number of times by which the net refinancing requirement at one month exceeds the Confederación's stable funding). Thus, a limit can be placed on the level of concentration of the net lending position at very short term in relation to the amount of stable funding in an attempt to ensure that the term structure of the Confederación's funding is as balanced as possible.

  Any overrun of these limits must be authorised by the ALCO and, when it is considered necessary, such overruns must be reported to the Board of Directors together with an action plan to correct the situation.

25.4. Analysis of the liquidity gap

The liquidity gap is the profile of maturities and settlements by risk type (assets and liabilities classified by residual maturity plus the interest flows arising from all the balance sheet aggregates) and shows the mismatch structure in the balance sheet in terms of cash inflows and outflows. Its purpose is to measure the net funding required or the net excess of funds for various time horizons. Accordingly, it reflects the liquidity level maintained under normal market conditions. This measure provides information on contractual and non-contractual cash inflows and outflows (using certain historical-behaviour-based assumptions).

Following is a detail at 31 December 2009 and 2008 of the Confederación's main financial assets and liabilities (other than derivatives) at those dates, classified by residual maturity and estimated on the basis of their contractual conditions, excluding the related valuation adjustments:

At 31 December 2009

	Thousands of Euros						
	On Demand	Less than 1 Month	1 to 3 Months	3 to 12 Months	1 to 5 Years	After 5 Years	Total
Assets:							
Cash and balances with central banks	106,280	500,000	-	-	-	-	606,280
Financial assets held for trading - Debt instruments	-	845,155	1,158,517	3,183,951	3,354,156	240,338	8,782,117
Financial assets held for trading - Other equity instruments	-	-	-	-	-	44,883	44,883
Other financial assets at fair value through profit or loss - Loans and advances to credit institutions	-	1,738,462	1,452,190	490,965	33,555	-	3,715,172
Other financial assets at fair value through profit or loss - Loans and advances to customers	-	737,338	-	60,428	-	-	797,766
Available-for-sale financial assets - Debt instruments (*)	-	90,939	6,366	1,380	244,079	251,708	594,472
Available-for-sale financial assets - Other equity instruments (**)	-	-	-	-	-	125,975	125,975
Loans and receivables - Loans and advances to credit institutions	570,412	2,080,888	157,721	106,441	138,028	1,543	3,055,033
Loans and receivables - Loans and advances to customers	419,707	96,827	473	2,077	9,209	24,627	552,920
Loans and receivables - Debt instruments	-	-	-	-	14,306	240,568	254,874
Total at 31 December 2009	**1,096,399**	**6,089,609**	**2,775,267**	**3,845,242**	**3,793,333**	**929,642**	**18,529,492**

At 31 December 2009

	Thousands of Euros						
	On Demand	Less than 1 Month	1 to 3 Months	3 to 12 Months	1 to 5 Years	After 5 Years	Total
Liabilities:							
Financial liabilities held for trading - short positions	-	831,137	-	32,105	-	-	863,242
Other financial liabilities at fair value through profit or loss - Deposits from central banks	-	-	-	1,200,000	-	-	1,200,000
Other financial liabilities at fair value through profit or loss - Deposits from credit institutions	-	2,259,469	96,940	12,402	-	-	2,368,811
Other financial liabilities at fair value through profit or loss - Customer deposits	-	4,025,896	12,100	-	-	-	4,037,996
Financial liabilities at amortised cost - Deposits from central banks	-	279,680	-	-	-	-	279,680
Financial liabilities at amortised cost - Deposits from credit institutions	2,284,864	2,579,698	58,040	221,211	-	16,887	5,160,700
Financial liabilities at amortised cost - Customer deposits	2,933,624	89,896	23,020	41,710	139,230	3,785	3,231,265
Total at 31 December 2009	**5,218,488**	**10,065,776**	**190,100**	**1,507,428**	**139,230**	**20,672**	**17,141,694**
Assets minus liabilities at 31 December 2009	**(4,122,089)**	**(3,976,167)**	**2,585,167**	**2,337,814**	**3,654,103**	**908,970**	**1,387,798**

(*) Including valuation adjustments relating to accrued interest and valuation gains or losses.

(**) Presented at fair value.

At 31 December 2008

	Thousands of Euros						
	On Demand	Less than 1 Month	1 to 3 Months	3 to 12 Months	1 to 5 Years	After 5 Years	Total
Assets:							
Cash and balances with central banks	83,502	235,927	-	-	-	-	319,429
Financial assets held for trading - Debt instruments	-	83,876	72,976	3,906,761	2,092,302	72,545	6,228,460
Financial assets held for trading - Other equity instruments	-	-	-	-	-	23,877	23,877
Other financial assets at fair value through profit or loss - Loans and advances to credit institutions	-	821,292	1,670,305	1,807,859	-	-	4,299,456
Other financial assets at fair value through profit or loss - Loans and advances to customers	-	175,142	85,483	131,424	-	-	392,049
Available-for-sale financial assets - Debt instruments (*)	-	44,932	10,040	12,136	110,367	261,157	438,632
Available-for-sale financial assets - Other equity instruments (**)	-	-	-	-	-	123,780	123,780
Loans and receivables - Loans and advances to credit institutions	812,566	1,286,897	266,095	250,121	695,211	1,728	3,312,618
Loans and receivables - Loans and advances to customers	127,855	125,515	441	1,956	8,551	35,111	299,429
Loans and receivables - Debt instruments	-	-	-	868	19,828	266,459	287,155
Total at 31 December 2008	**1,023,923**	**2,773,581**	**2,105,340**	**6,111,125**	**2,926,259**	**784,657**	**15,724,885**

At 31 December 2008

	Thousands of Euros						
	On Demand	Less than 1 Month	1 to 3 Months	3 to 12 Months	1 to 5 Years	After 5 Years	Total
Liabilities:							
Financial liabilities held for trading - short positions	12,854	220,032	-	44,557	-	-	277,443
Other financial liabilities at fair value through profit or loss - Deposits from central banks	-	-	20,389	-	-	-	20,389
Other financial liabilities at fair value through profit or loss - Deposits from credit institutions	-	1,817,592	38,190	422,555	-	-	2,278,337
Other financial liabilities at fair value through profit or loss - Customer deposits	-	4,767,041	14,967	-	-	-	4,782,008
Financial liabilities at amortised cost - Deposits from central banks	-	286,702	12	-	-	-	286,714
Financial liabilities at amortised cost - Deposits from credit institutions	1,370,297	2,150,563	87,711	218,695	38	16,380	3,843,684
Financial liabilities at amortised cost - Customer deposits	1,691,398	66,472	98,506	203,347	696,965	4,096	2,760,784
Total at 31 December 2008	**3,074,549**	**9,308,402**	**259,775**	**889,154**	**697,003**	**20,476**	**14,249,359**
Assets minus liabilities at 31 December 2008	**(2,050,626)**	**(6,534,821)**	**1,845,565**	**5,221,971**	**2,229,256**	**764,181**	**1,475,526**

(*) Including valuation adjustments relating to accrued interest and valuation gains or losses.

(**) Presented at fair value.

With a view to the correct interpretation of the information contained in the foregoing tables, it should be stated that the assets and liabilities were classified therein in accordance with their contractual terms and conditions and, accordingly, there are liabilities, such as current accounts on the liability side of the consolidated balance sheet, which are more stable and more permanent than "on demand" (the criteria used to classify them in the foregoing tables). Also, the assets classified as financial assets held for trading will generally be realised earlier than their respective maturity dates (the criterion used to classify them in the foregoing tables).

Following is a summary of the main assumptions used to construct the liquidity gap:

- For demand deposits (with contractual maturities) and non-sensitive assets, a settlement assumption is performed on the basis of a quantitative model which analyses the performance of the historical balances for the last two years.
- For transactions related to securitisations, early repayment and default assumptions based on the historical behaviour of the portfolio using information provided by the securitisations vehicle are used.
- Dividends from equity securities and investees are included in the gap on the assumption that they are paid at year-end and that their amount is at least equal to the yield on a one-year deposit.

26. INTEREST RATE RISK

26.1. On-balance-sheet interest rate risk management objectives, policies and processes

The Group's on-balance-sheet interest rate risk management objectives are as follows:

- To establish appropriate mechanisms to avoid unexpected losses from the impact of changes in interest rates by protecting the net interest margin and the economic value of capital.
- To adopt lending and hedging strategies that offset the financial impact of changes in interest rates at short term (net interest margin) and at long term (economic value of capital).
- To ensure adequate levels of liquidity to facilitate business growth at optimum funding costs by ensuring an appropriate level of short-term liquid assets and managing medium/long-term changes in liquidity through issues of promissory notes or by any other means.
- To execute lending and hedging strategies that boost the generation of earnings under approved risk limits.

To attain the objectives described above the Group has created an on-balance-sheet structural risk limit structure to guarantee that risk exposure levels are within the tolerance level set by senior management.

The Board of Directors defines the general framework for the management of the balance sheet and approves the risk limits based on its risk tolerance. Structural risks are managed at short, medium and long term using limits that are approved by the Board itself and monitored on a monthly basis.

Senior management is actively involved in on-balance-sheet risk management through the Asset-Liability Committee (ALCO). This committee is responsible for taking the action required to correct any possible on-balance-sheet risk imbalances.

The Methodology and Treasury Control Division is responsible for ensuring that the Group's exposure to fluctuations in interest rates remains within the levels approved by the Board, and for measuring, analysing and monitoring the on-balance-sheet structural risk management performed by the Finance Division.

On-balance-sheet structural interest rate risk can be defined as the exposure of the economic and financial position -resulting from the varying maturity and repricing dates of balance sheet items- to adverse fluctuations in interest rates. This risk is a substantial part of the banking business and can considerably affect the net interest margin and the economic value of capital. Consequently, interest rate risk management that keeps this risk at prudent levels is essential to the security and strength of the Group.

26.2. On-balance-sheet interest rate risk measurement

Analysis of the repricing gap

The objective of gap analysis is to measure the excess or shortfall in the volume of sensitive assets over sensitive liabilities, which is the unmatched (and therefore unhedged) volume subject to possible changes in interest rates. Thus, risk exposure is identified by studying the concentration of aggregates with repricing risk for significant time periods.

The interest rate gap reflects the Group's interest rate risk exposure based on the maturity and/or repricing structure of its positions. This indicator enables the Group to be aware of its interest rate risk exposures over the various maturities and thus attempt to ascertain where potential impacts might affect net interest margin and the market value of equity.

The interest rate gap is constructed by distributing by term the sensitive on-balance-sheet and off-balance-sheet "Banking Book" positions and balances. Items having no set maturity or repricing dates are allocated on the basis of historical-behaviour assumptions.

The interest rate risk gap at 2009 year-end, at aggregate level, is as follows:

	0< = 1m	1<=2m	2<=3m	3<=4m	4<=5m	5<=6m	6<=12m	1<=2y	2<=5y	5<=10y	10<=20y	20<=30y
1 Assets	4,970,625	50,034	157,135	51,551	1,618	8,079	6,886	14,500	190,000	160,471	32,400	47,194
1.1 Loans and advances to credit institutions	4,586,518	-	-	-	-	-	-	-	-	-	-	-
1.2 Loans and advances to customers	45,676	1,263	1,035	494	3,068	1,079	8,674	-	-	-	-	-
1.3 Debt instruments	307,160	48,770	123,935	51,057	5,520	7,000	-	14,500	190,000	160,471	32,400	-
1.4 Other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-
1.5 Equity securities and investees	-	-	-	-	-	-	-	-	-	-	-	111,823
1.6 Non-current assets and other non-sensitive assets	31,271	-	32,165		-6,969	-	-1,788	-	-	-	-	-64,629
2 Liabilities	4,810,679	42,083	42,083	-	-	-	-	-	80,470	-	-	-
2.1 Deposits from credit institutions	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Other funding	-	-	-	-	-	-	-	-		-	-	-
2.3 Repurchase agreements	-	-	-	-				-	-	-	-	-
2.4 Customer deposits	4,810,679	42,083	42,083	-	-	-	-	-	80,470	-	-	-
2.5 Marketable debt securities	-	-	-	-	-	-	-	-	-	-	-	-
2.6 Short positions	-	-	-	-	-	-	-	-	-	-	-	-
3 Derivatives	77,982	-11,085	-30,743	-33,154	-3,000	-	-	-	-	-	-	-
Gap	**237,927**	**-3,135**	**84,309**	**18,397**	**-1,382**	**8,079**	**6,886**	**14,500**	**109,530**	**160,471**	**32,400**	**47,194**
Cumulative gap	**237,927**	**234,792**	**319,101**	**337,498**	**336,116**	**344,195**	**351,081**	**365,581**	**475,111**	**635,582**	**667,982**	**715,176**

Following is a summary of the main assumptions used to construct the interest rate risk gap:

- Floating-rate items are "mapped" by term to the next repricing date while fixed-rate items are placed according to their residual maturity. In both cases accrued interest is included in the mapping.
- For demand deposits without predefined repricing schedules, repricing assumptions are made based on the analysis of the lives of these items per a study of historical data.
- For transactions related to securitisations, early repayment and default assumptions based on the historical behaviour of the portfolio using information provided by the securitisations vehicle are used.
- Dividends from equity securities and investees are included in the gap on the assumption that they are paid at year-end and that their amount is at least equal to the yield on a one-year deposit.

Simulation of the net interest margin

In order to include a dynamic analysis of the balance sheet to various interest rate scenarios, the Group performs simulations of the performance of the net interest margin over a time horizon of one year. This enables it to analyse the effect of changes due to fluctuations in interest rates based on the repricing gaps of the various balance sheet items.

The scenarios are as follows:

- Rates discounted by the market: the implied forward rates obtained from the spot zero-coupon curve are used.
- Upward shock: the spot rates are shifted proportionately upwards, and the level of probability of this change depends on the volatility observed in the market for each maturity period.
- Downward shock: the base spot rates are shifted proportionately, and the level of probability of this change depends on the volatility observed in the market for each maturity period.
- Steepening: increase in the slope of the spot rates.
- Flattening: decrease in the slope of the spot rates.

Sensitivity of the economic value of capital

In order to analyse the sensitivity of the fair value the Group analyses the impact of the use of stressed interest rate curves on the Net Present Value (NPV) calculated using data from the zero coupon curve. The scenarios envisaged are as follows:

- Upward shock: the spot rates are shifted proportionately upwards at all the nodes of the curve.
- Downward shock: the spot rates are shifted proportionately downwards at all the nodes of the curve.
- Steepening: increase in the slope of the spot rates.
- Flattening: decrease in the slope of the spot rates.

To complete these sensitivity measures, in 2009 a methodology similar to Market VaR was developed and implemented to allow the economic value of the capital at risk to be calculated for a one-month time horizon with a confidence level of 99%, taking into account all the risk factors which affect the balance sheet.

Interest rate risk limits

As part of its function of monitoring the Group, the Board of Directors establishes interest rate risk limits in terms of the sensitivity of both the net interest income and economic value to changes in market interest rates.

27. RISK CONCENTRATION

27.1 Risk concentration by geographical area

Following is a detail, by geographical area of residence of the counterparty, type and category of financial instrument, of the distribution of the carrying amount of the Group's financial assets at 31 December 2009 and 2008:

31 December 2009:

	Thousands of Euros			
	Spain	Other EMU Countries	Rest of the World	Total
By type of financial instrument-				
Loans and advances to credit institutions	6,110,119	370,436	324,938	6,805,493
Loans and advances to customers	1,288,042	92	63,472	1,351,606
Debt instruments	9,130,466	307,518	96,226	9,534,210
Equity instruments	150,936	18,354	1,568	170,858
Trading derivatives	3,085,645	118,544	235,398	3,439,587
	19,765,208	**814,944**	**721,602**	**21,301,754**
By financial instrument-				
Financial assets held for trading	11,704,787	271,086	290,714	12,266,587
Other financial assets at fair value through profit or loss	4,325,556	221,549	-	4,547,105
Available-for-sale financial assets (1)	643,041	71,442	5,964	720,447
Loans and receivables (2)	3,091,824	250,867	424,924	3,767,615
	19,765,208	**814,944**	**721,602**	**21,301,754**

(1) Excluding impairment losses on debt instruments.

(2) Excluding not specifically identified impairment losses on debt instruments and loans and advances to customers included in this category.

31 December 2008:

	Thousands of Euros			
	Spain	Other EMU Countries	Rest of the World	Total
By type of financial instrument-				
Loans and advances to credit institutions	7,344,728	177,874	220,728	7,743,330
Loans and advances to customers	644,466	104	51,674	696,244
Debt instruments	6,260,848	560,905	128,096	6,949,849
Equity instruments	139,064	7,551	1,042	147,657
Trading derivatives	1,659,423	116,774	219,481	1,995,678
	16,048,529	**863,208**	**621,021**	**17,532,758**
By financial instrument-				
Financial assets held for trading	7,573,292	397,269	277,454	8,248,015
Other financial assets at fair value through profit or loss	4,714,184	103,760	-	4,817,944
Available-for-sale financial assets (1)	461,967	94,269	6,176	562,412
Loans and receivables (2)	3,299,086	267,910	337,391	3,904,387
	16,048,529	**863,208**	**621,021**	**17,532,758**

(1) Excluding impairment losses on debt instruments.

(2) Excluding not specifically identified impairment losses on debt instruments and loans and advances to customers included in this category.

27.2. Concentration of equity instruments

Following is a detail, by type of market listing, if any, and issuer, of the equity instruments held by the Group at 31 December 2009 and 2008:

31 December 2009:

	Thousands of Euros		
	Financial Assets Held for Trading (Note 8.1)	Available-for-Sale Financial Assets (Note 9)	Total
By market listing-			
Shares listed in the Spanish secondary market	37,995	1,988	39,983
Shares listed in secondary markets in the rest of the world	6,888	11,702	18,590
Unlisted shares	-	112,285	112,285
	44,883	**125,975**	**170,858**
By issuer type-			
Spanish financial institutions	21,426	3,750	25,176
Other Spanish companies	16,569	109,191	125,760
Foreign financial institutions	1,206	-	1,206
Other foreign companies	5,682	13,034	18,716
	44,883	**125,975**	**170,858**

31 December 2008:

	Thousands of Euros		
	Financial Assets Held for Trading (Note 8.1)	Available-for-Sale Financial Assets (Note 9)	Total
By market listing-			
Shares listed in the Spanish secondary market	22,423	16,783	39,206
Shares listed in secondary markets in the rest of the world	1,454	6,253	7,707
Unlisted shares	-	100,744	100,744
	23,877	**123,780**	**147,657**
By issuer type-			
Spanish financial institutions	7,133	3,750	10,883
Other Spanish companies	15,290	112,891	128,181
Other foreign companies	1,454	7,139	8,593
	23,877	**123,780**	**147,657**

28. WELFARE FUND

Confederación Española de Cajas de Ahorros, within the framework of its welfare projects, finances Fundación de las Cajas de Ahorros (FUNCAS), a private not-for-profit organisation that engages in activities that benefit Spanish society, promote saving, and contribute to the raising of public awareness of savings banks by facilitating the service provided by them to society.

In particular, the objectives of the Fundación are:

- the promotion of economic and social studies and research
- the organisation of public events, and
- cultural dissemination in the broadest sense of the term and the fostering of all activities leading to a heightened awareness of the Spanish economy and society, thus encouraging useful recommendations regarding economic and social policy.

At 31 December 2009 and 2008 and throughout those years, the Confederación's Welfare fund was not invested in any tangible or intangible assets.

The changes in 2009 and 2008 in the balance of "Welfare Fund" on the liability side of the consolidated balance sheets are as follows:

Thousands of Euros

	2009	2008
Beginning balance before distribution of profit	363	480
Transfer charged to prior period profit (Note 4)	4,800	6,428
Maintenance expenses for the year:		
Depreciation/amortisation of assets assigned to welfare projects	-	-
Budgeted current expenses for the year	(4,537)	(6,545)
Other expenses from previous years	(123)	-
Ending balance before distribution of profit	**503**	**363**

These consolidated financial statements were authorised for issue subsequently to the FUNCAS Board of Trustees meeting held on 17 February 2010, at which the budget settlement for 2009 was approved.

29. OTHER SIGNIFICANT DISCLOSURES

29.1 Contingent liabilities

The breakdown of the balance of "Memorandum Items – Contingent Liabilities" in the consolidated balance sheets at 31 December 2009 and 2008 is as follows:

Thousands of Euros

	2009	2008
Financial guarantees provided-		
Financial bank guarantees	18,570	18,235
Documentary credits	39,647	70,113
	58,217	88,348
Other bank guarantees and indemnities	59,537	101,484
	117,754	**189,832**

"Financial Guarantees Provided" are defined as the amounts that would be payable by the Group on behalf of third parties as a result of the commitments assumed by the Group in the course of its ordinary business, if the parties who are originally liable to pay fail to do so. Note 23 includes information on the credit risk assumed by the Group in relation to financial guarantees provided.

A significant portion of these guarantees will expire without any payment obligation materialising for the Group and, therefore, the aggregate balance of these commitments cannot be considered as an actual future need for financing or liquidity to be provided by the Group to third parties.

The fee and commission income from these financial guarantees is recognised under “Fee and Commission Income” in the consolidated income statement (see Note 33).

The provisions made to cater for the financial guarantees provided, which were calculated using criteria similar to those applied in the calculation of the impairment of financial assets measured at amortised cost, were recognised under “Provisions - Provisions for Contingent Liabilities and Commitments” in the consolidated balance sheet (see Note 17).

29.2. Assets delivered as security

At 31 December 2009 and 2008, assets owned by the Group had been provided as security for transactions performed by it or by third parties, as well as for various liabilities and contingent liabilities assumed by the Group. The nominal amount, of the financial assets delivered as security for these liabilities, contingent liabilities and similar items at 31 December 2009 and 2008 was as follows:

Thousands of Euros	2009	2008
Spanish government debt securities classified as available-for-sale financial assets	25,000	25,000
Other securities classified as available-for-sale financial assets	1,673,808	86,500
	1,698,808	**111,500**

At 31 December 2009, the Confederación had securities with a face value of EUR 1,698,808 thousand (31 December 2008: EUR 111,500 thousand) as security for the performance of the Group’s obligations relating to transactions with the clearing and settlement services.

In addition, at 31 December 2009, the Group had entered into repurchase agreements for securities in its portfolio and reverse repurchase agreements for a total amount of EUR 6,723,217 thousand (31 December 2008: EUR 7,493,511 thousand).

“Memorandum Item: Loaned or Advanced as Collateral”, which is shown in each of the Group’s financial asset categories in the consolidated balance sheets at 31 December 2009 and 2008, includes the amount of financial assets transferred, lent out or delivered as security in which the assignee is entitled, contractually or by custom, to retransfer them or pledge them as security, such as securities lending transactions or sales of financial assets under an agreement to repurchase them at a fixed price or at the sale price plus interest.

29.3. Contingent commitments

The breakdown of the balance of “Contingent Commitments” at 31 December 2009 and 2008 is as follows:

Thousands of Euros	2009	2008
Drawable by third parties (Note 23):		
Public sector - Spain	182,550	118,500
Credit institutions	56,607	56,521
Other resident sectors	321,957	304,993
Non-resident sectors	300	300
	561,414	480,314
Financial asset forward purchase commitments	131,858	63,616
Regular way financial asset purchase contracts	79,232	106,821
Other contingent commitments	405,002	65,818
	1,177,506	**716,569**

29.4. Transactions for the account of third parties

The breakdown of the most significant transactions for the account of third parties at 31 December 2009 and 2008 is as follows:

Thousands of Euros

	2009	2008
Financial instruments entrusted by third parties	122,737,894	128,634,282
Conditional bills and other securities received for collection	1,916,767	1,821,974
Borrowed securities	732,967	620,750
	125,387,628	**131,077,006**

29.5 Financial assets lent and borrowed

Pursuant to current legislation, the securities received by the Group in securities lending transactions are not recognised in the consolidated balance sheet unless the Group sells these securities in short sales transactions, in which case they are recognised as financial liabilities under "Financial Liabilities Held For Trading - Short Positions" on the liability side of the consolidated balance sheet (see Note 8).

Similarly, securities lending transactions in which the Group lends securities to third parties are not recognised in the consolidated balance sheet. The securities lent can be securities previously lent to the Group or securities owned by it, and in the latter case these are not derecognised.

Following is a detail of the fair value of the financial assets borrowed and lent by Group in securities lending transactions at 31 December 2009 and 2008:

Thousands of Euros

	2009	2008
Securities lent by the Confederación-		
Equity instruments-		
- Issued by credit institutions	17,636	10,939
- Issued by other resident sectors	188,970	57,186
- Issued by other non-resident sectors	17,702	44,259
	224,308	**112,384**
Securities borrowed by the Confederación-		
Equity instruments-		
- Issued by credit institutions	113,291	237,417
- Issued by other resident sectors	433,667	320,145
- Issued by other non-resident sectors	186,009	63,188
	732,967	**620,750**

Finance income recognised by the Group in 2009 in relation to securities lent totalled EUR 125,777 thousand (2008: EUR 139,010 thousand) and is recognised under "Interest and Similar Income" in the consolidated income statement for 2009 (see Note 30).

In 2009, finance costs relating to securities borrowed amounted to EUR 243,102 thousand (2008: EUR 152,461 thousand) and were recognised under "Interest Expense and Similar Charges" in the consolidated income statement for 2009 (see Note 31).

29.6 The Confederación's Customer Care Service

Following is a summary of the complaints and claims received by the Confederación's Customer Care Service in 2009 and 2008, the Confederación being the only Group entity providing this service, pursuant to the applicable legislation. Claims made to the service which were not admitted for consideration in 2009 relate to claims affecting entities other than the Confederación.

	2009	2008
Number of complaints and claims received	30	19
Number of complaints and claims admitted for consideration	1	-
Number of complaints and claims resolved	1	-
Number of complaints and claims resolved in favour of the complainant	-	-
Number of complaints and claims resolved against the claimant	1	-
Compensation paid to claimants	-	-
Number of complaints and claims outstanding	-	-

29.7 Reclassification of financial instruments

In view of the publication of Regulation 1004/2008 of the Commission of the European Communities amending International Accounting Standard 39 Financial Instruments: Recognition and Measurement, Bank of Spain Circular 6/2008 included the possibility of reclassifying financial assets out of the held-for-trading category in rare or exceptional circumstances. The current crisis in the markets led to assets recognised for accounting purposes at fair value through profit or loss because they were traded very actively in the market becoming illiquid in 2008 because the liquidity and depth of the market have disappeared. Accordingly, from a conceptual standpoint, it no longer makes sense to recognise these securities in the held-for-trading portfolio, the purpose of which is to purchase and sell assets in the near term.

Accordingly, in 2008 the assets considered to be more illiquid were reclassified out of the "held-for-trading" category into "Available-for-sale financial assets" and "Loans and receivables" categories, the detail being as follows:

Category from which Assets are Reclassified		Category to which Assets are Reclassified (Amounts in Thousands of Euros)		
Financial Instrument Category	Amount (1) (Thousands of Euros)	Available-For-Sale Financial Assets	Loans and Receivables	Total
Financial assets held for trading - Debt instruments	397,406	109,953	287,453	397,406

(1) Presented at the value at the date of reclassification.

Following is a detail of the carrying amount and the fair value at 31 December 2008 of the financial assets reclassified in the year as shown in the foregoing table, and the net amount recognised in the consolidated income statements for 2008 in relation to the changes in the fair value of the reclassified instruments:

	Thousands of Euros		
Portfolio in which the Securities were Classified at 31 December 2008	Carrying Amount	Fair Value	Net Amount Recognised in the Consolidated Income Statement for 2008
Loans and receivables - Debt instruments	281,750	272,988	(36,981)
Available-for-sale financial assets - Debt instruments	98,249	98,573	(10,306)
	379,999	**371,561**	**(47,287)**

Most of the portfolio is at floating rates and the effective interest rate obtained in 2008 was 6.19%.

In 2009 a single reclassification was made of an asset recognised in "Available-for-Sale Financial Assets – Debt Instruments" was reclassified to "Loans and Receivables - Debt Instruments" as per the following detail:

Category from which Assets are Reclassified		Category to which Assets are Reclassified	
Financial Instrument Category	Amount (1) (Thousands of Euros)	Financial Instrument Category	Amount (1) (Thousands of Euros)
Available-for-sale financial assets – Debt instruments	3,825	Loans and receivables - Debt instruments	3,825

(1) Presented at the value at the date of reclassification

Following is a detail of the carrying amount and the fair value at 31 December 2009 of the financial assets reclassified in the year as shown in the foregoing table, and the net amount recognised in the consolidated income statement for 2009 in relation to the individually identified impairment losses of these reclassified instruments:

	Thousands of Euros		
Portfolio in which the Securities were Classified at 31 December 2009	Carrying Amount	Fair Value	Net Amount Recognised in the Consolidated Income Statement for the Year
Loans and receivables – Debt instruments	-	3,479	(3,501)

30. INTEREST AND SIMILAR INCOME

The breakdown of the most important interest and similar income earned by the Group in 2009 and 2008, by type of instrument giving rise to it, is as follows:

Thousands of Euros	2009	2008
Balances with central banks	1,719	5,671
Loans and advances to credit institutions	173,826	324,541
Loans and advances to customers		
Non-resident public sector	17	16
Money market operations through counterparties	71	-
Other resident sectors	7,693	18,095
Other non-resident sectors	258	1,544
Debt instruments	177,506	121,760
Finance income from securities lending transactions (Note 29.5)	125,777	139,010
Other interest	545	702
	487,412	**611,339**

Additionally, the breakdown of the amounts recognised under "Interest and Similar Income" in the consolidated income statements for 2009 and 2008, by type of financial instrument category giving rise to them, is as follows:

Thousands of Euros	2009	2008
Balances with central banks	1,719	5,671
Financial assets held for trading	145,608	100,966
Available-for-sale financial assets	22,784	18,146
Other financial assets at fair value through profit or loss	110,863	214,192
Loans and receivables	80,661	133,354
Securities lending transactions (Note 29.5)	125,777	139,010
	487,412	**611,339**

Note 5 contains information on the breakdown by geographical areas in which "Interest and Similar Income" is generated.

31. INTEREST EXPENSE AND SIMILAR CHARGES

The detail of the balance of "Interest Expense and Similar Charges" in the consolidated income statements for 2009 and 2008, by type of instrument giving rise to them, is as follows:

	Thousands of Euros	
	2009	2008
Bank of Spain	6,396	12,720
Other central banks	1,587	6,546
Deposits from credit institutions	52,105	143,703
Customer deposits	93,206	202,286
Money market operations through counterparties	2,760	2,109
Cost attributable to pension funds (Note 17.2)	302	203
Finance costs attributable to securities lending transactions (Note 29.5)	243,102	152,461
Late-payment interest (Note 21.1)	-	129
Other interest	2	379
	399,460	**520,536**

The breakdown of the amounts recognised under "Interest Expense and Similar Charges" in the consolidated income statements for 2009 and 2008, by type of financial instrument category giving rise to them, is as follows:

	Thousands of Euros	
	2009	2008
Financial liabilities held for trading - Short positions	13,561	7,897
Financial liabilities at amortised cost	86,483	215,685
Securities lending (Note 29.5)	243,102	152,461
Other financial liabilities at fair value through profit or loss	56,010	143,782
Other liabilities	304	711
	399,460	**520,536**

32. INCOME FROM EQUITY INSTRUMENTS

The balance of "Income from Equity Instruments" in the consolidated income statement amounts to EUR 134,511 thousand at 31 December 2009 (31 December 2008: EUR 31,627 thousand). Substantially all of this amount is comprised of dividends from securities lending transactions.

33. FEE AND COMMISSION INCOME

Following is a detail of the fee and commission income earned in 2009 and 2008, classified on the basis of the main items giving rise thereto:

	Thousands of Euros	
	2009	2008
Fee and commission income -		
Fees and commissions arising from contingent liabilities (Note 29.1)	1,341	1,448
Fees and commissions arising from contingent commitments	15	12
Fees and commissions arising from collection and payment services	60,685	68,728
Fees and commissions arising from securities services (*)	28,007	28,899
Fees and commissions arising from foreign currency and foreign banknote exchange	497	436
Other fees and commissions	11,336	8,257
	101,881	**107,780**

(*) In 2009, this item included, EUR 20,408 thousand relating to custody services in connection with securities of third parties deposited at the Confederation (2008: EUR 21,020 thousand).

Note 5 contains information on the breakdown by geographical areas in which “Fees and Commission Income” is generated.

34. FEE AND COMMISSION EXPENSE

Following is a detail of the fee and commission expense incurred in 2009 and 2008, classified on the basis of the main items giving rise thereto:

	Thousands of Euros	
	2009	2008
Fee and commission expense -		
Fees and commissions assigned to other entities and correspondents	20,351	19,222
Fee and commission expenses on securities transactions	9,997	9,883
	30,348	**29,105**

35. GAINS/LOSSES ON FINANCIAL ASSETS AND LIABILITIES

The breakdown of the balance of "Gains/Losses on Financial Assets and Liabilities" in the consolidated income statements for 2009 and 2008, by type of financial instrument giving rise to them, is as follows:

	Thousands of Euros	
	Income/(Expenses)	
	2009	**2008**
Financial assets and liabilities held for trading	**(18,624)**	**(92,071)**
Trading derivatives	(69,892)	(95,717)
Debt instruments	43,134	4,164
Equity instruments	12,146	(1,254)
Short positions	(4,012)	736
Other financial instruments at fair value through profit or loss	**(28,906)**	**28,337**
Reverse repurchase agreements	(26,644)	29,184
Repurchase agreements	524	(847)
Deposits of the Bank of Spain	(2,786)	-
Available-for-sale financial assets	**13,330**	**(8,015)**
	(34,200)	**(71,749)**

Note 5 contains information on the breakdown by geographical areas in which "Financial Operations Income" is generated.

36. OTHER OPERATING INCOME

The breakdown of the balance of "Other Operating Income" in the consolidated income statements for 2009 and 2008 is as follows:

	Thousands of Euros	
	2009	**2008**
Rental income (Note 13)	1,012	1,033
Costs recovered through their inclusion in the cost of intangible assets	645	895
Income from Confederación membership dues	17,886	18,084
Costs passed on to savings banks	28,331	28,013
Other income	44,936	42,526
	92,810	**90,551**

The balance of "Income from Confederación Membership Dues" in the foregoing table includes the dues collected from federated savings banks under the agreements between the latter and the Confederación (see Note 1). The balance of "Other Income" includes various items, most notably the income from various projects among federated savings banks. In 2009 the Confederación's auditor invoiced EUR 598 thousand for professional services provided in these projects for the savings banks through the Confederación (2008: EUR 315 thousand).

Note 5 contains information on the breakdown by geographical areas in which "Other operating income" is generated.

37. ADMINISTRATIVE EXPENSES – STAFF COSTS

The detail of "Administrative Expenses – Staff Costs" in the consolidated income statements for 2009 and 2008 is as follows:

Thousands of Euros	2009	2008
Wages and salaries	62,835	58,107
Social security costs	10,308	10,767
Insurance premiums (Note 2.11.1)	3,013	1,927
Termination Benefits (Note 2.11.3)	3,530	-
Contributions to defined contribution plans (Note 2.11.1)	4,187	1,761
Normal cost for the year of defined benefit obligations (Note 17.2)	708	766
Income from insurance policies	(73)	(1,026)
Training expenses	182	274
Other staff costs	752	865
	85,442	**73,441**

In 2009 and 2008, the average number of employees at the Group, by level, was as follows:

LEVEL	2009	2008
1 - LEVEL I	17	17
1 - LEVEL II	19	18
1 - LEVEL III	45	46
1 - LEVEL IV	99	99
1 - LEVEL V	54	50
1 - LEVEL VI	265	256
1 - LEVEL VII	78	84
1 - LEVEL VIII	98	73
1 - LEVEL IX	52	65
1 - LEVEL X	32	39
1 - LEVEL XI	41	28
1 - LEVEL XII	49	46
1 - LEVEL XIII	12	20
2 - LEVEL I	3	2
2 - LEVEL II	19	19
2 - LEVEL III	1	1
2 - LEVEL IV	-	-
2 – LEVEL V	2	-
OTHER	13	14
TOTAL	**899**	**877**

At 31 December 2009 the total number of employees was 911, of which 530 were men and 381 women (58.18% and 41.82%, respectively).

38. ADMINISTRATIVE EXPENSES - OTHER GENERAL ADMINISTRATIVE EXPENSES

The detail of the balance of "Administrative Expenses - Other General Administrative Expenses" in the consolidated income statements for 2009 and 2008 is as follows:

Thousands of Euros

	2009	2008
Property, fixtures and supplies	5,966	5,861
IT equipment	41,521	38,465
Communications	5,163	5,309
Advertising and publicity	739	704
Technical reports	857	1,109
Surveillance and cash courier services	4,730	4,772
Insurance and self-insurance premiums	200	224
Governing and control bodies	1,446	1,496
Outsourced administrative services	10,054	10,848
Levies and taxes	1,714	1,195
Entertainment and travel expenses	2,322	2,811
Association membership fees	1,747	1,759
External personnel	3,895	3,202
Subscriptions and publications	4,477	4,730
Other administrative expenses	8,627	8,924
	93,458	**91,409**

The balance of "External Personnel" in 2009 includes the fees paid for the audit of the financial statements of the various Group and jointly controlled entities amounting to EUR 143 thousand (2008: EUR 143 thousand), of which EUR 11 thousand were billed by auditors other than the Confederación's auditors (2008: EUR 12 thousand). Additionally, EUR 26 thousand were paid to the Group's auditors for other professional services, mainly related to regulatory compliance (2008: EUR 26 thousand).

39. OTHER OPERATING EXPENSES

The breakdown of the balance of "Other Operating Expenses" in the consolidated income statements for 2009 and 2008 is as follows:

Thousands of Euros

	2009	2008
Contribution to the Deposit Guarantee Fund (Note 1.10)	63	53
Investment Real Estate Operating Expenses	113	-
Expense arising from tax assessments (Note 21.1)	-	155
Other	1,836	996
	2,012	**1,204**

40. IMPAIRMENT LOSSES ON FINANCIAL ASSETS (NET)

The breakdown of the balance of "Impairment Losses on Financial Assets (net)" in the consolidated income statements for 2009 and 2008 is as follows:

	Thousands of Euros Net (Additions)/ Reversals (Charged)/ Credited to Consolidated Income	
	2009	**2008**
Debt instruments (Note 23.8)-		
Available-for-sale financial assets	(5,258)	5
Loans and receivables	(96,731)	(5,558)
	(101,989)	**(5,553)**
Equity instruments-		
Available-for-sale equity instruments	(627)	-
	(627)	**-**
	(102,616)	**(5,553)**

41. DEPRECIATION AND AMORTISATION

The detail of "Depreciation and Amortisation" in the consolidated income statements for 2009 and 2008 is as follows:

	Thousands of Euros	
	2009	**2008**
Depreciation of tangible assets (Note 13)	6,336	6,322
Amortisation of intangible assets (Note 14)	3,107	4,063
	9,443	**10,385**

42. RELATED PARTY TRANSACTIONS

At 31 December 2009, the demand deposits held by the Confederación's senior executives, the members of its Board of Directors and related entities and individuals totalled EUR 1,212 thousand (2008: EUR 1,985 thousand), and the loans granted to them amounted to EUR 800 thousand (2008: EUR 651 thousand). These amounts bore interest of EUR 24 thousand (2008: EUR 19 thousand) and EUR 8 thousand (2008: EUR 63 thousand), which were recognised under "Interest and Similar Income" and "Interest Expense and Similar Charges", respectively, in the consolidated income statement for 2009. At 31 December 2009 the Confederación had not provided any guarantees for related parties, as defined in Bank of Spain Circular 4/2004, of 22 December.

The breakdown of the balances arising from transactions with jointly controlled entities recognised in the consolidated balance sheets at 31 December 2009 and 2008 and in the consolidated income statements for 2009 and 2008 is as follows (Note 2.1):

	Thousands of Euros	
	2009	2008
Asset:		
Loans and receivables	10	-
Liabilities:		
Financial liabilities at amortised cost	279	721
Income statement:		
Interest expense and similar charges	-	7
Other operating expenses	198	-

43. EVENTS AFTER THE BALANCE SHEET DATE

From the balance sheet date to the date on which these consolidated financial statements were authorised for issue there were no events significantly affecting them.

44. EXPLANATION ADDED FOR TRANSLATION TO ENGLISH

These consolidated financial statements are presented on the basis of IFRSs as adopted by the European Union. Certain accounting practices applied by the Group that conform with IFRSs may not conform with other generally accepted accounting principles.

APPENDIX I

Subsidiaries included in the Group at 31 December 2009

						Thousands of euros			
			Proportion of ownership interest (%)			Entity data at 31 December 2009 (*)			
Entity	Location	Line of business	Direct	Indirect	Total	Assets	Liabilities	Equity	Profit for the year
Caja Activa, S.A.	Madrid	IT	99.99	-	99.99	210	31	179	8
CEA Trade Services Limited	Hong Kong	Foreign trade	100	-	100	34	30	4	-

(*) These companies' financial statements at 31 December 2009 have not yet been approved by their shareholders at the respective Annual General Meetings.

Subsidiaries included in the Group at 31 December 2008

						Thousands of euros			
			Proportion of ownership interest (%)			Entity data at 31 December 2008			
Entity	Location	Line of business	Direct	Indirect	Total	Assets	Liabilities	Equity	Profit for the year
Caja Activa, S.A.	Madrid	IT	99.99	-	99.99	206	35	171	10
CEA Trade Services Limited	Hong Kong	Foreign trade	100	-	100	31	27	4	-

APPENDIX II

Jointly controlled entities at 31 December 2009

						Thousands of euros			
		Proportion of ownership interest (%)				Entity data at 31 December 2009 (*)			
Entity	Location	Line of business	Direct	Indirect	Total	Assets	Liabilities	Equity	Profit for the year
Ahorro y Titulización, Sociedad Gestora de Fondos de Titulización, S.A.	Madrid	Securitisation SPV management	50	-	50	16,644	11,794	4,850	3,435

(*) The company's financial statements at 31 December 2009 have not yet been approved by its shareholders at the Annual General Meeting.

Jointly controlled entities at 31 December 2008

						Thousands of euros			
		Proportion of ownership interest (%)				Entity data at 31 December 2008			
Entity	Location	Line of business	Direct	Indirect	Total	Assets	Liabilities	Equity	Profit for the year
Ahorro y Titulización, Sociedad Gestora de Fondos de Titulización, S.A.	Madrid	Securitisation SPV management	50	-	50	16,798	10,883	5,915	3,147

EXTERNAL AUDIT REPORT

Deloitte.

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Translation of a report originally issued in Spanish based on our work performed in accordance with generally accepted auditing standards in Spain and of consolidated financial statements originally issued in Spanish and prepared in accordance with IFRSs as adopted by the European Union (see Notes 1.2 and 44). In the event of a discrepancy, the Spanish-language version prevails.

AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

To the General Assembly of Confederación Española de Cajas de Ahorros:

1. We have audited the consolidated financial statements of Confederación Española de Cajas de Ahorros ("the Confederación") and of the subsidiaries composing, together with the Confederación, the Confederación Española de Cajas de Ahorros Group ("the Group" – see Note 1), which consist of the consolidated balance sheet at 31 December 2009 and the related consolidated income statement, consolidated statement of changes in equity, consolidated cash flow statement and notes to the consolidated financial statements for the year then ended. The preparation of these consolidated financial statements is the responsibility of the Confederación's Board of Directors. Our responsibility is to express an opinion on the consolidated financial statements taken as a whole based on our audit work performed in accordance with generally accepted auditing standards in Spain, which require examination, by means of selective tests, of the evidence supporting the consolidated financial statements and evaluation of their presentation, of the accounting policies applied and of the estimates made.

2. As required by Spanish corporate and commercial law, for comparison purposes the directors of the Confederación present, in addition to the 2009 figures for each item in the consolidated balance sheet, consolidated income statement, consolidated statement of changes in equity, consolidated cash flow statement and notes to the consolidated financial statements, the figures for 2008. Our opinion refers only to the consolidated financial statements for 2009. On 20 March 2009, we issued our auditors' report on the 2008 consolidated financial statements, in which we expressed an unqualified opinion.

3. In our opinion, the accompanying consolidated financial statements for 2009 present fairly, in all material respects, the consolidated equity and consolidated financial position of the Confederación Española de Cajas de Ahorros Group at 31 December 2009 and the consolidated results of its operations, the changes in the consolidated equity and its consolidated cash flows for the year then ended, and contain the required information, sufficient for their proper interpretation and comprehension, in conformity with the accounting principles and standards included in Bank of Spain Circular 4/2004 applied on a basis consistent with that of the preceding year.

4. The accompanying consolidated directors' report for 2009 contains the explanations which the Confederación's directors consider appropriate about the Group's situation, the evolution of its business and other matters, but is not an integral part of the consolidated financial statements. We have checked that the accounting information in the consolidated directors' report is consistent with that contained in the consolidated financial statements for 2009. Our work as auditors was confined to checking the consolidated directors' report with the aforementioned scope, and did not include a review of any information other than that drawn from the consolidated entities' accounting records.

DELOITTE, S.L.
Registered in ROAC under no. S0692

Francisco Celma

17 March 2010

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Member of Deloitte Touche Tohmatsu

06 Profile

- > International
- > National

6.1 INTERNATIONAL PROFILE

During this year CECA consolidated its international profile by setting up a new delegation at its Brussels office to perform representative duties. This was contemplated in the *Action Plan for International Representation of Interests* approved by the Board in 2008.

The new delegation is set up with two basic objectives: increase the visibility and international presence of CECA, which corresponds to the gradual business expansion of savings banks, and directly monitor the regulatory agenda of community institutions to defend the interests of Spanish savings banks in an international context. One of the strategic goals set for last year, to broaden the range of social partners on a community level, corresponded to that defence and it has been achieved, establishing a more fluent dialogue with EU authorities in Brussels.

In keeping with this new dimension and CECA's commitment to transparency, the Confederation has been recorded in the register of stakeholders of the European Commission since May 2009.

6.1.1 Present in different international associations

One of the main assets that CECA has in the international panorama is its membership of the European Savings Banks Group and the World Savings Banks Institute. The Confederation is on all the committees and in all the task forces of these organisations and participates actively in any consultations made to be able to offer the authorities in Brussels the best specialised information. CECA's commitment in this aspect is manifested in the fact that the CEO of the Confederation has been Chairman of the World Savings Banks Institute since 2006.

CECA's cooperation in the European Savings Banks Group has been complemented for years with its participation in other community forums, such as different advisory bodies and task forces of the European Banking Industry Committee, the European Payments Council (EPC), the European Central Bank (ECB), the European Payment System, MasterCard, the International Capital Market Association (ICMA), the European Repo Council, SWIFT, the Financial Action Task Force (FATF), the EURIBOR Steering Committee, Eufiserv, EBA and the European Standardisation Committee. This list was further extended in 2009 with CECA's collaboration in the GRI Organisational Stakeholder Council, several Euromed committees, the EC Payment Systems Market Expert Group (PSMEG), the European Financial Reporting Advisory Group (EFRAG) and the rating agency expert group of the Committee of European Securities Regulators.

>> *New delegation at the Brussels office to perform representative duties*

6.1.2 Monitoring of international developments

2009 was a year of intense political and regulatory activity. The financial crisis has led the authorities to take numerous initiatives with a view to securing financial stability and improving the regulatory framework in order to prevent future recessions. CECA has followed the different debates closely through a new management system created to monitor international proceedings, enabling the executive bodies to keep up to date with any new community regulations.

The International Action Group, an internal committee set up to coordinate all the areas involved in international actions, met on thirteen occasions in 2009.

Fulfilling CECA's mission to offer Spanish savings banks a system informing on international developments, a Task Force of Savings Bank International Affairs Officers has been set up, with whom immediate, direct contact is maintained through Melania (the Spanish savings banks knowledge management platform). This system, together with the International Institution Workshop, informs savings banks on the most important new community regulations.

>> New system for monitoring international proceedings

>> Intense political and regulatory activity in 2009

6.1.3 International regulatory issues in 2009

Many issues from the international agenda have been monitored, studied and acted on by CECA over the year. Some of the most important ones are mentioned below:

- **Financial supervision:** the conclusions of the group of experts appointed by the European Commission, headed by Jacques de Larosière, to discuss the creation of a new European supervisory framework were presented in February. Based on that initial document, the Commission made a number of regulatory proposals, which are currently being studied for approval. Spain has gained specific weight in this matter, as three of the rapporteurs of the European Parliament reports are Spaniards. CECA has made numerous contributions to this debate.
- **New prudential requirements:** the recent financial crisis has forced international authorities to revise their solvency criteria and standards. This is reflected in the set of proposals and recommendations designed to improve the framework of Basel II. Different institutions, such as the Committee of European Banking Supervisors, the Bank for International Settlements (BIS) or the Financial Stability Board (formerly Financial Stability Forum) are submitting new proposals on a variety of aspects: capital requirements, anti-procyclicality measures, changes in pay policies or in risk management.

- **Securities Market:** the initiatives in this area have focused on seeking adequate market operation and greater transparency. The primary targets of these initiatives were the rating agencies, derivatives markets and securitisations. Within the EC, the review of the Prospectus Directive, the Undertakings for Collective Investment in Transferable Securities Directive (UCITS Directive) and the proposals for creating a common focus for retail investment products must also be considered.
- **Retail Market:** in the retail area, the most significant work in 2009 was concerned with the responsible loan and the mortgage market. Community institutions are making numerous consultations and studies in these areas to obtain an adequate knowledge of the real situation existing in the different Member States and the possibilities of achieving a Common European Market.
- **Corporate Social Responsibility:** having regard to the savings banks' mission to favour financial inclusion and bank usage, CECA has actively participated in several conferences and events organised by the European Commission over the year. Initiatives have been taken to promote the workshops ("laboratories") developed by the savings banks within the European Alliance for Corporate Social Responsibility launched by the European Commission.

  As regards other sustainability-related aspects, savings banks have participated within the ESCG in two workshops on climate change and savings banks: *Carbon Footprint of Financial Institutions and Environmental risk assessment and new business opportunities.*

It should also be mentioned that by virtue of Spain's Presidency of the European Union for the first half of 2010, CECA has made several contributions to the debate on the international priorities of the Presidency in financial issues. The most important of these was the organisation of the Second Conference on Community Affairs, with the title *The financial challenges of the Spanish EU Presidency.*

6.1.4 Other international forums

In the international arena, the General Assembly of the International Association of Pledging and Social Credit Establishments, which brings together African, American and European Pawnbrokers, was called off owing to the poor attendance anticipated in Costa Rica. Instead, a meeting of the Association's Standing Committee was held in Barcelona in October 2009, coinciding with the XIX General Assembly of Pawnbrokers, organised by La Caixa, the Spanish Confederation of Savings Banks and ESCA. The Standing Committee analysed the strategic lines of the Association, including initial contact with Chinese institutions offering ancient forms of pledging.

>> *Initial contact with Chinese institutions offering ancient forms of pledge*

6.2 DOMESTIC PROFILE

>> *CECA seeks improvements to ensure that savings banks do not suffer the consequences of attachment orders*

CECA is present in several national forums, heeding at all times the statutory objectives set out in this Report. Only the most important forums and those that came into the limelight in 2009 are listed here.

In the area of financial education, the contents have been implemented on the Financial Education Portal developed by the **National Securities Market Commission [Comisión Nacional del Mercado de Valores -CNMV], the Bank of Spain and the Directorate General for Insurance and Pension Funds.**

CECA is a full member of the **Spanish Mortgage Association (AHE)** and participated regularly during 2009 in its statutory sessions and the meetings of its task forces, making contributions to the reports issued by the Association. CECA acts within the AHE not only in its own name, but also on behalf of the savings banks that are not direct members.

The **Taxation Committee**, comprising representatives of the State tax authorities, CECA, the AEB [Spanish Private Banking Association] and the four largest Spanish financial institutions, has continued with its regular meetings to discuss taxation aspects of the financial sector. Representatives of the Savings Banks Tax Committee have also held regular meetings with the Directorate General for Taxation, with the outcome of obtaining clarification or better tax treatment of transactions through several binding consultations.

>> *CECA maintains intense relations with the three financial watchdogs*

The **Attachment Proceedings Monitoring Committee**, composed of representatives of the Inland Revenue Service *[Agencia Tributaria -AEAT]*, CECA, AEB and UNACC [National Union of Credit Cooperatives], has met to assess the results of attachment orders and changes required in the procedure, materialising in the resolution of AEAT of 10 July 2009. The CECA representatives have requested the necessary improvements to make sure that savings banks do not come off any worse than other financial institutions.

The Confederation is also on the **Housing Plan 2009-2012 Financial Monitoring Group**, made up of representatives of the three sector associations (CECA, AEB and UNACC), AHE and five collaborating credit institutions. This group is a consultation forum of the Ministry of Housing, set up to analyse and assess the progress and fulfilment of the collaboration agreements made with credit institutions and to study from time to time the evolution of the financial measures contemplated in the Plan.

Within the work done by the State Social Responsibility Council **[Consejo Estatal de Responsabilidad Social - CERSE]**, CECA is a member of the *Responsible consumption and investment* task force and collaborates in compiling examples that illustrate possible State initiatives to encourage these investment criteria.

Continuing the line of the CERSE task forces, CECA also participates actively in the group *Information transparency, communication and standards*, contributing the sector's experience, particularly for preparing the aggregate social responsibility report (Savings Banks Sector Corporate Social Responsibility Report), the fifth edition of which was published in 2009.

Owing to the importance of the credit and investment policy for a financial institution, savings banks are working on ways of taking environmental, social and good governance criteria into account in their risk analyses and investment decisions. For this purpose and from an institutional point of view, they firmly supported the creation last June of the **Spanish Socially Responsible Investment Forum, SpainSIF.** CECA and the savings banks are vice-president and two members, respectively, of the financial institutions section and strongly represented in the management companies section [1].

CECA is a member of the **Telecommunications and IT Systems Users Association (AUTELsi)** set up to develop the Information Society in Spain, promoting in society, in general, and among users, in particular, the study, research and objective dissemination of knowledge on any matters directly or indirectly related with telecommunication services and the Information Society. It is also a forum for professionals of user undertakings and telecommunication and information society services providers.

CECA is a member of the Telecommunications and IT Systems Development Committee within the aforesaid Association. This Committee meets several times during the year and promotes events to exchange experiences in information technologies.

>> *CECA is vice-chairman of the recently created Spanish Socially Responsible Investment Forum*

>> *New strategies are being studied within the CEOE for continuing business training*

CECA organised several seminars in 2009 and participated in others, including especially:

- Seminar on Virtualisation: exchanging experience.
- 3rd National Conference of the Security Industry in Spain (ENISE).
- *Editorial unity: telecommunication infrastructures. Digital dividend.*
- Participation in *Globalcom* 2009.

The first edition has also been published of the *Telecommunication Services User Satisfaction Survey*, to be published every two years as a benchmark of the most significant attributes for measuring the quality of telecommunication services, publicising the results of user polls and submitting to operators the demands for improvement deduced from those results.

CECA is represented in numerous groups of the **Spanish Confederation of Business Organisations (CEOE).** For example, the Manager of the Savings Banks College ESCA is a member of the Training Work Group recently set up in the CEOE and the Education and Teaching Policy Committee. This work group is studying new strategies for continuing training and vocational training.

1 Other sections are: investment services providers, non-profit associations and unions.

CECON **(Spanish Business Continuity Consortium)** was set up in spring 2007, based on the successful experience of the Spanish Operational Risk Consortium (CERO). It is an informal group of officers from the finance sector and its regulatory authorities, related with the design, implementation and management of business continuity plans.

The prime objective of this Consortium is to help guarantee continuity of the services provided by the financial sector, in global terms, in a non-competitive manner and sharing the best practices and common concerns.

CECA is a member of the plenary body, also representing many of the savings banks that are not directly present on the governing body of CECON. CECA also participates in two of the five work groups:

- Legislation and good practices, responsible for overseeing the requirements of Spanish and European laws and regulations that require actions by financial institutions regarding business continuity.
- Coordination with critical sectors and institutions: aiming to establish the necessary channels to protect the integrity of the financial system in the event of catastrophes or contingencies.

>> CECON aims to guarantee continuity of the services provided by the financial sector

>> The Financial Institutions Training Managers Group studies training programmes for the financial system and insurance sector

The work groups were set up in 2009 and have developed the following milestones:

- Glossary of common business continuity terms
- Summary of regulatory, legislative and good practice requirements
- Systemic risk map in the Spanish financial sector
- Definition of the Spanish Business Continuity Institute.

The ESCA Manager is Chairman of the business section of the **FTFE (Tripartite On-The-Job Training Foundation)**, through its Savings Banks Sector Joint Committee, through which benchmark training plans are prepared for the sector.

CECA has also participated in the different working sessions of the **Financial Institutions Training Managers Group (GREF)**, at which different training programmes and methods have been studied for the financial system and insurance sector.

In the Monitoring Committee for Private Insurance and Reinsurance Training, composed of **AMAEF (Financial Institution Insurance Intermediaries Association)** and ESCA, the work performed during 2009 was examined and controlled, laying down new criteria for this committee's actions.

07 Human Capital

Development of Human Resources Organisation
Recruitment and compensation
Human Resources Development
National profile
International profile

7.1 DEVELOPMENT OF HUMAN RESOURCES ORGANISATION

Following implementation of the **Job Evaluation System**, it has been adjusted and updated to keep up with the natural evolution of jobs.

The design has also been completed, within the *Integral HR Management Plan*, of the **Performance Management System**, due to be implemented during 2010 making it possible to:

a) Promote careers and professional development in CECA.

b) Match the best professionals with the most appropriate positions.

c) Establish differential talent management.

d) Encourage employee loyalty.

e) Improve communication processes.

>> The performance management system will further employees' careers and professional development in CECA

7.2 RECRUITMENT AND COMPENSATION

The **recruitment and retaining of talent** aims exclusively to provide the Confederation with highly qualified specialists. A total of 155 candidates participated in the different external selection processes during 2009 (CV screening, aptitude tests, interviews and final negotiation of terms of employment with selected candidates). Seventeen people joined CECA through those processes. The total headcount in 2009 was 882 (518 men and 364 women).

The exams were held in June 2009 in the second selection process for internal promotion to levels VII to X. Of the 12 positions available, two employees got scores corresponding to level VII positions and ten employees got scores corresponding to level VIII.

By matching personal profiles with positions to be filled, a total of 32 internal movements were made during the year.

>> *Seventeen people have joined CECA through external recruitment processes*

>> *Two Executive Days were held to prepare the CECA Strategic Plan for 2010*

7.3 HUMAN RESOURCES DEVELOPMENT

7.3.1 Executive development:

The first and second Executive Days, promoted by the General Management, were held in 2009 with the main purpose of making strategic reflections directed by the Executive Committee. Executives were able to developing work towards preparing the CECA Strategic Plan for 2010, responding to the challenge posed by the current financial and sector situation.

A total of 2,268 hours were employed and 63 executives participated, together with the Executive Committee and the General Management.

7.3.2 Training scheme:

In 2009 CECA's strategic objectives were lined up with continuous innovation as a differentiating element of our business. Greater efficiency was also required in investment in training, adequately matching the requirements and priority demands for development, seeking to optimise the training budget.

The following targets have been set:

- Provide the training activities deriving from the requirements of current legislation, i.e. regulated training: anti-money laundering, occupational hazard prevention and ICC-MiFID.
- Make priority use of on-line or distance training, through which training can be adapted to suit the availability of CECA employees.
- Optimise language teaching, seeking the maximum adaptation to the needs of the job and establishing a commitment.
- Step up training that highlights differentiation and specialisation, tailoring it as far as possible to employee requirements.
- Increase training to develop interpersonal skills (communication, presentations, management of time, etc.).

>> *95% of the workforce received training in 2009*

>> *Training investment of 400 euro per employee*

The principal results achieved are:

- On-line training has clearly taken over from training courses requiring personal attendance, especially in language learning and office computer systems.
- 95% of the workforce received training during the year, with a total of 32,000 hours of training.
- The investment in training per employee was over 400 Đ.
- The quality of training has improved considerably, with a satisfaction rate of 85%.

7.3.3 Training support:

In order to improve their training and reconcile work and personal time, employees are offered interest-free loans to buy computer equipment (96 employees). They have also benefitted from special broadband promotions subsidised by CECA (82% of the workforce). Five employees receive assistance for unofficial studies in 2009 and seven employees received training assistance for official studies contemplated in the collective agreement.

7.4 NATIONAL PROFILE

The HR Consultancy Area has developed collaboration projects for staff training competitions in two savings banks.

7.5 INTERNATIONAL PROFILE

The Sustainability Plan for the *FedeCredito System Modernisation Programme* (El Salvador) has been successfully completed.

CECA also participated in the *Diploma in Strategic Management of Popular Credit and Savings Institutions Programme* designed by the Autonomous University of Mexico (UNAM). Two groups of executives from these institutions have been to CECA to complete the last module of the diploma course, consisting of becoming familiar with Spanish savings banks.

The International Consultancy Area stepped up its contacts with international institutions, receiving representatives from credit cooperatives Querétaro (Mexico) and Finrural (Bolivia) and the State Banking System (Costa Rica).

>> *The FedeCredito System Modernisation Programme in El Salvador was completed successfully*

08
Strategic Forums for Sector Collaboration

- Savings Banks and Third Sector Forum
- Forums created by the Board support committees
- Representational forums

8.1 SAVINGS BANKS AND THIRD SECTOR FORUM

The Savings Banks and *Third Sector* Forum was held in December 2009 with the slogan *The century of equality*. Through this forum, conceived with the idea of bringing together different representatives of the Third Sector and Savings Banks throughout Spain, a space was created where both parties could meet and exchange opinions, getting to know each other better and boosting existing relationships between the different institutions representing these sectors. The essential purpose of this Forum is to approach equality criteria, not so much in formal terms, but rather in the idea of including the most underprivileged groups of society excluded from social circles.

>> *Study to assess the impact of Social Work on the Third Sector of society*

8.2 FORUMS CREATED BY THE BOARD SUPPORT COMMITTEES

Several years ago, the Board of Directors of CECA decided to set up two support committees: the Welfare Projects Study Committee and the Committee for Organisation, Automation and Services *(Comisión de Organización, Automación y Servicios - COAS).*

>> *Savings Banks get together with Third Sector organisations to debate how to achieve equality*

The **Welfare Project Study Committee** was set up with the idea of analysing and reflecting on this matter while taking new initiatives in social work. In fact it was this Committee that proposed the creation of the *Savings Banks and Third Sector* Forum, organised and managed by the Social Work and Institutional Relations Division.

A study was made, with collaboration from the consultancy Antares, to *Assess the impact of Social Work on Savings Banks and the Third Sector*, with the aim of obtaining a better knowledge of the connections between the social work and welfare projects carried out by savings banks and the organisations operating in the Third Sector.

The **Committee for Organisation, Automation and Services (COAS)** obtains, exchanges and publicises knowledge on Spanish and foreign best practices and experiences and carries out studies and projects designed to improve the organisation and operations of savings banks, providing the necessary technical assistance and assessing the needs deriving from the development of joint services. COAS organises projects which savings banks and other institutions may voluntarily join.

These projects may respond to new regulatory obligations, facilitating adoption of the necessary instruments for compliance, help to improve efficiency and control and reduce costs, increase "business intelligence" or boost innovation and technology. Above all, they give an immediate response to the problems and opportunities arising from time to time.

Some of the projects developed by the COAS vice-secretariats this year are described in greater detail below.

During 2009, the **Vice-Secretariat of Standardisation and Payment Systems** worked on developing domestic and pan-European payment systems, interbank execution structures and cooperation with the different authorities. It was backed at all times in this work by the standing committees (Standardisation and Payment Systems, Public Administrations and Cash- ADS) and ad-hoc groups, especially for the SEPA –Single European Payments- and the transposition of the Payment Services Directive.

>> *Implementation of the SEPA Direct Debit operations begins in Spain*

>> *Major breakthroughs in EDT information exchange with the Department of Justice*

Among the most important tasks within the scope of payment systems are the initial implementation in Spain of the SEPA Direct Debit operations and monitoring of the effects on payments of the Payment Services Directive, Directive 2007/64/EC of the European Parliament and the Council, transposed into Spanish law through Act 16/2009 of 13 November.

Within the implementation and effects of the Act, collaboration was provided in adapting the interbank clearing systems in Iberpay and the Direct Debit Agreement. Working together with other banking associations, the appropriate interbank rules for SEPA direct debit orders have been developed in an electronic file (Rule 19 of interbank rules).

COAS has worked with the Bank of Spain and other social partners involved on the progress of migrating to SEPA and has developed an executive action plan –geared to objectives- to complement the national migration plan.

With a view to contributing as far as possible to the SEPA developments and obtaining adequate levels of information, the committee participated directly in several pan-European SEPA development forums, particularly the European Savings Bank Group, the European Commission and the EPC *(Euro Payments Council).*

It has worked actively with the savings banks, fostering dissemination and a better knowledge of SEPA and the Payments Directive –eventually Act-, addressing these issued in COAS, its Standardisation and Payment Systems Committee and through the holding of SEPA Practical Training Days to analyse and develop specific aspects.

Within its cooperation with public authorities, the committee has worked on several goals and projects aimed at enhancing the efficiency of IT systems and collaborating in tax collection. These projects include the reduction of paper-based processes, application of direct debits to new collection processes, file-based information on transactions, broadening the scope of automated attachments and garnishments, etc. A new information exchange mechanism has also been developed for non-resident certificates and significant progress has been made in the automated information interchange with the Department of Justice. All this has been done and coordinated by the Public Administrations Committee.

Within the field of cash management, the committee has continued applying the *Recycling Framework*, collaborating with savings banks to achieve the levels stipulated for 2009. With the same aim of cooperation, workshops have been run, systems and best practices have been disseminated and the use of ADS (Auxiliary Deposit Systems) as a support element has been improved and promoted. The work done in this area and coordination with the Bank of Spain was coordinated and backed by the Cash-ADS Committee.

> *Efficiency is related with the ability to turn a profit on the customer base and the productivity of the branch network*

In addition, in collaboration with the Interbank Cooperation Centre, the committee participated in the new developments and enhancements of solvency reporting systems jointly managed by Spanish banking institutions, the Register of Unpaid Acceptances (RAI), Experian Closed Users Group Database (Badexcug) and the Judicial Incidents and Claims from Authorities File *(Fichero de Inidencias Judiciales).*

The *Account Mobility* procedure was developed within the regular cooperation with other associations of credit institutions (Spanish Private Banking Association and National Union of Cooperatives), in response to the cooperation commitment of the banking community (through the respective European associations) to the European Commission in this matter of interest for consumers. The procedure consists of the common principles, the operating mechanism for interchange and cooperation among these institutions for their interbank application and the practical guidelines for customers.

The **Vice-Secretariat for Business Development** successfully completed the eighth year of its *Annual study of operating efficiency*, with the participation of 44 savings banks. This is a study in constant evolution and improvement, specifically in two "stages": in the short term (applicable for the ninth year), a number of improvements will be made to expand the glossaries (to continue guaranteeing homogeneity) and to include new data and significant indicators (basically focusing on solvency and liquidity issues); in the medium term, work is in progress for integration of the *Efficiency Study* and the *Efficiency Model* (highly complementary) and to include the most significant indicators pinpointed and defined in the *Project to Enhance Branch Commercial Productivity.* This enhancement will complement the current scope of the *Efficiency Model.*

The Distribution Channels Committee has completed the *Project to Enhance Branch Commercial Productivity*, in which twenty-two savings banks participated. The participating savings banks have received their personal report, indicating the main causes hampering improvement of the real productivity of their branches in the light of the specific situation of each institution.

In the field of innovation in customer management, the second edition of the *Customer Loyalty Project* was carried out in the first half of 2009 with the participation of thirty savings banks. Each participant received a personal report comparing its position with the mean position, in aggregate terms, of savings banks of the same size and of the sector in respect of the departure (sudden and silent) of customers and attracting of custom (new customers and reactivation of accounts). This will show the net growth of savings banks in number of customers and their economic impact (margin and turnover).

Owing to the increase in payment arrears, it was considered necessary to continue with the *Bad Debts Management Project.* This project was developed over 2009 through five workshops with executives from the Risks and Property Area of the twenty participating savings banks (forty persons attending, on average), with external speakers. A questionnaire was completed at all the workshops and a summary was drawn up setting out the main conclusions of each workshop, which was sent to the participating savings banks together with the papers given, for use at the discretion of each participant.

>> *The customer loyalty project enables savings banks to compare their position with the rest of the sector in respect of departing customers*

The goal of the project for *Identification of the functional core of the Central Services (CS)* is twofold: draw up a map of the core support areas and CS operations and obtain specific proposals for streamlining the CS duties and operating processes based on a matrix of complexity/impact on costs and decisions to be adopted individually by each of the institutions participating.

The *Investee Management Project (SIGEPweb)*, in which fourteen savings banks participate, entails implementing in the participating savings banks an integral application for the control and management of investee companies, connecting the different areas of the savings bank involved in the daily management of the group of companies and their subsidiaries and associated companies, thereby avoiding redundant information and repetitive work, making it possible to monitor the evolution of the portfolio and guarantee compliance with the applicable legal provisions. In 2009, the three improvements requested by savings banks were made available to them: improve the ease of navigation and obtaining on-screen information; inclusion of Basel II concepts in the valuation of investee companies; and changes in the concepts of capital and stakes.

The **Technological Vice-Secretariat** has developed a sectoral project to provide technical support in implementing the EU Market Abuse Directive (and Suspicious Transaction Reporting) in savings banks.

The project *Platform for Cooperative Development – Services-Orientated Architecture (SOA). Joint development of EDP applications* puts into practice the study *General Framework for Adoption of SOA*, establishing the bases for defining a model based on the new technological architecture principles geared towards providing processes and services.

>> *The project for joint development of compter software is based on the new technological architecture principles geared towards the provision of processes and services*

The new project focuses on implementation of an environment in which it is possible to share the development and use of applications among numerous institutions, based on the results of the study phase. The new platform will endeavour to adapt to the widely varying situations of the savings banks systems, by decoupling elements promoted by the SOA architectures and its multi-provider focus. This ambitious project will lay the bases for renewing the banking systems of its participants and move closer to service provision and operating models geared towards more innovating models, such as *Cloud Computing.*

As regards the Digitalized Signature Management System, the *Digitalized Signature Project* was a resounding success in 2009, both in and outside the financial sector in Spain and the rest of Europe. The project is based on several noteworthy pillars, such as technological innovation, elimination of large volumes of paper (with the corresponding environmental benefit), the strength of the security system proposed using signature biometrics and, above all, because it is a benchmark for the financial sector, a de facto standard for this type of solutions. Moreover, the project is considered an example of pan-European cooperation owing to the joint work by CECA and the German savings banks.

Most important of all is that the project is a reality. Since it was put into real operation in the second quarter of 2009, more than 4,000 branches of fourteen savings banks are digitally signing their transactions with customers; over fifteen million transactions have already been signed using this method. It has met with full satisfaction and acceptance by both employees and customers, with astonishing start-up costs, having a ROI of under eleven months.

These savings banks have already been able to see the benefits of the project, not only from elimination of paper and the corresponding direct and indirect savings, but also due to the possibilities it offers for internal processes, enabling them to see on-line the situation of customer signatures in the different protocols, especially in control and audit processes.

It also includes the possibility of signing with electronic national identity cards thereby boosting their use, and with EMV cards (chip cards), keeping up with the evolution of signature digitalization and biometric technologies.

Sector knowledge management tool: Melania, the savings banks' virtual knowledge management city, approaches its tenth anniversary consolidated as a strong, mature tool and repository for the collective intelligence of the sector. The demand for quality information and information for management was greater and more constant in 2009 than in earlier years. As a result there are now almost half a million documents stored in its data bases and it has received almost three million visits.

>> *The digitalized signature enables institutions to reduce their paper consumption considerably, with the consequent benefit for the environment*

>> *Melania is now used by 8,500 executives in the sector*

Melania is now used by 8,500 executives and senior officers from the central services of the 45 savings banks, almost the entire sector. This is due to a double factor, with the incorporation of many members of the senior management of savings banks, and at the same time of professionals and technical officers in their teams.

The larger, broader segment of Melania users is undoubtedly due in part to the nature, effects and consequences of the credit and property crisis (subject matter of more than 15% of the documents published in Melania).

This explains the increased number of analyses, interpretations and documentary references of regulations issued by the Government (particularly the Financial Asset Acquisition Funds in the first half of the year and the Banking Restructuring Fund in the second half). As regards the Sector, consultations and requests were received especially for information on the different formulas for integration used by savings banks and information on the financial situation, prospects and financial innovation.

In this regard, the drive of this cross-demand illuminated the opening of a new *street* running through the north of the *map*, housing a prospective *blog* produced by the Knowledge Management Area, a *R+D+I Observatory* fed by the COAS, a point of information on *temporary forecasts* generated by FUNCAS and a number of *expectation polls* in the sector, made and analysed by the CECA Surveys Department.

Globalisation and its consequences have had an effect on the documentary scenario, which has multiplied the documents from North American sources to over 5,000 references in 2009. It is worth highlighting, in particular, the documents published from two hundred international financial information sources; the agreement with Breaking Views, facilitating access every day to two daily international analyses; and the one hundred-odd international reports summarised in Spanish to which Melania members have had access from the "news stand" on the Map.

Simultaneous to the transversalization of knowledge and interests (accesses to the *Convention Palace* have doubled and accesses to reports at the news stand have increased fourfold), the use made of Melania has mainly been backed by the multiplication of its virtual practice communities, which, with more than fifty clubs and workshops and some two hundred personal sites (micro-communities created and maintained by groups of Melania members), shift the knowledge shared by the different professional groups and project teams to an environment that makes it easier to treat and manage.

In this respect, the *Committee Rules*, a flow instrument and document repository for more than 350 work groups, has produced over one thousand documents, consulted more than 50,000 times. The specific interests of each group have been put on an equal footing with interests in the activities of other groups and cross interests in a sector better trained and informed in 2009 than ever before.

>> *Globalisation and its consequences have had an effect on the documentary scenario*

8.3 REPRESENTATIONAL FORUMS

CECA has promoted the creation of a network of strategic forums to examine all the management and counselling functions involved in savings bank activities. By way of example, the following types can be distinguished: public profile forums (dealing with issues related with marketing, communication, advertising and customer relations); forums for regulatory guidance (especially on finance and tax); accounting and audit forums; and social project forums (including those addressing social and welfare work and pawnbroking).

8.3.1 Public profile forums

The **Marketing Commission** has continued analysing the situation on domestic and international financial products and services markets, paying special attention to the different techniques developed by institutions to attract deposits, enhance customer loyalty and manage bad debts. It also sought and analysed the different opportunities offered by digital marketing to use the portals and internet browsers as vehicles to send messages to customers and potential customers, especially in the younger segments.

>> The Marketing, Communication, Advertising and Customer Service Committees study different topics related with the new situation of the financial system

The work of the **Communication Committee** focused on analysing the repercussion on savings banks' reputation of the news that has been published on their situation, new laws and regulations affecting them, such as the creation of the Fund for Orderly Bank Restructuring (FROB), revised ratings, mergers, etc. The committee debates the different actions that could be taken to publicise the opinion of the savings banks and CECA and heighten professional relations with the media. The initiatives taken by CECA, such as the publication of opinion articles in the different media and drawing- up of lines of thought on the issues most widely echoed in the media.

The **Advertising Committee** concentrated on analysing the opportunities for using social networks as advertising vehicles, the advertising that should be made in times of mergers and how to sell the brand image at large musical or sports events. Return on investment in advertising, from a conceptual point of view and considering the different models available for measuring it, was also studied by this committee.

The **Customer Service Committee** worked primarily on improving the information provided in the annual opinion poll in two different aspects: improving the criteria on the basis of which the information is provided, and preparing new reports and new indices to help improve the management of the Customer Service Departments. Other aspects that have been addressed are relations with the Claims Service of the Bank of Spain, to acquire a better knowledge of the criteria applied by this Service, especially in the decisions on complaints regarding the new situations produced on the market.

>> *Special monitoring for handling of politically exposed persons, money laundering and financing of terrorism*

8.3.2 Regulatory guidance forums

The **Legal Advisory Committee** comprises company secretaries, managers, heads and officers of the legal departments of the savings banks, appointed by the Board of Directors of CECA, and the Secretary, Head of the Legal Department and Head of Regulatory Management of the Confederation. Its main mission is to hold meetings to study the principal legal issues that may affect CECA and the savings banks and any other national and international institutions operating on the financial market.

The Legal Committee held four meetings in 2009, in February, April, September and November, and the LXIX Convention of Savings Banks Legal Advisers. A Course on Insolvency Law was held in February and a Workshop on Insolvency Reform in April.

At its meetings and the Annual Convention, the Legal Advisory Committee examined topics with special legal interest arising during the year, including those related with the reform of the Insolvency Act, the implications of the entry into force of the Payment Services Act, the issues surrounding telematic access to registers and future attachments. National and international draft laws and regulations were also analysed, addressing the developments in the Mortgage Market Act and the Mortgage Act, the amendment of Art. 16 of Royal Decree-Law 5/2005, the reform of procedural law, the collaboration agreement between the General Council of the Spanish Judiciary (CGPJ) and CECA on obtaining information for courts and tribunals, new aspects concerning money laundering, the opinions related with the updating of the Financial Transactions Framework Agreement (CMOF) and, in general, any judgments and court decisions affecting the Sector.

During 2009, the **Sector Regulation Compliance Committee** examined the matters considered most important for those responsible for regulatory compliance, including: the implications of certain recommendations made by the Committee of European Securities Regulators (CESR) concerning guidance on investment services and the treatment of incentives, changes in pay policies triggered by international organisations and the principal implications of the Regulations developing the Organic Law on Data Protection. Important work was also done by groups working under the Committee, this year concerning the following aspects: analysis of conflicts of interest, control procedure manual in the provision of investment services, depositary procedure manual and personal data protection procedure manual. Finally, the committee monitors sector projects on the reporting of transactions suspicious of market abuse and, within the prevention of money laundering, the handling of politically exposed persons (PEPs). An operating group has been set up under the Sector Committee to monitor, among other issues, the PEP project and the Bill on Prevention of Money Laundering and Financing of Terrorism.

>> *The Insolvency Act and Payment Services Act absorb much of the work of the Legal Advisory Committee*

At its monthly meetings, the **Savings Bank Taxation Committee** has addressed tax issues affecting the Sector and maintained permanent contacts and negotiations with the different Spanish tax authorities and other associations in the financial sector.

One of the most important issues addressed by this Committee during the year was the confirmation that discount transactions were VAT-exempt, which was seriously threatened by certain pronouncements made by the National Court favouring inspection actions to assess the tax on these transactions. In its response to a binding consultation submitted by CECA, the Directorate General for Taxation (DGT) confirmed that the tax benefit would continue to be fully effective. The committee has also solved numerous tax problems arising in the property transactions performed by savings banks. The tax consequences of merger affecting several savings banks have been behind numerous contacts with the tax authorities – DGT and AEAT –, solving favourably some of the problems that have arisen in this regard. It has also endeavoured to clarify the tax regulations applicable to corporation tax and directors' emoluments and to stamp duty and transfer tax *(ITP y AJD)* levied on deeds changing the grace period of mortgage loans.

By means of a binding consultation, CECA got the tax authorities to recognise savings banks' right to waive the VAT exemption according to the foreseeable use of a building adjudicated. By the same procedure, the tax authorities have declared that cancellations and modifications of securities orders are exempt from VAT.

In non-resident income tax (IRNR), the DGT confirmed that the current reporting regulations will be maintained in respect of fixed-income financial instruments (issued by public administrations or private issuers) obtained by non-resident investors until new reporting rules are developed to take into account the changes in law introduced by Act 4/2008 of 23 December.

>> *The tax authorities acknowledge savings banks' right to waive the VAT exemption according to the use of the building allocated*

The two annual **Meetings of Savings Banks' Tax Experts** were held in 2009 (numbers 61 and 62), at which the speakers addressed current issues. The meeting held in Oviedo in July discussed the taxation of dividends paid within the EU, new tax reporting obligations for savings banks, the SOCIMI bill (real estate investment trusts (REIT; Sociedades de Inversión en el Mercado Inmobiliario - SOCIMI), implementation of the new transfer pricing regulations in savings banks, the actions taken in respect of VAT on savings banks' transactions and the most important new regulations for the CT return. At the December meeting, the experts discussed the effects on savings banks of the new VAT location rules, the tax aspects of savings banks restructuring operations and other new tax laws and regulations applicable in 2010.

>> *The Accounting Committee works mainly on application of Bank of Spain Circular 4/2004 and replacement of IAS 39*

8.3.3 Accounting and Audit Forums

The **State Auditor Coordinating Committee** raises, analyses and coordinates all actions required to ensure the correct and efficient performance of internal audit duties in savings banks.

The activities performed in 2009, either directly by the Coordinating Committee or through its different work groups, aimed to prepare audit programmes, including:

- *Programme to guarantee the quality of internal audits*
- *Audit programme to assess the departments responsible for management of bad debts*
- *Audit of Capital Adequacy Report*
- *Internal Code of Conduct (ICC)*
- *Review of control and calculation of equity*
- *Credit risk*
- *Update tax area*
- *Technological operational risk audit. Standard method*
- *MiFID - EFP aspects*
- *Audit of IT system processes*

These programmes were presented to the internal auditors of the Savings Bank Sector at the workshops held on 22 October, 29 October and 2 November 2009.

>> *The State Auditors´ Coordinating Committee coordinates the actions required to ensure correct performance of the internal audit function*

Within the objective of providing continuing training for internal auditors of savings banks, several courses have been run on internal auditing in collaboration with the ESCA college.

During 2009, the savings banks **Accounting Committee** focused its work mainly on two activities: on the one hand, monitoring issues related with application of Circular 4/2004 and the letter received from the Bank of Spain on property-backed hedging of credit risk, and on the other, analysing the different drafts issued by the IASB concerning the standards that are to replace IAS 39 Financial Instruments: Recognition and Measurement.

Among the topics that have aroused most interest regarding application of the standards in force, in the first half of the year the committee studied aspects such as recognition in profit and loss of the buy-back of own shares, the treatment of sale and lease-back transactions, consideration of the generic provision in equity, the FinREP financial statements and the obligation to keep a mortgage register as per Royal Decree 716/2009, developing certain aspects of the mortgage market regulation and other regulations of the mortgage and financial system. In September, coinciding with the Accounting Convention, several work groups were set up to debate different aspects of some of the rules and standards of greatest interest for savings banks, such as the classification, measurement and provision for impairment of assets adjudicated or acquired in payment of debts, the criteria considered most adequate for the correct application of credit risk hedging of assets with real security and the variables to be taken into account to consider that a capital instrument classified in the portfolio as available for sale as suffered impairment that must be recognised as a loss on the income statement.

The IASB has announced that in view of the declarations made by certain parties interested in financial statements regarding the complexity of the current IAS 39 and the difficulty in understanding, applying and interpreting it, a new IAS 39 will be developed, which will replace the old IAS 39 progressively in three phases, foreseeably to be completed by the end of 2010. So far, the Accounting Committee has analysed all the documents issued by the IASB, particularly those corresponding to derecognition of assets, credit risk in the measurement of liabilities, criteria for fair value application and recognition and measurement of financial instruments, and has sent the IASB such comments as the Accounting Committee has considered important to improve the contents of the draft standard, to secure a better adaptation to and reflection of savings bank transactions.

8.3.4 Welfare forums

The current **National Social Work Committee**, last renewed at Manresa in October, is composed of the representatives of the Federations, as Social Work Managers in the different Spanish savings banks. This Committee has maintained the intense pace of work established in earlier years, meeting approximately every month and a half to discuss different topics with a view to improving the efficiency of the savings banks social work.

>> *Initiative by savings banks to put on a joint contemporary art exhibition*

A new working group was set up this year to monitor the preparations of the *Savings Banks and Third Sector* Forum. Different savings banks from the National Social Work Committee were represented in this group, through the heads of different areas.

The initiative was also outlined for a *Joint travelling contemporary art exhibition*, planning its final start-up within the first four months of 2010, defining the routes and calendars and accession of the participating savings banks.

The proposal was also taken up again to compile information on the Social Work, with the intention of altering the management of this information to make the most of it.

A new chapter on Governing Bodies has been included in the *Social Work* volume of the *Corporate Social Responsibility Report*, to define the management strategies in the social work of each savings banks and which governing bodies or executives are responsible for implementing and monitoring them.

A *webTV* has been incorporated in the savings bank portal to display all possible audiovisual material generated by savings banks, most of which is related with social work.

The new collaboration agreement was also signed this year between the Ministry for Equality, the Ministry of Industry, Trade and Tourism and the Spanish Confederation of Savings Banks for development of the microcredit programme, with the participation of savings banks and associations collaborating with the Institute for Women.

Practically all the savings banks have participated in the Committee and different meetings for supplementary issues, to discuss specific topics in greater detail.

The *Green Paper on Corporate Social Responsibility in Financial Institutions* published in 2008, one of the first projects of the **Sector CSR Committee** set up at the end of 2007, identified certain important areas in which responsible banking institutions should act. During this year, savings banks have worked, as a sector, on three of the aspects identified: financial education, financial inclusion and access to financial services, and socially responsible investment.

In the field of financial education, savings banks have defined sector-wide initiatives complementing what many of them do to improve financial literacy in sectors of the population subject to margination, or knowledge of financial concepts to enable more responsible decision-making by customers. This responds to the vocation of savings banks to maintain a fair and transparent relationship with their customers based on mutual trust and information symmetry. CECA has launched the *Spanish Network of Financial Education*, which aspires to becoming a platform for contact and exchanging of opinions and experience between professionals in the area of financial education, open to individuals and institutions of any nature. This Network was launched at a *Conference on Financial Education* in March and entails the publishing of regular bulletins, organising annual conferences and establishing a web platform available to all members of this Network[2].

>> *Financial education, social responsible investment and access to financial services have been the subject matter of debates within the Sector CSR Committee*

>> *The pawnbroking auction portal helps to cut costs and attract new custom*

Another important issue for savings banks is its credit and investment policy. Savings banks are considering environmental, social and good governance criteria in their risk analyses and investment decisions.

The *II Sector CSR Conference* organised by Bancaja in Valencia in September culminated the coordination and efforts made on a sector level. The contents and discussions at the conference focuses on an in-depth analysis of the responsible banking model of savings banks and the contribution of corporate social responsibility towards overcoming the crisis. Experiences were reported that revealed improvements in efficiency and cost reduction, generation of trust and innovation.

The **Pawnbroking Institutions Committee**, composed of the Managers of sixteen pawnbroking institutions and chaired by Antonio Claret García, Chairman of Caja Granada, reveals one of the most extraordinary facets of savings banks, in their fight against social exclusion and access by people with difficulties to the traditional financing systems.

This year an online pawnbroking auction portal was created, accessible by all pawnbroking institutions. This portal enables pawnbrokers to administer their lots independently, with lower costs and greater dissemination, acting beyond strictly local markets with the possibility of attracting new custom.

The Pawnbrokers Report 2008 was also published for the second year.

2 www.rededucacionfinanciera.es.

8.3.5 Other forums

The **Savings Bank Management Planning and Control Committee** held several working meetings in 2009, at which it addressed the most important current issues for those responsible for these duties in savings banks.

The *XXII Workshop on Management Control*, Planning and Studies was held in Oviedo in May, at which experts in Management Control and Planning and experts in Studies came together to share experiences and knowledge on numerous aspects they have in common. During the workshop, the work group set up within the Committee to deal with *Strategic Planning and Balanced Scorecard* presented its conclusions, which were positively valued by those attending.

The **Research Committee**, consisting of the research department managers of different savings banks, met twice, in the spring and autumn, to study the situation on the domestic and international markets, the international credit crisis and its impact on savings banks.

The **Property Group** met twice, resulting in the publication of the V and VI *Savings Banks Property Observatory* assessing views of the housing market.

>> *The financing of government-sponsored housing schemes is debated in the Savings Banks Housing Group*

>> *Creation of an up-to-date bibliography on the history of savings banks*

The **Savings Bank Housing Group**, which analyses and discusses the problems and proposals concerning financing of government-sponsored housing schemes affecting savings banks, concentrated in 2009 on negotiating the Collaboration Agreement for the Financing of Government Sponsored Schemes under the Plan 2009-2012.

The **Historical Archives Group**, with the participation of twenty savings banks, met twice in 2009, starting up two new joint projects: on the one hand, an up-to-date bibliography was set up on the history of savings banks, with 1,730 references that will be included in a data base; and on the other hand, the census-directory of savings bank archives was created, using the official models.

The **National Quality Committee** participated during the year in the *Customer Satisfaction Benchmarking* project (continuing and going into greater depth in the analysis of savings bank customer satisfaction, this time focusing on individual customers' appraisal of their relationship with their local branch and with the service provided on Internet), the *Efficiency* project (which measures the objective performance of vertical and horizontal processes in savings banks and opportunities for improvement in each), the EFQM –*Excelsa*– project (to assess and contribute towards improvement of the *Savings Bank Management Model* according to the criteria of the *EFQM Excellence Model*) and the *Customer Observatory* project (aiming to analyse the incidence of customer satisfaction on customer loyalty and business performance).

The Consultancy Unit carried out the following strategic projects individually for different savings banks: *guidance in savings* bank mergers (contributing the methods for the technological-operations integration management model, forming part of the integration office, defining and promoting implementation of the master plan, drafting the reporting for governing bodies and coordinating with CECA the integration of the savings banks' services); *definition and implementation of an adjudicated asset management model, analysis and design of new organisational structures, and design and development of process maps as a strategic instrument for decision-making.*

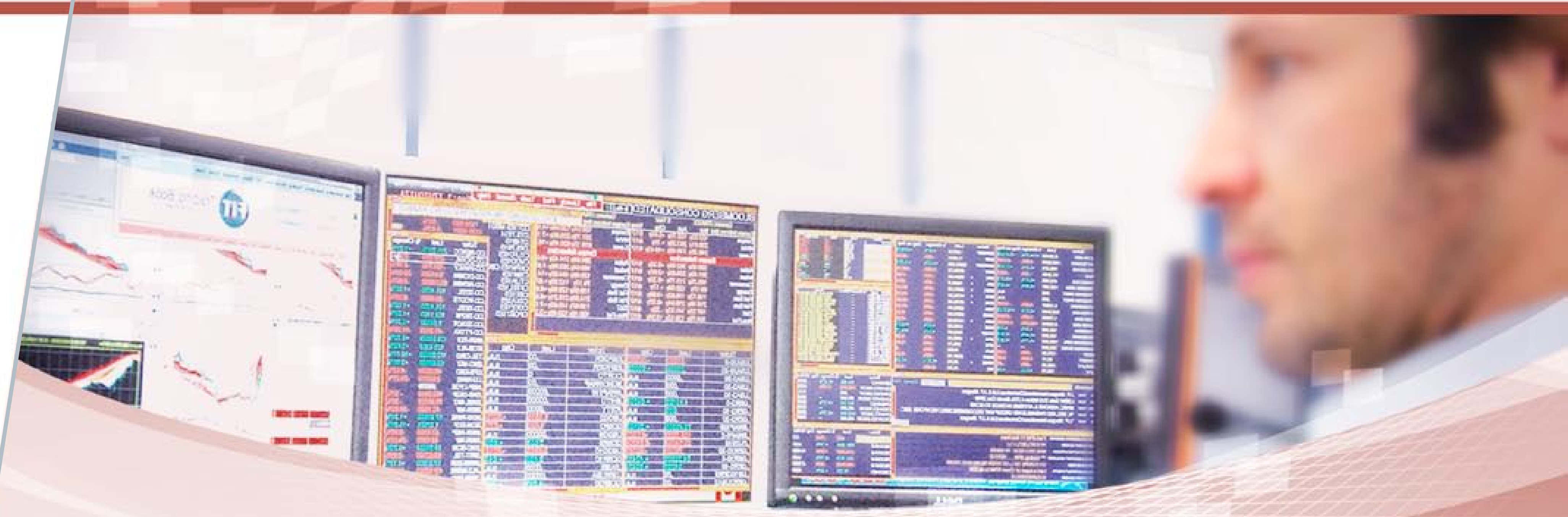
This unit has also developed the following projects to enhance the efficiency of several savings banks: *development and implementation of overheads reduction projects, design and implementation for branch productivity enhancement models, development of central services and branch network optimisation projects, and design and implementation of commercial systematics projects to boost business.*

>> *Definition and implementation of an adjudicated asset management model*

The Quality Management Unit worked on the following activities: measurement and analysis of external and internal CECA customer satisfaction; consolidation of the continuous improvement cycle of the CECA services with its customers through enhancement commitments; renewal of the Quality Management System Certificate ISO 9000 – Securities Clearing, Administration and Custody and Depositary for Collective Investment Undertakings by AENOR, January 2008; and organisation of the *VII Convention of Quality Managers.*

The **Savings Banks Training Committee** analyses the specific training requirements and organises new training projects in the sector accordingly.

09
Structures and Services



CECA is not just an association of savings banks; it is also a financial institution in its own right, providing services for savings banks and any other institutions that may request them. From this point of view, the Confederation is a provider of financial, technological and consultancy services, for which it has a broad set of structures. These services are contracted voluntarily by any interested institutions on arm's length terms.

>> *CECA compiles and analyses data on the sector and the financial system in general*

9.1 ASSOCIATION SERVICES AND TECHNICAL ADVICE

The Confederation compiles and analyses data on the sector and the financial system in general, both as required by the Bank of Spain and other institutions and as established by savings banks to supplement official data. It makes the necessary EDP instruments available to savings banks to enable expeditious receipt, integration and transmission of the information.

The information, after screening and aggregation, is sent to members through different internal publications common to all savings banks which, with varying frequency, provide the analysis tools required on a sector level and for comparing with other groups of institutions: statistical bulletin, quarterly report, comparative analysis.

More detailed reports are issued on particularly important matters, such as the income statement, equity, liquidity, bad debts, credit investment, etc., supplemented with individual annexes for each savings bank.

The Confederation publishes via the corporate web site the separate and consolidated financial statements of each and all of the savings banks: balance sheets, income statements, statements of changes in equity and cash flow, making this information available to the public in pdf and XBRL formats.

The Confederation publishes reports for savings banks on the domestic and international market situation, summaries of which are provided for the public through different channels. Savings banks have immediate access to the principal domestic and international economic indicators, updated daily in the Planning and Research Club, where members can obtain the most recent economic publications. It also coordinates economic research done freely by savings banks, using methods common to all, such as those corresponding to the *Property Observatory.*

CECA also compiles and disseminates the savings banks' own publications and has a Documentation Centre on all issues relating to sector activity, kept permanently up-to-date, and a Historical Document Fund, containing the most important documents in the history of savings banks and CECA.

>> *The Confederation publishes the financial statements of each and all of the savings banks*

9.2 RISK SERVICES

9.2.1 Risk consultancy: risk management and acceptance models

This activity is performed by the Risk Models and Strategies Division, within the Risk Area. Its activities during 2009 focused on developing credit risk products and services, according to a policy of continually searching for new and better methods, implementation of technological innovations and development of collaboration projects.

In product development, risk management and acceptance practices were consolidated for the individuals banking segment in 2009, producing integrated systems for reactive and proactive risk, in which each savings bank has made whatever changes it considered necessary to adjust its management to prevailing conditions. In this regard, different analyses have been made for the savings banks to determine the performance of the decision-making and classification models and strategies that they had developed prior to the current economic situation. As expected, the models developed have reasonably withstood the adverse situation, maintaining their predictive capacity, while each institution has had to adapt the new policies established to cope with the current situation.

>> *Actions in risk consultancy have been geared towards the development of credit risk products and services*

>> *The evolutionary maintenance service of Asesor and Sibila comes up to expectations in the solving of incidents*

In the corporate segment, phase 2 of the solution for adapting to the new Chart of Accounts (Spanish GAAP) was developed between June and October, enabling savings banks to adjust their analysis outlines according to the format in which the company files its financial statements. By inputting a financial statement, in ordinary or abridged format, prepared according to the New Chart of Accounts in the web solution *Financial Statements Converter*, it is possible to obtain the financial statement corresponding to the 1990 Chart of Accounts and vice versa. This solution was installed in Hidra and also been supplied to savings banks in *Asesor*, to guarantee its use in production environments. Following this phase 2, phase 3 will be developed in 2010, permitting the creation of a sector corporate rating system based on the financial statements prepared under the new Chart of Accounts.

In the field of tools, the evolutionary maintenance service of *Asesor* and *Sibila* has come up to expectations in the solving of incidents, making it possible to provide user savings banks with version 10.0 of *Asesor* and version 2.1 of *Sibila*, with the corresponding improvements and functional breakthroughs achieved with the service. Similarly, the General External Information Service has operated normally, providing user savings banks in advance with the new functions agreed within the Interbank Cooperation Centre.

In respect of methods, the effectiveness seemingly apparent when putting into practice the methods Severity and Exposure was confirmed in 2009, obtaining very positive results in the developments made to provide estimates for the Long Run Severity (LRLDG) and *Downturn* (DTLGD) measures, according to the requirements expressed by the Supervisor in its Validation Document (DV1).

9.2.2 Central risk unit (CRU)

The Central Risk Unit started up the following services in 2009, marketed through Afianza and although they are mainly directed at its shareholders, all federated savings banks also have access:

- Sector reports, setting out the main features of the different sectors of the economy, evolution, benchmark companies and SWOT analyses (strengths/weaknesses, opportunities/threats).
- Opinion reports on companies, at the request of savings banks and adjusted to their needs (includes sector information, qualitative information, economic-financial analysis and appraisal of the company).
- Detailed notes, opinions on current issues, changes in laws and regulations, credit financial products, accounting aspects and risk analysis.

Through these services it aims to inform and express opinions on the credit market, from the point of view at all times of risks.

9.2.3 Collaterals integral management centre

During 2009, the Collaterals Integral Management Centre started to offer its services also to savings banks, maintaining the global focus that had been defined for CECA.

The Centre has handled all kinds of collateral agreements: collateral security agreements (CSA) and master agreements for financial transactions (CMOF) for hedging derivatives, global master repurchase agreements (GMRA) for repo and simultaneous transactions, and global master securities lending agreements (GMSLA) and European master agreements (EMA) for securities loans transactions.

>> *The Central Risks Unit provides savings banks with sector reports, management reports on companies and information on current issues*

The service has covered all aspects relating to collaterals: valuation of the transactions covered by the agreements, calculation of the guarantees and claiming of collaterals from the counterparties, settlement of guarantees and interest, integration with accounting applications and incorporation of the mitigating effect of collaterals in the calculation of counterparty risk according to the Bank of Spain Circular 3/2008.

9.2.4 Operational risk support unit

The Operational Risk Support Unit services focus on providing support to savings banks for pinpointing and assessing their operational risks, in compliance with the requirements established by the Bank of Spain in its Circular 3/2008 regarding operational risk management.

The services provided are linked to the centralised maintenance and development of data processing tools that facilitate operational risk management and guidance on strategies to be implemented in institutions to secure effective operational risk management.

The existing operational risk platform, which already had a qualitative assessment tool, risk indicators and action plans, was completed in 2009 with the start-up of a new loss data base. The purpose of this is to quantify operational losses from the identification and classification of loss events arising from operations. Thanks to the sector-wide focus of the losses recorded, it has been possible to provide sector loss data benchmarking services.

>> *More than 95,000 employees participat in the ESCA training programmes*

9.3 TRAINING SERVICES

PROGRAMMES	2009
In-Person Training	**73**
Seminars	39
Long specialist course	9
Conventions	25
Distributive Training	**2,203**
Distance	266
Online	1,422
In Company	515
Total Programmes	**2,273**

PARTICIPANTS	2009
In-Person Training	**2,294**
Seminars	875
Long specialist course	189
Conventions	1,230
Distributive Training	**93,122**
Distance	9,126
Online	71,432
In Company	12,564
Total Programmes	**95,416**

CENTRALISED TRAINING. In 2009 CECA collaborated with 95% of savings banks. The year was affected by the special economic situation, in which some savings banks assessed and made budget cuts in in-person training programmes in Madrid. Consequently, some courses were run elsewhere, such as *Audit Expert* in Kutxa, *Refinancing v Insolvency* in Unicaja or *Accounting Expert* in Barcelona.

Among other activities in long programmes, two Insolvency Law courses were run, one of them designed and given specifically for Bank of Spain employees. In addition, in order to lower costs, new pedagogical communication technologies have been incorporated in some of the long training programmes, such as the *Advanced Training Programme in Financial and Insurance Matters ESCA–AMAEF (Asociación de la Mediación Aseguradora de Entidades Financieras* - Association of Insurance Brokering for Financial Institutions).

Actions concerning short specialised programmes mainly addressed regulatory management, means of payment, international, accounting, marketing, risks and legal issues.

Conventions have been held in practically the same number as in earlier years, although the percentage held in Madrid has increased considerably.

Some 515 **IN-COMPANY TRAINING** activities were run in thirty institutions, some of the most interesting being the company management programmes, Insolvency Act and risk monitoring and recovery. Ten savings banks entrusted their internal promotion through training to ESCA, in which over 2,900 employees participated.

ESCA is a benchmark in the sector in occupational hazard prevention training, by virtue of both the number of programmes offered (sixteen) and the number of employees participating. The specialities offered include the OHP Senior Officer Course (3rd edition) and the *Online Branch Security Course (robbery).*

The **ON-LINE AND DISTANCE TRAINING** service continued to grow in 2009, with 80,558 participants and an average completion rate of 91.07%.

This year-on-year growth makes the use of this type of training decisive to respond to the growing regulatory requirement for institutions and to guarantee its distribution and follow-up especially in the commercial network.

One of the new aspects of the training programme is the start-up of sector certificate-related programmes *(Investment Product Adviser and Financial Adviser)*, with a participation of 361 employees from six savings banks.

The programmes on the Payment Systems and Suspicious Transaction Reporting Act have also been included in the on-line catalogue, in response to the mandatory compliance with this Act in the sector, along with on-line programmes developing leadership skills, intended to be a benchmark within the financial sector with a view to helping executives to establish and achieve objectives within their respective institutions.

Towards the end of the year, work commenced on migration from the e-esc@ campus platform to modernise it and adjust it to the web 2.0 standards.

The **Sector Project of Savings Bank Certifications** was started up in 2009, with the essential purpose of overseeing the "good banking practice" principle to efficiently carry on a given professional activity.

>> *Consolidation of the on-line and distance training service*

>> *Handling of government grants for training in the sector*

A set of procedures have also been established to recognise, assess and prove the knowledge required to perform professional actions, acquired through professional experience or any other formal or informal learning. This assessment and certification of professional knowledge has been developed according to criteria that guarantee reliability, objectivity and technical rigor in assessment.

The total number of participants assessed to date is 337, broken down according to the certificate obtained, as follows:

- Investment Product Adviser: 231 participants
- Financial Adviser: 55 participants
- Financial and insurance issues: 51 participants

The government grants awarded to the sector for training, both supply and demand, have been handled through the **ESCA TECHNICAL SECRETARIAT.** Both aspects represent a significant investment in training, which unquestionably leads to a substantial reduction of costs and administrative charges for the participating institutions. During 2009, **33** savings banks participated, with **17,474** participating employees and some **28,763** registrations.

With regard to **INTERNATIONAL ACTIVITY, ESCA** has participated in the different delegations of Latin American financial institutions during their visits to CECA. It has also maintained its relations with the ESBG *(European Savings Banks Group)*.

9.4 FINANCIAL AND SUPPORT SERVICES

In the field of cash management, the Confederation, through its Cash Department and as Manager of the Bank of Spain's Auxiliary Deposit System (ADS), has continued opening operating centres –there are 38 centres open at present –, thereby increasing coverage in the distribution of banknotes to savings banks. In doing so, it contributes towards improvement of operating efficiency in cash-related transactions within the financial sector and at the same time towards improving the quality of banknotes in circulation.

The Securities Department carried out several projects during 2009 to offer its customers value added services. The most important projects are listed below:

- **Sector project:** Suspicious Transaction Reporting, to enable customers to comply with the disclosure requirements established by the National Securities Market Commission (CNMV), pursuant to section 83 quater of the Securities Market Act.

CQS
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OPERACIONES SOSPECHOSAS

>> Improvement of the banknote distribution service for savings banks by opening new operating centres

>> Improved calculation of securities deposit charges

- **Improved calculation of securities deposit charges**, enabling savings banks to invoice their customers according to the number of days they have maintained a balance in their securities account.
- **TARGET 2 SECURITIES:** CECA maintains an active participation in the development of this project, forming part of the work groups set up by both the European Central Bank and the Bank of Spain.

(amounts expressed in EUR million)

DEPOSITS BY CASH VALUE

TYPE OF SECURITY	2008	2009	Variation 2008/2009
Private Fixed Income	59,747	52,150	-12.72%
Equities	14,680	15,420	5.04%
Government Debt	5,381	4,687	-12.90%
Foreign Securities	32,866	38,641	17.57%
TOTAL DEPOSITED	**112,674**	**110,898**	**-1.58%**

(amount paid/received, in cash value and EUR million)

STOCK EXCHANGE TRANSACTIONS

TRANSACTION	2008 No. Transactions	2008 Settlement value	2009 No. Transactions	2009 Settlement value	Variation 2008/2009 No. Transactions	Variation 2008/2009 Settlement value
Securities purchased	497,002	19,746	486,294	18,255	-2.15%	-7.55%
Securities sold	546,105	21,846	650,017	18,878	19.03%	-13.58%
TOTAL	**1.043,107**	**41,592**	**1,136,311**	**37,133**	**8.94%**	**-10.72%**

(amount paid/received, in cash value and EUR million)

BOOK ENTRY SYSTEM // GOVERNMENT DEBT

TRANSACTION	2008 No. Transactions	2008 Settlement value	2009 No. Transactions	2009 Settlement value	Variation 2008/2009 No. Transactions	Variation 2008/2009 Settlement value
Government debt additions	65,175	244,648	37,348	141,153	-42.70%	-42.30%
Government debt disposals	69,948	245,802	41,904	141,822	-40.09%	-42.30%
TOTAL	**135,123**	**490,450**	**79,252**	**282.975**	**-41,35%**	**-42,30%**

(effective settlement value and volume deposited, expressed in EUR million)

SPANISH INVESTMENT OVERSEAS

YEAR	NO. TRANSACTIONS	Year-on-year variation	SETTLEMENT VALUES	Year-on-year variation	VOLUME DEPOSITED	Year-on-year variation
2007	255,877	28.56%	190,031	2.10%	42,036	- 1.69%
2008	212,541	- 16.94%	138,085	- 27.34%	32,866	- 21.81%
2009	**236,320**	**11.19%**	**121,873**	**-11.74%**	**38,641**	**17.57%**

(amounts expressed in EUR million)

TOTAL TRANSACTIONS SETTLED			
TYPE OF SECURITY	2008	2009	Variation 2008/2009
Private fixed income	280,965	355,319	26.46%
Spanish equities	1,043,107	1,136,311	8.94%
Government debt	135,123	79,252	-41.35%
International securities	212,541	236,320	11.19%
TOTAL TRANSACTIONS SETTLED	**1,671,736**	**1,807,202**	**8.10%**

One of the most important activities performed by the Centralised Account Administration Department as manager of central operating services for savings banks is its joint management of the Social Security Treasury accounts to service savings bank customers.

One of the tasks performed by the Exchange and Clearing Centre was to adapt the clearing and settlement systems, internal clearing and the procedures for channelling and receiving cross-border payment orders to the new Payment Services Act, within the scope of the National Electronic Clearing System (SNCE).

>> *One of the tasks performed by the Exchange and Clearing Centre was the adaptation to the new Payment Services Act*

Within the Current Account Notes and Cheques Interchange Sub-System (SNCE004), the obligation to hand over the original documents three days after the transaction when the amount exceeds 150,000 euro has been eliminated. The daily physical interchange of standardised cash transfer documents for over 30,000 euro has also been eliminated in the Transfer Interchange Sub-System (SNCE003). All this has led to the obtaining of greater operating efficiency for savings banks in the procedures described above.

This Centre successfully completed the relevant tests with EBA Clearing Company and IBERPAY on SEPA direct debit transactions for CORE and B2B, which means that in 2010 the savings banks represented by CECA will have operating cover in the different national and international payment and clearing systems.

Access to German banks by the savings banks represented has also been improved, for sending and receiving SEPA transfers through CECA's membership of the technical interchange platform established between IBERPAY and the German chamber "RPS" managed by Deutsche Bundesbank.

The nominal values are expressed in EUR million

	2008	2009	VARIATION
CROSS-BORDER CHEQUE INTERCHANGE / CURRENCY CLEARANCE			
Cheques handled	480,691	354,891	-26.17%
SWIFT MESSAGES EXCHANGED			
Sent	1,656,618	1,484,296	-10.40%
Received	1,853,307	1,746,616	-5.76%
EBA (Euro Banking Association) - STEP1 & STEP2			
Transactions handled	1,054,272	945,529	-10.31%
Nominal value	12,943	8,152	-37.01%
TARGET / SLBE (Cross-Border and Fund Transfer Orders)			
Transactions handled	280,847	239,772	-14.63%
Nominal value	774,961	870,071	12.27%
INTERCHANGE OF SEPA TRANSFERS (EBA and SNCE)			
Transactions handled	2,565,740	12,703,395	395.12%
Nominal value	11,494	35,232	206.51%
INTERCHANGE OF TRANSACTIONS THROUGH SNCE			
Transactions handled	734,224,459	760,743,487	3.61%
Nominal value	745,266	610,569	-18.07%
INTERCHANGE OF DIRECT DEBITS			
Transactions handled	536,484,000	576,002,000	7.37%
Nominal value	144,376	124,618	-13.68%
INTERCHANGE OF TRANSFERS			
Transactions handled	147,248,000	145,547,000	-1.16%
Nominal value	358,748	318,711	-11.16%
OTHER INSTRUMENTS			
Transactions handled	50,492,459	39,194,487	-22.38%
Nominal value	242,142	167,239	-30.93%

CECA performs the duties of depositary for undertakings for collective investment (UCI) and pension funds (PF), with a major presence on the market. The most significant figures of the depositary's activities during 2009 were as follows:

(Amounts in EUR thousand)

		2008	2009
UCI	Equity	4,700	4,200
	Number	129	88
FP	Equity	1,300	1,500
	Number	60	63
TOTAL	**Equity**	**6,000**	**5,700**
	Number	**189**	**151**

Similarly, when the savings banks are depositaries, CECA provides support and shares the applications with the institutions participating in the project.

Several developments have been undertaken during the year to assist and improve the performance of savings banks' duties, including especially:

- **Adaptation to the new supervisory financial statements of UCI -** (CNMV Circular 3/2008).
- **Implementation of the new half-year report of the depositary -** (CNMV Circular 3/2009).
- **Implementation of checking of the new regular public reports -** (CNMV Circular 4/2008).

>> *CECA performs the duties of depositary for collective investment institutions and pension funds*

The most significant figures of this activity during 2009 are set out below:

	2008	2009
Number of savings banks	14	14
Number of UCI & PF	414	357

Supplementing the above-mentioned activities, the Confederation is present in the principal national and international forums related with UCI and PF Depositaries, including the CNMV Advisory Committee, the Depositaries Group (ADEPO) and also this year The European Trustee & Depositary Forum, through ADEPO.

Several projects have been developed during the year with two basic goals: comply with legal and interbank laws and regulations and optimise procedures that enable savings banks to reduce their operating costs:

- Incorporation of new accesses to the Discount Centre data bases through the web.
- Adaptation of savings banks' details on transferors to the new Classification of Economic Activities (CNAE – 2009).
- Electronic operating procedure for claiming for returned bills.
- Extension of the information, statistics and management of past-due bills.
- Incorporation of the BIC code and local, regional and national holidays in the Banking Markets, Credit Institutions and Branch File *[Fichero de Oficinas de Entidades de Crédito of Entidades y de Plazas Bancarias].*
- Procedure for assigning tax registration number and CNAE code to corporate drawees of bills.

CECA has maintained an active cooperation with the work groups of the Spanish Payment Systems Company (IBERPAY) and other interbank entities. Different actions have also been coordinated with the Quality Management Department to improve the service provided, including the programme of visits to savings banks.

Both the volume of transactions and the amounts have fallen this year from the levels recorded in 2008, as illustrated in the following table:

Nominal amounts in EUR million

	2008	2009	VARIATION
Incoming bills	15,232,045	10,800,714	-29.09%
Nominal value of incoming bills	51,610	28,907	-43.99%
Outgoing bills	15,580,414	11,370,736	-27.02%
Nominal value of outgoing bills	55,314	32,114	-41.94%
Bills deposited	1,593,893	1,027,211	-35.55%
Nominal value of bills deposited	6,817	3,622	-46.87%
Truncated bills presented	6,670,926	4,634,883	-30.52%
Nominal value of truncated bills presented	25,101	13,320	-46.93%

From its Markets Room, the Confederation acts as an ordinary financial institution on all markets to provide an extensive range of central financial services for Spanish savings banks and other financial institutions, such as trading in foreign exchange, options, interest rate swaps, asset swaps, government debt, including treasury bills, financial futures, credit derivatives, structured products, equity and fixed income securities loans, purchase and sale of foreign banknotes, etc. On these markets CECA acts as market-maker, enabling it to obtain very competitive prices for its customers in transactions of any amount.

>> *The number of deals arranged through the CECA Cash Room has increased by almost 40%*

The evolution of activity over the past ten years is summarised below:

NO. TRANSACTIONS									
2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
121,697	123,170	149,449	152,520	159,803	182,609	195,842	205,587	198,879	154,703

VOLUMES (EUR million)									
2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
225,302	314,272	556,513	515,645	538,207	653,783	621,244	745,876	989,721	1,385,405

The continuation of the economic and financial crisis during 2009 has caused a considerable decline in the volume of trading on all financial markets in general. Owing to the smaller volume of economic activity, less hedging was required, for both exchange rates and interest rates. In addition, the high volatility of the market has led many investors to refrain from trading. Nonetheless, CECA has recorded a 39.97% increase in dealings in euro contracted with its Cash Room by institutional customers, especially savings banks.

This strong growth was achieved through CECA's intense wholesale activity directed at savings banks and, in general, can be put down to the fact that in times of crisis savings banks tend to use the services offered by the Confederation more regularly. However, the number of deals contracted reflects the first major year-on-year drop in the last ten years, falling by 22.21%, owing to the reduced number of transactions by savings banks' customers.

Once again, CECA has been very active in its function of providing savings banks with liquidity during the market recession. The Confederation has not suffered the effects of the liquidity crisis because it has no customers who can withdraw existing liquidity and owing to the high rating it has maintained at all times. Moreover, thanks to this rating, CECA has been able to be counterparty and depositary for numerous investment funds, pension funds and securitisation funds, so its customers' funds and, therefore, its liquidity have grown considerably during 2009. In this case, since the interbank deposit market practically disappeared in 2009, the financing provided by CECA to the savings banks has almost entirely been against delivery of collateral by the latter.

There was an especially strong growth during 2009 in operations as depositary for investment and pension funds, especially securitisation funds. The fact that ratings agencies have lowered the credit ratings of many financial institutions, not only savings banks but also banks, has meant that those institutions have had to find other institutions on the market with sufficient rating to act as counterparty in the swaps contracted with securitisation funds and the financial accounts of those funds. Since few institutions still have that necessary rating in Spain and CECA is a specialist in this type of transactions, the volume of new transactions in which the Confederation acts as counterparty for swaps and the account volumes of securitisation funds deposited with CECA have increased considerably.

>> *CECA, very active in providing savings banks with liquidity during the market recession*

>> *The volume of transactions in which CECA acts as swaps counterparty has increased considerably*

In the purchase and sale of banknotes, three important facts occurred in 2009:

- The crisis has caused a significant drop in the number of tourists visiting Spain and in their levels of consumption. The volume of foreign currency banknotes bought and sold was down 28% year on year.
- In addition, and apparently also due to the crisis, there was a surge in the volumes of euro banknotes bought and sold, with a year-on-year increase of 40%.
- Moreover, in order to continue the constant improvement of services offered by CECA to its customers, it has gradually begun to offer the purchase and sale of foreign currency banknotes directly through the branch network, which has led to a significant increase in the number of transactions, up 42% year on year in 2009.

In 2009, CECA had a privileged position on the fixed rate market of AIAF [*Asociación de Intermediarios de Activos Financieros* - Spanish Association of Brokers and Securities Dealers]. To be more precise, it ranked third in transactions at maturity and second in repo and simultaneous transactions. This position was due above all to the Confederation's activity in collateral-backed financing of savings banks. CECA has also played a major role in the purchase and sale of promissory notes, where despite the market having practically collapsed in comparison with 2007 and 2008, the figures handled by CECA were 1.8% higher in 2009 than in 2008.

CECA is also official market-maker of treasury bills and bonds. Although the government debt capital markets have also been hit by the financial crisis, with plummeting volumes and liquidity, the Confederation has increased its position on the market, especially in treasury bills.

The Confederation has also been remarkably active in the trading of savings banks issues backed by the Spanish Treasury. During much of 2009, this was one of the activities that moved the largest volumes of fixed income securities and CECA has been continually brokering in most of the issues made, especially the issue made jointly to finance several savings banks, with the name *CEAMI Guaranteed Bonds*, in a sum of EUR 2,559 million, for which the Confederation played a prominent underwriting role. It as also participated in many other public and private placements.

>> *CECA has a privileged position on the AIAF fixed rate market*

>> *More than EUR 230 million handled in payment of major National Lottery prizes*

9.5 OTHER WHOLESALE SERVICES

The **joint venture "LAE 2007"**, consisting of 25 savings banks and CECA, in which the Confederation acts as sole manager, continued its activity in 2009. In March, by virtue of a resolution adopted by the Management Committee of the joint venture, the first extension was signed of the agreement made with *Loterías y Apuestas del Estado* [National Lottery and Gambling Agency], up to 31 March 2010. The average annual balance of LAE accounts held with members of the joint venture was approximately EUR 105 million, which globally represents around 45% of the funds collected by LAE through the marketing of all its lotteries and other forms of gambling. In 2009, it continued handling the payment of the larger National Lottery prizes, amounting to over EUR 230 million by the end of December, as a result of having handled more than 7,300 payments.

It also continued in 2009 its activity in the **joint venture CECA-CAJAS HOGARES CONECTADOS**, set up by 27 savings banks and CECA in November 2005 to manage the collaboration agreement signed with the Ministry of Industry, Trade and Tourism to promote actions facilitating citizen access to the information society through the Connected Homes *(Hogares Conectados)* initiative. This initiative has been widely backed by savings banks, which had, by the end of the period for granting loans under the agreement, granted more than 21,000 loans for an aggregate sum of approximately EUR 24 million, this joint venture being the financial group that had granted most loans of all the institutions participating in the agreement. More than 75% of these loans were granted in towns with fewer than 25,000 inhabitants and underprivileged areas, which was one of the priorities set by the Ministry of Industry when signing the Agreement and within the Avanza Plan, in which the Ministry has an enormous interest.

9.5.1 Capital Market

Continuing the line of action begun in 2008, the Confederation has concentrated on its search for alternatives through which savings banks might have access to financing on the best possible terms.

Within the activities undertaken to meet the afore-mentioned goals and taking advantage of the extraordinary measures supporting the financial market launched by the state government, the first multi-contributed State-backed senior debt issue was designed and developed in a sum of EUR 2,559 million, the largest Spanish issue in 2009 and one of the largest in Europe, which has been widely accepted by investors. Fourteen savings banks and Lico Leasing participated in this issue.

Based on the afore-mentioned measures underpinning the financial sector, the Capital Market Department participated in the management and underwriting of eight guaranteed issues of seven savings banks and Lico Leasing, for EUR 1,120 million. It is also one of the issue managers of another seven government-backed issues of another seven savings banks. This forms part of the strategic priority of collaborating with the sector to optimise its liquidity.

Along the same lines, the collaterals programme has been further developed in collaboration with AyT (*Ahorros y Titulización* - Savings and Securitisation). This programme, designed to enable savings banks to obtain eligible paper at the European Central Bank and begun in 2007, was used in 2009 by five savings banks for an aggregate sum issued of EUR 1,135 million.

Another new aspect this year was the participation as managers and agents of six securitisation funds for EUR 1,119 million, created as a result of the guarantee granted by the Official Credit Institute (*Instituto de Crédito Oficial* - ICO) for the securitisation of mortgage loans granted for the purchase of government-sponsored housing.

Apart from these actions, we have continued cooperating with Securities in the making and follow-up of payment agency agreements for emissions of savings banks and other entities. More specifically, agreements are in force for 177 issues by savings banks and five by companies. In its activities as counterparty, CECA stepped up its collaboration with the Commercial Office in respect of liquidity agreements. At present it is liquidity counterparty for 43 issues by savings banks and 6 by companies.

In the institutional field, CECA has developed its activities especially within the framework of the CEAMI Group, both through meetings to discuss the different aspects of the sector problems and to organise a road show within the sector, which was held in April, to present the real situation of the sector to foreign investors, visiting the principal investment markets for Spanish paper (Germany, France, UK, Italy, etc.), Italia...). The presentations given were very successful with the investors.

>> *Collaterals programme to enable savings banks to obtain eligible paper at the Central European Bank*

>> *Procedure for automated social security payments by Spanish emigrants*

9.5.2 Products and services

Within the framework of sector collaboration to channel the payments of the annual programme promoted by IMSERSO (Institute for the Elderly and Social Services), CECA has renewed the collaboration agreement with the organising agencies, on behalf of the member savings banks.

Thanks to this agreement, more than sixty per cent of payments are channelled through savings banks. This year, moreover, the new counter automated payment system was consolidated. This initiative of the Confederation has achieved a considerable reduction of incidents and a significant improvement in the service provided for a segment of society strongly linked with the savings bank sector.

In the same area, CECA has, in collaboration with the Directorate General for Migration, corresponding to the Ministry of Labour and Social Affairs, developed a procedure for automated payment of social security by Spanish emigrants, previously done by hand, with the consequent delays and incidents. From now on, these payments will be guaranteed in due time and form, with the beneficiary's full, authenticated current account number and all sorts of permanent controls by CECA and the receiving savings banks for correct maintenance over time.

The incorporation of different fund managers from the savings banks in CECA's depositary services is also being coordinated.

9.5.3 Development, foreign trade and financial institutions

One of the strategic objectives of the Spanish Confederation of Savings Banks being the development of the *Plan for Boosting the International Activity of Savings Banks*, CECA has brought out new products and services this year and encouraged participation by both savings banks and their customers, especially corporate customers, in international trade exchanges.

Acting for and on behalf of Spanish savings banks, CECA continued participating in forums organised by public or private entities to foster international trade and economic relationships: World Savings Banks Institute, European Savings Banks Group, International Chamber of Commerce, Council of Chambers *(Consejo Superior de Cámaras)*, CEOE (Spanish Confederation of Business Organisations), Savings Banks School, etc.

The two most important activities in 2009 were the organisation of the Euro-Mediterranean meetings, consisting of financial institutions from southern Europe and North Africa, to foster exchange and promote development between the countries on both sides of the Mediterranean; and the participation in International Business Network, conferences organised by the European Savings Banks Group to increase cooperation between European savings banks and develop new products and services for corporate and individual customers.

>> *The Euro-Mediterranean meetings encourage exchange between southern European countries and North Africa*

>> *Agreement under which Spanish savings banks provide services for Franch students who come to our country, especially within the Erasmus Programme*

CECA has also signed a collaboration agreement with the French group Mutuelle des Étudiants, which offers social coverage for most French students. The purpose of this agreement is for Spanish savings banks to provide services for French students who come to Spain to study, essentially through the *Erasmus Programme*, offering them insurance, opening of accounts, etc. Mutuelle des Étudiants provides support for Spanish students in France, providing them with information on administrative and banking formalities, etc.

The number of savings banks using the Pan-European Direct Debit Service increased in 2009. This service covers the handling of this type of transactions in France, Germany, Italy and Portugal and the subsidiary in Hong-Kong, CEA TSL, for the issue and processing of import documentary credits for more than thirty countries in Asia and Oceania.

A new service has also been developed, whereby savings banks can contract CECA to check the documents of import and export documentary credits.

CECA has set up another new system, to be used mainly by foreign financial institutions, which will commission CECA to handle, through the different clearing chambers, the collection of any bills, receipts and invoices that their customers are due to receive from drawees resident in Spain.

With regard to financial institutions, CECA has focused mainly on adapting and streamlining the international payment policy considering the entry into force of the Payments Act and its transposition into Spanish law.

During 2009 the overseas network of CECA representative offices continued providing support for non-resident customers of the savings banks and to the savings banks themselves, in the four business areas in which they operate: support for foreign trade, property market, tourism sector and obtaining transactions on capital markets.

A total of 77,267 emigrant remittances were made in 2009, for an aggregate EUR 105.64 million, while the number of pensions handled increased by 20.2% year on year, with payments of 2,588,017 pensions in a total sum of EUR 695.64 million.

Finally, CECA continues innovating to enhance quality, which is a constant priority for improving the services offered to savings banks, their customers and correspondents.

>> *The representative offices of CECA provide support for non-resident customers of savings banks*

>> *The volume of remittances from emigrants totalled EUR 105.64 million in 2009*

9.5.4 London Branch

The volume of payments from the UK increased substantially in 2009, amounting to 1,300 payments a month, with a total volume of GBP 5 million.

The role of unit trusts was reinforced through constant monitoring with investors and managers.

9.6 TECHNOLOGICAL SERVICES

>> EURO 6000 is the most advanced Spanish card system in the process of migration to the EMV standard

In the technological services provided by the Confederation, significant progress was made in 2009 in availability, security and innovation, following the line and plans undertaken in previous years. The most important of these aspects included the Confederation's commitment to security of the new channels, mobility, business intelligence and the strengthening of instruments or technological practices having a particular bearing on the outsourcing of services.

9.6.1 Means of payment

CECA manages the EURO 6000 system processing centre, which allows the interchange of transactions effected by 14,400,000 cards issued by savings banks, 16,500 ATMs and 278,000 point-of-sale (POS) terminals using this system. In 2009, over 695 million transactions were processed, down 0.2% year on year. The availability of the service during the year, weighted according to the real traffic from time to time, was 99.99%.

>> The EURO 6000 System permits the interchange of transactions effected by 14.4 million cards and 15,600 ATMs

The Confederation worked intensely during 2009 on maintenance, enhancement and innovation in the area of services provided by CECA for savings banks in the EURO 6000 System. It should be mentioned that after exceeding the 90% threshold of ATMs and POS terminals adapted to the EMV standard, the greatest migration effort focused in 2009 on the issuer segment, i.e. replacement of cards using magnetic strips to cards incorporating EMV chips. Owing to the determination of savings banks, the support received from EURO 6000 and the support provided by CECA, the EURO 6000 System is the Spanish card system that has made most progress in the migration to the EMV standard, some 36% of total cards having migrated already, which establishes a sound platform for completing the migration on the terms established for end-2010.

Savings banks using the PECA and SAT services have made full use of the complete support provided by these services for use of the EMV standard. Both services, which enable savings banks to manage all payment products, are fully approved for integral processing according to the EMV standard, including the use of anti-fraud tools based on neural networks. Over 118 million transactions were processed in PECA and SAT in 2009, corresponding to the thirteen savings banks that use these services.

Another key tool in payment systems during 2009 was Espía [lit.: Spy]. Thanks to this anti-fraud system, the savings banks in the EURO 6000 system have had a highly effective ally to respond to the growing threats related with fraudulent use of payment cards. The Espía system established in CECA is based on a development made by the Institute of Knowledge Engineering of the Autonomous University of Madrid, which uses parametric and statistical models, neural networks, to detect any irregular or unusual use of cards. The alerts generated by the system are dealt with by a group of anti-fraud specialists who work around the clock to give an immediate response to any incidents detected.

Savings banks using the CARD service also have another group of CECA experts and systems which, monitor and deal with any incidents in payment systems at the most adequate level for each institution. The incident processing automation mechanisms were extended in 2009. The number of savings banks using this service that use the tools provided by CECA for decentralised management and monitoring of incidents has also increased. The flexibility of these systems makes it easier to adapt in each case to the organisation and control requirements of each institution. A very high level of interest in this product has been detected among savings banks, since it solves a complex problem that takes up a large quantity of highly-qualified resources. At year-end 2009, eighteen savings banks were using this service.

>> *Espía detects unusual behavioural patterns in the use of cards, based on parametric and statistical models*

>> *Twenty-five savings banks now use the Escudo system, which guarantees the uninterrupted functioning of card transaction interchange services*

There has also been a breakthrough in 2009 in the security of means of payment. One of the pillars of security in card transactions is their on-line authorisation. The Escudo system was started up in 2008, guaranteeing the uninterrupted functioning of the card transaction interchange services. This system, as well as being able to act in the adverse contingencies affecting the usual technological platform, is flexible for the savings banks to participate in the authorisation processes, allowing actions on behalf of the savings banks, if they so wish, or fully maintaining their role as issuers in the transaction authorisation process. Most savings banks have used Escudo during 2009. At the end of the year, twenty-five savings banks benefit from it.

Another important milestone reached during 2009 was the acknowledgement by VISA and MasterCard that CECA met all the security requirements established in the standard PCI DSS. This compliance has been checked, in accordance with the rules and procedures of the PCI Security Standards Council, by an external auditor certified by the aforesaid council to perform the corresponding audit processes.

Card transaction acquirer services are proving to be strategically important, for which reason CECA continued in 2009 to develop an important set of initiatives designed to boost this aspect of payment systems. These initiatives consist of improving the technical platform, permitting remote monitoring and adjustment of terminals; communication systems, enabling connection through any type of protocols and conversion between them; development of tools for monitoring and controlling the returns on purchasing activity; and the start-up at the disposal of savings banks of systems to facilitate innovating services for traders, such as support for the customer loyalty plans of the trades based on the use of payment cards issued by financial institutions.

CECA also supports savings banks in their issuing business. In 2009 the second phase was carried out of the *eMisión* project, which, using data-mining tools, offers participating savings banks a large quantity of relevant details regarding their customers' behaviour in the use of cards and permits segmentation of the use of the cards and segmentation of customers according to different approaches, which is especially important for being able to generate specialised offers and efficient campaigns.

>> *Visa and MasterCard acknowledge that CECA meets the requirements established in the standard PCI DSS*

>> *eMisión offers savings banks a large quantity of relevant data on the behaviour or their customers*

The main details of transactions processed by CECA are as follows:

Transactions in shops:	562,008,609	
Transactions in branches and ATM:	133,380,153	
TOTAL 2009	**695,388,762**	
TOTAL 2008	697,041,516	**-0.2%**

9.6.2 New channels

CECA provides services related with virtual channels to 43 savings banks, one bank and one credit cooperative. These services aim to achieve economies of scale to enable the institutions to distribute products and services efficiently through the new channels and economies of scope enabling them to be in the vanguard of technological development.

In 2009, the **multi-channel electronic banking platform** that New Channels provides for savings banks processed 617,774,114 important financial transactions effected by 1,202,306 users a month, with an availability of 99.97%, weighted by the real traffic at any one time.

>> *CECA, benchmark in electronic security*

Plans continued during the year for integration of the multi-channel electronic banking server with third parties of interest for savings banks in insurance and schemes, such as AEGON and CASER, and in tax gateways, continuing the incorporation of new regional gateways, such as those of the Extremadura and Catalonia regional governments. A new electronic banking personalisation model has also been developed, meeting accessibility standards and including advertising information to facilitate contracting. Further progress was made during the year in the development of the contingency plan of the installation and in testing its backing.

CECA was a benchmark again in 2009 in electronic banking **security**. CECA provides this service to 43 institutions under the master anti-fraud services agreement signed with S21Sec-Verisign. Some 313 cases of attacks on savings banks covered by the service were detected during the year. The analysis of new transactions other than transfers was included in the internet activity monitor, such as the generation of virtual cards or *PagoAmigo* orders.

A total of 197,174 **securities trading** transactions were processed in 2009 using the CECA New Channels infrastructure, through internet banking, telephonic banking, mobile banking and branch terminal channels. Reengineering of the online broker was completed during the year, both from the point of view of design, with the incorporation of web 2.0 capacities, with changes in the support services to give the systems greater stability, and in the financial information supplied by market experts, renewing and creating new reports and analyses.

>> *In 2009 more than 197,000 securities trading transactions have been processed using the New Channels infrastructure*

CECA has continued to offer new **Contact Centre** services, assisting savings banks in their call campaigns, whether for commercial purposes or to recover funds. Intensive use was made during the year of *PagoAmigo* to offer emergency cash for holders of Euro6000 cards in national territory. Some 688,655 calls were received on the CECA platform during 2009.

During 2009 **mobiles** were further confirmed as one of the future channels for customer relations, with 1,143,276 electronic banking transactions made by mobile. Use of **SMS** continued its exponential growth, some 16,126,983 messages having been sent by over thirty institutions during the year, with a 99.98% system availability. Aware of the synergies between these channels, CECA developed the ***enVivo*** project, relying heavily on mobile devices through mobile internet transactions and SMS, to increase security in the use of credit cards and encourage their use, giving customers a better control of their expenditure.

The New Channels technological platform is used to develop and operate the Bravo project for immigrant remittances. At present, 27 savings banks participate in this project, having paid 132,150 remittances in 2009 to 21 correspondent banks, which is considered an acceptable volume despite the decline in activity by this customer segment owing to the present economic situation.

The **e-invoice** project continued its positive evolution during the year with the participation of 31 savings banks. It has developed the processing of endorsements, the new version 3.2 of the e-invoice format and the new sector extensions published by the Ministry of Industry. CECA has continued to promote development of the E-invoice and their interchange between financial institutions on a national and international level, through its presence in the corresponding committees of Iberpay and the European Banking Association (EBA). It has also incorporated new departments in its own organisation that use the e-invoice application in their invoicing of customers.

CECA has further developed its internet trading tools under the name of ***e-marketing***, to give savings banks more support and legal security. A total of 40,171 new contracts were signed in 2009. In this regard, an **Electronic Signature Platform** has been developed and is available for customer institutions, which can use it in both their internal processes and their relations with customers, enabling the authentication and validation of certificates, timestamping, signing and validation XadES and PDF, and the safekeeping of electronic documents.

Development of version 2.0 of ***enCuenta***, the family accounting application, was completed in 2009, introducing improvements such as comparison with the community, the uploading of files from other institutions and its adaptation for use by companies. At present this application has 63,487 registered users.

>> *CECA fosters development of the e-invoice and their interchange between financial institutions*

>> *Start-up of the first mortgage loan processing entity through the e-notary project platform*

In e-commerce, the CECA **virtual POS terminal** is still one of the most highly valued e-commerce gateways on the market, with a volume of 2,203,303 transactions processed in 2009, corresponding to 32 institutions.

New Channels provides support for development of the **Pan-European Direct Debits Service** project, in which 32 savings banks participate directly or indirectly and which has sent debits in 2009 to Germany, Italy, France and Portugal for EUR 67,733,480.

Also during the year the first mortgage loan processing entity was started up through the **e-notary project** platform. Some 19,069 transactions have been performed in the area of personal loans.

9.6.3 Management support services

These include services provided by CECA for savings banks to assist Human Resources, Administration and General Services, providing support in particular to facilitate the human resources management (pay slips, personnel advancement, hazard prevention and occupational health), purchases management and administration of suppliers and property management.

In the area of Human Resources, progress continued in 2009 in the mechanisation of manpower management processes, using the HR portal as the basic tool. Another important development allows employees to choose products with greater tax benefits within a system of flexible remuneration (substitution of payment in kind for payment in cash), enabling them to increase their real net salaries at a minimal cost to the savings bank.

Equally important is the project launched to boost the management tool associated with occupational hazard prevention and occupational health, coinciding with major changes in circumstances that make it more necessary for savings banks to have specific applications with which they can meet the growing requirements in this area with a minimum consumption of resources.

In the area of Administration and General Services, CECA has worked on the development of new functions within the Integral *Expenditure Management Model* set up earlier, which covers the full cycle of this management, from the initial cycle of budgeting to continuous monitoring, including the corresponding phases of demand and purchases management.

This model is intended to assist savings banks in achieving the following goals:

- Set limits on expenditure
- Streamline expenditure (quantity)
- Reduce the quantity of expenditure (quality)
- Avoid variance between real and budgeted expenditure
- Adjust expense caps to business evolution and management savings

>> *The Pulso service, true to its innovating line, has brought out an Ad-hoc Console*

9.6.4 Business Intelligence

Within the BITs initiative, use has been made of the new "community" technologies with which it is possible to hold virtual meetings, making communication with savings banks considerably easier and increasing the flow of information exchanged between them.

The **Pulso** service maintains its line of innovation, bringing out in 2009 the Ad-hoc Console. It has also incorporated a new daily information service called *"Pulso Diario"*. This service, created at the end of 2008, is considered of great interest by savings banks. It has been extended to include reports on the real end-of-month situation of individual savings banks in comparison with financial institutions on the whole.

A total of 23 savings banks now use the Pulso service.

The savings banks that have contracted ***Geomarketing*** have used this service extensively to broaden their knowledge of customers (Know Your Customer - KYC) with the information provided by the geographical and enrichment systems.

>> *Geomarketing assists in KYC with information provided by geographical systems*

In 2009, support has been given to the means of payment acquirer business, introducing in-venta as a solution for merchants, including customer loyalty proposals for use of the card, to be defined individually by each user savings bank.

Also supporting the acquirer business, CECA has collaborated with EURO 6000 to develop a tool that enables user institutions to analyse the profitability of merchants (SERPA) that operate with their POS terminals.

Within the collaboration with EURO 6000 support has been provided for the eMisión project, making it possible to reflect the situation of the issuing business

Within the interactive services a new version of enCuenta 2.0 has been developed, allowing not only a global analysis of the customer's financial situation, but also the possibility of planning and comparison with community data.

9.6.5 Technological and services infrastructure

The *Activity Monitor* has continued increasing the number of services for which it provides information. It now monitors services such as SEP, PECA (Savings Banks Electronic Payment), e-banking, broker, content manager, SMS and many other outsourcing services provided by CECA.

Within the information facilitating control and monitoring, the *Health Chart* has been developed, which sets down in a continuously updated table the current situation of the services of a savings bank. The service enables the contracting institution to rapidly detect any abnormal situations.

Some sixty services were made available to 44 savings banks and a further 39 credit institutions and service enterprises in 2009 through the Hidra network. The first savings banks have been incorporated in the new MPLS infrastructure, with which broadband capacity is increased and costs are reduced. One of the most important aspects during the year regarding services was the incorporation of the Bank of Spain in the Hidra network to channel terminal traffic, applications and file transfer between entities in the Hidra network and the Bank of Spain.

ONO has also been incorporated as provider of MPLS technology communications. This will enable a faster deployment of this technology, substituting the former *Frame Relay.*

As part of the efforts to enhance infrastructure efficiency, the entire communications architecture of the savings banks outsourcing service has been renewed, permitting on the one hand integration of all savings banks communications with the Hidra network and, on the other, easy incorporation of Distributed Systems solutions.

>> *Incorporation of the Bank of Spain in the Hidra network to channel terminal traffic, applications and file transfer*

9.6.7 Outsourcing Services

The principal activities of the technological operation outsourcing service in 2009 were:

- Production service for transactions in Z/OS environments and Windows platforms for the seven savings banks included in this service.
- Operation of the private banking and personal banking system for eleven savings banks and two banks.
- Anti-money laundering service.
- Operation of the insurance management system.
- Operation of the business continuity platform for more than twenty savings banks.
- Operation of different SAP modules (financial, calculation of capital consumption – Bank Analyser) within savings banks or suppliers they have contracted.
- Infrastructure services such as the hosting of web sites, hosting of savings bank servers, supplying of corporate access to internet, mail servers, etc.
- Infrastructure (basic hardware and software) services and systems technical support for different SAP modules (financial, calculation of capital consumption – Bank Analyser) within savings banks or suppliers they have contracted.

10
Social Work

SAVINGS BANKS FOUNDATION (FUNCAS)

Research, the essential activity of FUNCAS, was particularly productive in 2009. Twenty-two research projects were completed, addressing areas in which the work of the Foundation has traditionally been performed. Some of the topics researched include the financing of Autonomous Communities, development of a simulator to analyse possible income tax reforms, problems of the Financial System and a series of papers analysing the most modern trends in tax systems, carried out by a group of specialists who can be considered the most highly qualified experts in the world. A further twenty-one research projects are in progress, dealing with different economic and social aspects of the savings banks' business, the new European financial directives and economic problems in general.

This research is the basic source of information for the different publications of the Foundation, consisting of four journals (*Papeles de Economía Española* [Papers on the Spanish Economy], *Perspectivas del Sistema Financiero* [Prospects of the Financial System], *Panorama Social* [Social Panorama] and *Cuadernos de Información Económica* [Economic Information Notebooks]); the *Estudios de la Fundación* [Foundation Studies] collection, which has published nine works, including three theses selected for the *Enrique Fuentes Quintana Prize*; and the series *Documentos de Trabajo* [Working Documents], which has put some 55 documents on the Foundation's web site.

The Foundation organises and participates in numerous public events, fifty-one in 2009. These events are attended by Foundation researchers, along with important scientific and public figures. Undoubtedly the most important symposium held this year was the one addressing the current situation of tax systems, held in Malaga with the collaboration of Unicaja. Eleven leading specialists spoke at the symposium, including Vito Tanzi and Richard Bird, and the sessions were chaired by important Spanish figures, such as José Manuel González Páramo (European Central Bank) and Antoni Castells (councillor of the Catalan Government). The papers given will be published in English, and in Spain in the journal *Papeles de Economía Española.*

>> *Sumposium on the current situation of tax systems, held in Malaga*

The Foundation Library presents works not published by FUNCAS but nevertheless considered worthy of distribution among the public. This is the case of the books *De la quimera inmobiliaria al colapso financiero. Crónica de un desenlace anunciado* [From Property Illusion to the Financial Crunch. Report of a Foreseeable Ending], by José García Montalvo; *Emprendiendo hacia el 2020. Una renovada perspectiva global del arte de crear empresas y sus artistas* [Setting Out for 2020. A Renewed Global Perspective of the Art of Creating Companies and its Artists], by Pedro Nueno, and Odisea 2050. *La economía mundial del siglo XXI* [Odyssey 2050. The World Economy of the XXI Century], by Jaime Requeijo.

Teaching is another important task within the Foundation, which directs the contents of the *Course of Experts in Managing Financial Institutions*, within the collaboration arranged with the Carolina Foundation.

In the cultural area, the prize-winning short stories in the *XXXV Concurso Hucha de Oro* [Golden Piggy Bank Competition] were published and the XXXVI edition has been called.

Under the title *Time for Music*, the Casals quartet gave a concert in the Círculo de Bellas Artes, interpreting works by Haydn and Dvorak. The event was hosted by the musicologist Guiomar Blanco.

The environment is another of the concerns of FUNCAS, which finances the prize awarded by Fondena to those performing outstanding work in the field of protection and conservation of the flora and fauna of the Kingdom of Spain, and the Europarc-Spain prize awarded annually on the *European Day of Parks*; and five grants for students of the *Master in Protected Natural Spaces.*

>> *Financing of the Europark-Spain Prize, awarded on the European Day of Parks*

11
Annexes

- Principal financial regulations entering into force and drafts pending approval in 2009
- CECA publications
- FUNCAS publications
- Glossary
- Chronology
- Head offices, branches and representative offices

11.1 PRINCIPAL FINANCIAL REGULATIONS ENTERING INTO FORCE AND DRAFTS PENDING APPROVAL IN 2009

This annex of the annual report lists the State, regional and international financial regulations passed in 2009 and the main draft regulations on which CECA had issued a report and that were awaiting approval at the end of the year.

All the approved regulations listed below can be consulted on the web site *www.normativafinanciera.com*. This website includes the CECA financial regulations database, which is available to savings banks experts and the general public. The database contains all legislation – current and repealed - of the central government, regional governments and European Union affecting the savings banks and the Spanish financial sector, as well as basic laws regulating lending in the different Latin American financial systems. The original text of each provision is presented along with all subsequent amendments . The most significant laws can be searched by article, to which descriptors have been assigned.

Draft financial regulations under debate at the time of each query can also be consulted in the database, including both those submitted to public hearing by different government levels (EU, central or regional) and those going through parliament. Finally, other relevant quasi-regulatory proposals from certain international agencies (CEBS, BIS or IOSCO, among others) are also included.

I. STATE LEGISLATION:

1. Principal laws and regulations passed

a) Auditing:

- Resolution passed by the Accounting and Audit Institute on 29 September 2009, publishing the Auditing Technical Standard on preparation of the Supplementary Report to the auditor's report on the annual accounts of Investment Services Enterprises and their Groups.
- CNMV Circular 5/2009 of 25 November regulating the Auditor's Annual Report on Customer Asset Protection.

b) Bank of Spain:

- Bank of Spain Resolution of 28 March 2009 publicising the Resolution adopted by the Executive Committee on the same date with regard to *Caja de Ahorros de Castilla-La Mancha.*
- Royal Decree-Law 4/2009 of 29 March authorising financing derivative guarantees that may be granted by the Bank of Spain to *Caja de Ahorros de Castilla-La Mancha.*
- Bank of Spain Circular 3/2009 of 18 December to owners of foreign exchange establishments amending Circular 6/2001 of 29 October on owners of foreign exchange establishments.

- Bank of Spain Circular 2/2009 of 18 December to authorised appraisal services and companies amending Circular 3/1998 of 27 January to authorised appraisal services and companies on reporting to the Bank of Spain.
- Bank of Spain Circular 1/2009 of 18 December to credit institutions and other supervised institutions regarding reporting of capital structure and "cuotas participativas" of credit institutions, their branches and senior officers of the supervised institutions.

c) Accounting:

- CNMV Circular 9/2008 of 10 December on accounting standards, supervisory and public reporting statements and annual accounts of the management companies of regulated secondary markets, excluding the Bank of Spain, the management companies of multilateral trading systems, the Systems Company, the central counterparty institutions, stockbrokers, companies owning all the shares in the management bodies of regulated secondary markets and multilateral trading systems and other clearing and settlement systems of the markets created under the Securities Market Act.
- Ministry of Finance and Economy Order EHA/1327/2009 of 26 May on special rules for the preparation, documentation and presentation of accounting information of mutual guarantee companies.
- State Finance Act 26/2009 of 23 December for 2010 (included because it contains an amendment to the Bank of Spain Autonomy Act 13/1994 of 1 June).
- Royal Decree 2003/2009 of 23 December amending Royal Decree 1514/2007 of 16 November approving the National Chart of Accounts.

d) Private equity:

- CNMV Circular 11/2008 of 30 December on accounting standards, annual accounts and statements of confidential information of private equity firms.

e) Company law:

- Act 3/2009 of 3 April on structural modifications of companies.

f) Statistics:

- CNMV Circular 2/2009 of 25 March on accounting standards, annual accounts, public financial statements and supervisory statements of statistical information of Securitisation Funds.
- Ministry of Finance and Economy Order EHA/251/2009 of 6 February approving the accounting statistics documentation system of pension fund managers.

g) Guarantee Funds:

- Ministry of Finance and Economy Order EHA/3515/2009 of 29 December establishing contributions to the Deposit Guarantee Fund in Savings Banks.
- Royal Decree 1819/2009 of 27 November amending Royal Decree 948/2001 of 3 August on investor compensation systems.

h) Financial Asset Acquisition Fund -FAAF:

- Resolution of the Directorate General for the Treasury and Financial Policy of 20 January 2009 ordering publication of the results of the third auction of the Financial Asset Acquisition Fund.

- Resolution of the Directorate General for the Treasury and Financial Policy of 30 January 2009 ordering publication of the results of the fourth auction of the Financial Asset Acquisition Fund.

i) Risk Management:

- Bank of Spain Guidelines for application of the standard method for calculating equity for operational risk.

j) Collective Investment Undertakings:

- CNMV Circular 12/2008 of 30 December on solvency of investment services companies and their consolidated groups.
- CNMV Circular 1/2009 of 4 February on categories of collective investment institutions according to their investment vocation.
- CNMV Circular 3/2009 of 25 March on the contents of the half-yearly report on fulfilment of the supervision and oversight of collective investment undertakings' depositaries.
- Resolution of the National Securities Market Commission of 7 October 2009 on minimum records to be kept by companies providing investment services.
- CNMV Circular 4/2009 of 4 September on reporting of significant information.
- Royal Decree 1818/2009 of 27 November amending the Collective Investment Undertakings Regulation 35/2003 of 4 November, approved by Royal Decree 1309/2005 of 4 November.
- CNMV Circular 6/2009 of 9 December on internal control of investment companies and collective investment undertaking managers.

k) Measures to combat the financial crisis:

- Royal Decree Law 3/2009 of 27 March on urgent tax, financial and insolvency measures in view of the evolution of the economic situation.
- Resolution of the Directorate General for the Treasury and Financial Policy of 24 July 2009 which, in accordance with Article 5 of the Ministry of Finance and Economy Order EHA/3364/2008 of 21 November developing Article 1 of Royal Decree Law 7/2008 of 13 October on urgent economic and financial measures concerning the Concerted Action Plan of the Euro Area Countries, establishes the time limit for filing applications for endorsement against the State Budget for 2009 and the application form.

l) Government Debt Market:

- Ministry of Finance and Economy Order EHA/3877/2008 of 29 December ordering the creation of Government Debt in 2009 and January 2010 and delegating certain powers to the Directorate General for the Treasury and Financial Policy.
- Resolution of the Directorate General for the Treasury and Financial Policy of 9 July 2009 altering the list of Government Debt Market-Makers of the Kingdom of Spain acting in respect of Treasury Bills.

m) Securities Market:

- Resolution of the National Securities Market Commission Council of 21 January 2009, altering the Internal Regulations of the National Securities Market Commission
- Ministry of Finance and Economy Order EHA/1421/2009 of 1 June developing section 82 of the Securities Market Act 24/1988 of 28 July on significant information

- Act 5/2009 of 29 June amending the Securities Market Act 24/1988 of 28 July, the Credit Institutions (Discipline and Intervention) Act 26/1988 of 29 July and the recast Private Insurance (Regulation and Supervision) Act, approved by Legislative Royal Decree 6/2004 of 29 October to reform the regulation of significant shareholdings in investment services, credit institutions and insurance companies.
- Act 11/2009 of 26 October regulating Listed Investment Companies on the Property Market.
- Royal Decree 1820/2009 of 27 November amending Royal Decree 361/2007 of 16 March, which develops the Securities Market Act 24/1988 of 28 July on interests in the capital of companies managing secondary securities markets and companies administering systems for recording, clearing and settlement of securities, and Royal Decree 217/2008 of 15 February on the legal framework for investment services companies and other entities providing investment services, partially amending the Regulations of the Collective Investment Undertakings Act 35/2003 of 4 November approved by Royal Decree 1309/2005 of 4 November.

n) Mortgage Market:

- Royal Decree 97/2009 of 6 February amending Royal Decree 1975/2008 of 28 November on urgent measures on economic, tax and employment issues and access to housing.
- Act 2/2009 of 31 March regulating the contracting with consumers of mortgage loans or mortgage-backed facilities and brokering services for loan or credit facility agreements.
- Royal Decree 716/2009 of 24 April developing certain aspects of the Mortgage Market Act 2/1981 of 25 March and other provisions regulating the mortgage and financial system.

o) Pension Schemes and Funds:

- Ministry of Finance and Economy Order EHA/251/2009 of 6 February approving the accounting statistics documentation system of pension fund managers
- Royal Decree 1299/2009 of 31 July modifying the Pension Schemes and Funds Regulations approved by Royal Decree 304/2004 of 20 February.

p) Monetary Policy:

- Resolution of the Executive Committee of the Bank of Spain of 26 November 2008 on temporary changes of criteria for accepting assets as collateral in Bank of Spain monetary policy transactions.
- Resolution of the Executive Committee of the Bank of Spain of 22 January 2009 modifying the Resolution of 11 December 1998, which approved the general clauses applicable to the Bank of Spain monetary policy transactions.
- Ministry of Finance and Economy Order EHA/1430/2009 of 21 May modifying the retail prices of collectors' coins.
- Resolution of the Executive Committee of the Bank of Spain of 21 May 2009 modifying the Resolution of 11 December 1998, which approved the general clauses applicable to the Bank of Spain monetary policy transactions.
- Resolution of the Executive Committee of the Bank of Spain of 23 December modifying the Resolution of 26 November 2008 on temporary changes to the rules on eligibility of collateral in Bank of Spain monetary policy transactions.

q) Equity:

- Royal Decree Law 9/2009 of 26 June on bank restructuring and equity enhancement of credit institutions.
- Royal Decree 1817/2009 of 27 November amending Royal Decree 1245/1995 of 14 July on the creation of banks, cross-border activities and other issues related with the legal framework for credit institutions, and Royal Decree 692/1996 of 26 April on the legal framework for credit finance companies.

r) Payment Services:

- Payment Services Act 16/2009 of 13 November.

s) Financial Services:

- CNMV Circular 10/2008 of 30 December on Financial Advisory Firms.

t) TARGET:

- Resolution of the Executive Committee of the Bank of Spain of 21 May 2009 modifying the Resolution of 20 July 2007 approving the general clauses on uniform conditions for participating in TARGET2-Bank of Spain (TARGET2-BE).
- Resolution of the Bank of Spain of 16 July 2009 publishing the list of direct participants in TARGET2 - Bank of Spain and the list of members of the Computerised Book-Entry Transfer System [Central de Anotaciones] of the Book-Entry Government Debt Market (Account Holders and Managers).
- Resolution of the Executive Committee of the Bank of Spain of 7 October 2009 modifying the Resolution of 20 July 2007 approving the general clauses on uniform conditions for participating in TARGET2-Bank of Spain (TARGET2-BE).
- Resolution of the Bank of Spain of 25 November 2009 publishing the list of direct participants in TARGET2 - Bank of Spain and the list of members of the Computerised Book-Entry Transfer System [Central de Anotaciones] of the Book-Entry Government Debt Market (Account Holders and Managers).

u) Reporting Transparency:

- Bank of Spain Guidelines for application of the standard method in determining the equity for operational risk.

v) Government-Sponsored Housing Schemes:

- Ministry of Housing Order VIV/2680/2009 of 28 September, ordering application of the new financing system established in Royal Decree 2066/2008 of 12 December, regulating the State Housing and Restoration Plan 2009-2012.
- Resolution of the Under Secretariat of 19 May 2009 publishing the Resolution adopted by the Council of Ministers on 14 May 2009, revising and modifying the effective annual interest rates in force for qualified loans granted within the Programme 1994 (Housing Plan 1992-1995), Programme 1997 (Housing Plan 1996-1999), Housing Plan 2002-2005 and Housing Plan 2005-2008, and modifying some of the general terms of loans established for the State Housing and Restoration Plan 2009-2012.
- Ministry of Housing Order VIV/1290/2009 of 20 May on invitation to bid for selection of credit institutions to collaborate with the Ministry of Housing in the financing of sponsored activities under the State Housing and Restoration Plan 2009-2012.
- Ministry of Housing Order VIV/1952/2009 of 2 July declaring the territorial scope of the ceiling price for 2009, for the purpose of Royal Decree 2066/2008 of 12 December regulating the State Housing and Restoration Plan 2009-2012.

- Ministry of Housing Order VIV/1861/2009 of 10 July establishing a supplementary time for the invitation regulated in the Ministry of Housing Order VIV/1290/2009 of 20 May and altering the composition of the Monitoring Table established in that Order.
- Ministry of Housing Order VIV/1971/2009 of 15 July publicising the list of credit institutions selected as collaborators and those qualified as preferential for financing of the State Housing and Restoration Plan 2009-2012.
- Royal Decree 1961/2009 of 18 December introducing new temporary measures in the State Housing and Restoration Plan 2009-2012.
- Resolution of the Under Secretariat of 29 December 2009 publishing the Resolution adopted by the Council of Ministers on 18 December 2009, which established the amount of the State Basic Model for 2010 (State Housing and Restoration Plan 2009-2012) and interpreted point Six.3 of the Resolution adopted by the Council of Ministers on 14 May 2009.

2. Draft regulations reported on and pending approval

- Bill on obtaining of financing on the markets by companies with concessions for public works, companies awarded contracts for collaboration between the public sector and the private sector and mixed capital companies created to perform government contracts.
- Anti-money laundering and terrorist financing bill.
- Draft Royal Decree developing Act 2/2009 of 31 March regulating the contracting with consumers of mortgage loans or mortgage-backed facilities and brokering services for loan or credit facility agreements.
- Draft Royal Decree creating the Interministerial Committee for appointment of the manager of the Securitisation Fund of the Electricity System Debt.
- Draft Ministry of Economy and Finance Order EHA/XXX/2009 on regulation and control of the advertising of investment products and services.
- Draft Bank of Spain Circular concerning statistics on interest rates applied to households and non-financial corporations.
- Draft Bank of Spain Circular on modification of Circular 4/2004 of 22 December on rules for public and supervisory financial reporting and models of financial statements.
- Draft Order of x x 2009, regulating endorsements by the regional government of Andalusia for fixed-income securities issued by asset securitisation funds to improve financing of the business production and government-sponsored housing schemes in Andalusia, announced for 2009 in pursuance of section 30 of the Finance Act 3/2008 of 23 December of the Autonomous Community of Andalusia for 2009.
- Draft Order of the Department of Economy and Finance of the Canary Islands on asset securitisation funds to improve financing of the business production in the Canary Islands.

II. INTERNATIONAL LEGISLATION:

Principal community regulations approved

a) European Central Bank:

- Decision of the European Central Bank of 11 December 2008, modifying the Decision ECB/2006/17 on the annual accounts of the European Central Bank.
- Decision of the European Central Bank of 12 December 2008 on the national central banks' percentage shares in the key for subscription to the European Central Bank's capital.

- Decision of the European Central Bank of 12 December 2008 laying down the terms and conditions for transfers of the ECB's capital shares between the national central banks and for the adjustment of the paid-up capital.
- Decision of the European Central Bank of 12 December 2008 laying down the measures necessary for the paying-up of the ECB's capital by the participating national central banks.
- Decision of the European Central Bank of 15 December 2008 laying down the measures necessary for the paying-up of the ECB's capital by the non-participating national central banks.
- Decision of the European Central Bank of 18 December 2008 to postpone the start of the rotation system in the Governing Council of the ECB.
- Decision of the European Central Bank of 27 January 2009 amending Decision ECB/2007/5 laying down the Rules on Procurement.
- Decision of the European Central Bank of 19 March 2009 amending Decision ECB/2004/2 adopting the Rules of Procedure of the ECB.
- Decision of the European Central Bank of 19 June 2009 amending Decision ECB/2003/14 concerning the administration of the borrowing-and-lending operations concluded by the European Community under the medium-term financial assistance facility.
- Decision of the European Central Bank of 2 July 2009 on the implementation of the covered bond purchase programme.
- Decision of the European Central Bank of 17 July 2009 amending Decision ECB/2006/17 on the annual accounts of the European Central Bank.
- Decision of the European Central Bank of 14 December 2009, amending Decision ECB/2006/17 on the annual accounts of the European Central Bank.

b) Accounting:

- Guideline of the European Central Bank of 11 December 2008 amending Guideline ECB/2006/16 on the legal framework for accounting and financial reporting in the European System of Central Banks.
- Commission Regulation (EC) No 53/2009 of 21 January 2009 amending Regulation (EC) No 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council as regards International Accounting Standard (IAS) 32 and International Accounting Standard (IAS) 1.
- Commission Regulation (EC) No 69/2009 of 23 January 2009 amending Regulation (EC) No 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council as regards amendments to International Financial Reporting Standard (IFRS) 1 and International Accounting Standard (IAS) 39.
- Commission Regulation (EC) No 70/2009 of 23 January 2009 amending Regulation (EC) No 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council as regards Improvements to International Financial Reporting Standards (IFRSs).
- Commission Regulation (EC) No 494/2009 of 3 June 2009 amending Regulation (EC) No 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council as regards International Accounting Standard (IAS) 27.
- Commission Regulation (EC) No 495/2009 of 3 June 2009 amending Regulation (EC) No 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council as regards International Financial Reporting Standard (IFRS) 3.

- Commission Regulation (EC) No 460/2009 of 4 June 2009 amending Regulation (EC) No 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council as regards International Financial Reporting Interpretations Committee's (IFRIC) Interpretation 16.
- Directive 2009/49/EC of the European Parliament and of the Council of 18 June 2009 amending Council Directives 78/660/EEC and 83/349/EEC as regards certain disclosure requirements for medium-sized companies and the obligation to draw up consolidated accounts.
- Decision of the European Central Bank of 17 July 2009 amending Decision ECB/2006/17 on the annual accounts of the European Central Bank.
- Guideline of the European Central Bank of 17 July 2009 amending Guideline ECB/2006/16 on the legal framework for accounting and financial reporting in the European System of Central Banks.
- Commission Regulation (EC) No 636/2009 of 22 July 2009 amending Regulation (EC) No 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council as regards International Financial Reporting Interpretations Committee's (IFRIC) Interpretation 15.
- Commission Regulation (EC) No 824/2009 of 9 September 2009 amending Regulation (EC) No 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council as regards International Accounting Standard (IAS) 39 and International Financial Reporting Standard (IFRS) 7.
- Commission Regulation (EC) No 839/2009 of 15 September 2009 amending Regulation (EC) No 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council as regards International Accounting Standard (IAS) 39.
- Commission Regulation (EC) No 1136/2009 of 25 November 2009 amending Regulation (EC) No 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council as regards International Financial Reporting Standard (IFRS) 1.
- Commission Regulation (EC) No 1142/2009 of 26 November 2009 amending Regulation (EC) No 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council as regards International Financial Reporting Interpretations Committee's (IFRIC) Interpretation 17.
- Commission Regulation (EC) No 1165/2009 of 27 November 2009 amending Regulation (EC) No 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council as regards International Financial Reporting Standards (IFRS) 4 and 7.
- Commission Regulation (EC) No 1164/2009 of 27 November 2009 amending Regulation (EC) No 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council as regards International Financial Reporting Interpretations Committee's (IFRIC) Interpretation 18.
- Commission Regulation (EC) No 1171/2009 of 30 November 2009 amending Regulation (EC) No 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council as regards International Financial Reporting Interpretations Committee's (IFRIC) Interpretation 9 and International Accounting Standard (IAS) 39.

- Commission Regulation (EU) No 1293/2009 of 23 December 2009 amending Regulation (EC) No 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council as regards International Accounting Standard (IAS) 32.
- Guideline of the European Central Bank of 14 December 2009 amending Guideline ECB/2006/16 on the legal framework for accounting and financial reporting in the European System of Central Banks.

c) Company Law:

- Directive 2009/49/EC of the European Parliament and of the Council of 18 June 2009 amending Council Directives 78/660/EEC and 83/349/EEC as regards certain disclosure requirements for medium-sized companies and the obligation to draw up consolidated accounts.
- Directive 2009/101/EC of 16 September 2009 on coordination of safeguards which, for the protection of the interests of members and third parties, are required by Members States of companies within the meaning of the second paragraph of Article 48 of the treaty, with a view to making such safeguards equivalent.

d) Statistics:

- Regulation (EC) No 24/2009 of the European Central Bank of 19 December 2008, concerning statistics on the assets and liabilities of financial vehicle corporations engaged in securitisation transactions.
- Guideline of the European Central Bank of 19 December 2008 amending Guideline ECB/2007/9 on monetary, financial institutions and markets statistics (recast).
- Decision of the European Central Bank of 6 March 2009 concerning derogations that may be granted under Regulation (EC) No 958/2007 concerning statistics on the assets and liabilities of investment funds (ECB/2007/8).
- Regulation (EC) No 290/2009 of the ECB of 31 March 2009 amending Regulation (EC) No 63/2002 (ECB/2001/18) concerning statistics on interest rates applied by monetary financial institutions to deposits and loans vis-à-vis households and non-financial corporations (ECB/2009/7).
- Guideline of the European Central Bank of 31 July 2009 on government finance statistics (recast).
- Commission Regulation (EC) No 834/2009 of 11 September 2009 implementing Regulation (EC) No 716/2007 of the European Parliament and of the Council on Community statistics on the structure and activity of foreign affiliates, as regards the quality reports.
- Council Regulation (EC) No 951/2009 of 9 October 2009 amending Regulation (EC) No 2533/98 concerning the collection of statistical information by the European Central Bank.

e) Euro:

- Decision of the European Central Bank of 12 December 2008 amending Decision ECB/2001/15 on the issue of euro banknotes.
- Council Regulation (EC) No 44/2009 of 18 December 2008 amending Regulation (EC) No 1338/2001 laying down measures necessary for the protection of the euro against counterfeiting
- Council Regulation (EC) No 45/2009 of 18 December 2008 amending Regulation (EC) No 1339/2001 extending the effects of Regulation (EC) No 1338/2001 laying down measures necessary for the protection of the euro against counterfeiting to those Member States which have not adopted the euro as their single currency.

- Council Regulation (EC) No 46/2009 of 18 December 2008 amending Regulation (EC) No 2182/2004 concerning medals and tokens similar to euro coins.
- Council Regulation (EC) No 47/2009 of 18 December 2008 amending Regulation (EC) No 2183/2004 extending to the non-participating Member States the application of Regulation (EC) No 2182/2004 concerning medals and tokens similar to euro coins.
- Commission Recommendation of 19 December 2008 on common guidelines for the national sides and the issuance of euro coins intended for circulation.
- Guideline the European Central Bank of 28 May 2009 amending Guideline ECB/2006/4 on the Eurosystem's provision of reserve management services in euro to central banks and countries located outside the euro area and to international organisations.

f) Deposit Guarantee Fund:

- Directive 2009/14/EC of the European Parliament and of the Council of 11 March 2009 amending Directive 94/19/EC on deposit-guarantee schemes as regards the coverage level and the payout delay.

g) Mergers and Divisions:

- Directive 2009/109/EC of the European Parliament and of the Council of 16 September 2009 amending Council Directives 77/91/EEC, 78/855/EEC and 82/891/EEC, and Directive 2005/56/EC as regards reporting and documentation requirements in the case of mergers and divisions.

h) Risk Management:

- Commission Directive 2009/27/EC of 7 April 2009 amending certain Annexes to Directive 2006/49/EC of the European Parliament and of the Council as regards technical provisions concerning risk management.
- Commission Directive 2009/83/EC of 27 July 2009 amending certain Annexes to Directive 2006/48/EC of the European Parliament and of the Council as regards technical provisions concerning risk management.

i) Collective Investment Undertakings:

- Directive 2009/65/EC of the European Parliament and of the Council of 13 July 2009 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS) .
- Annotated presentation of regulated markets and national provisions implementing relevant requirements of MiFID (Directive 2004/39/EC of the European Parliament and of the Council).

j) Measures to combat the financial crisis:

- Communication from the Commission. The return to viability and the assessment of restructuring measures in the financial sector in the current crisis under the State aid rules.
- Communication from the Commission. Temporary framework for State aid measures to support access to finance in the current financial and economic crisis.

- Communication from the Commission. The recapitalisation of financial institutions in the current financial crisis: limitation of aid to the minimum necessary and safeguards against undue distortions of competition.

k) Means of Payment:

- Directive 2009/110/EC of the European Parliament and of the Council of 16 September 2009 on the taking up, pursuit and prudential supervision of the business of electronic money institutions amending Directives 2005/60/EC and 2006/48/EC and repealing Directive 2000/46/EC.
- Regulation (EC) No 924/2009 of the European Parliament and of the Council of 16 September 2009 on cross-border payments in the Community and repealing Regulation (EC) No 2560/2001.

l) Securities Market:

- Commission Decision of 23 January 2009 establishing the Committee of European Securities Regulators.
- Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies.

m) Monetary Policy:

- Guideline of the European Central Bank of 23 October 2008 amending Guideline ECB/2000/7 on monetary policy instruments and procedures of the Eurosystem.
- Guideline of the European Central Bank of 20 January 2009 amending Guideline ECB/2000/7 on monetary policy instruments and procedures of the Eurosystem.
- Guideline of the European Central Bank of 7 May 2009 amending Guideline ECB/2000/7 on monetary policy instruments and procedures of the Eurosystem.
- Guideline of the European Central Bank of 10 December 2009 amending Guideline ECB/2008/18 on temporary changes to the rules relating to eligibility of collateral.
- Decision of the European Central Bank of 14 December 2009 amending Decision ECB/2001/16 on the allocation of monetary income of the national central banks of participating Member States from the financial year 2002.

n) Protection of Consumers' Interests:

- Directive 2009/22/EC of the European Parliament and of the Council of 23 April 2009 on injunctions for the protection of consumers' interests.
- Commission Communication pursuant to Article 5(2) of Regulation (EC) No 2006/2004 of the European Parliament and of the Council on cooperation between national authorities responsible for the enforcement of consumer protection laws, concerning the competent authorities and the single liaison offices.

o) Equity:

- Decision of the European Central Bank of 12 December 2008 laying down the measures necessary for the contribution to the ECB's accumulated equity value and for adjusting the national central banks' claims equivalent to the transferred foreign reserve assets.

p) Financial Services:

- Regulation (EC) No 25/2009 of the European Central Bank of 19 December 2008 concerning the balance sheet of the monetary financial institutions sector.
- Commission Recommendation of 30 April 2009 complementing Recommendations 2004/913/EC and 2005/162/EC as regards the regime for the remuneration of directors of listed companies.
- Commission Recommendation of 30 April 2009 on remuneration policies in the financial services sector.
- Decision No 716/2009/EC of the European Parliament and of the Council of 16 September 2009 establishing a Community programme to support specific activities in the field of financial services, financial reporting and auditing.

q) Payment Systems:

- Commission Decision of 15 December 2008 setting up a Payment Systems Market Expert Group.
- Directive 2009/44/EC of the European Parliament and of the Council of 6 May 2009 amending Directive 98/26/EC on settlement finality in payment and securities settlement systems and Directive 2002/47/EC on financial collateral arrangements as regards linked systems and credit claims.

r) Solvency:

- Communication from the Commission on the Treatment of Impaired Assets in the Community Banking Sector.

s) Financial Supervision:

- Commission Decision of 23 January 2009 establishing the Committee of European Banking Supervisors.
- Directive 2009/111/EC of the European Parliament and of the Council of 16 September 2009 amending Directives 2006/48/EC, 2006/49/EC and 2007/64/EC as regards banks affiliated to central institutions, certain own funds items, large exposures, supervisory arrangements and crisis management.

t) TARGET:

- Decision of the European Central Bank of 19 March 2009 on the establishment of the TARGET2-Securities Programme Board.
- Guideline of the European Central Bank of 7 May 2009 amending Guideline ECB/2007/2 on a Trans-European Automated Real-time Gross Settlement Express Transfer system (TARGET2).
- Decision of the European Central Bank of 9 June 2009 amending Decision ECB/2007/7 concerning the terms and conditions of TARGET2-ECB.
- Guideline of the European Central Bank of 17 September 2009 amending Guideline ECB/2007/2 on a Trans-European Automated Real-time Gross Settlement Express Transfer system (TARGET2).
- Decision of the European Central Bank of 6 October 2009 amending Decision ECB/2007/7 concerning the terms and conditions of TARGET2-ECB.

III. REGIONAL LEGISLATION:

Principal rules on savings banks approved

- Order of 30 December 2008 of the Extremadura regional government establishing instruments for carrying out the social work of foreign savings banks.
- Decree-Law 2/2009 of 20 October amending certain sections of the Andalusia Savings Bank Law 15/1999 of 16 December .
- Castile-Leon Law 7/2009 de Castilla y León of 16 June extending the time established in Supplementary Provision Two of Law 17/2008 of 23 December.
- Madrid Law 2/2009 of 23 June amending the Community of Madrid Savings Banks Law 4/2003 of 11 March.
- Order of 31 July 2009 of the Murcia Department of Economy and Finance approving the alteration of the Articles of Association and Procedural Regulations for Appointment of the Governing Bodies of savings banks in Murcia.
- Madrid Law 10/2009 of 23 December on Tax and Administrative Measures.
- Order EYE/2171/2009 of 13 November of Castile-Leon approving the list of Entities of General Interest that may be represented on the governing bodies of savings banks in Castile-Leon.
- Order EYE/2170/2009 of 13 November of the Castile-Leon regional government ordering publication of the ruling of Judgment no. 2067 of 21 November 2006 passed by the Chamber for Contentious Administrative Matters of the High Court of Justice of Castile-Leon, based in Valladolid, in Ordinary Proceedings no. 764/2002, filed by the Federation of Resident and Consumer Associations «Antonio Machado», the Association of Consumers and Users of Castile-Leon (ACU) and the Association of Users of Banks, Savings Banks and Insurance (ADICAE) against the Order of 21 January 2002 of the Department of Economy and Finance approving the list of Entities of General Interest that may be represented on the governing bodies of savings banks in Castile-Leon.
- Castile-Leon Law 10/2009 of 17 December on Financial Measures.

11.2 CECA PUBLICATIONS

Agrocajas — Monthly

Review of European agrarian legislation.

Análisis Comparativo (*) — Quarterly

Comparison of basic data relating to financial entities by province and Autonomous Community. Market shares. League table of institutions.

Anuario Estadístico de las Cajas de Ahorros — Annual

Statistical yearbook containing significant public information on each of the savings banks and statistical series of the sector. Includes the public financial statements of each institution at year end.

Apunte de Coyuntura Económica — Monthly

Overview of domestic and international economic developments.

Asamblea de Montes de Piedad (*) — Annual

Publication of the papers given at the XVIII General Assembly of Pawnbrokers, held in Salamanca.

Balances de las Cajas de Ahorros (on electronic file) — Monthly

Public balance sheet of each savings banks and aggregate balance sheet for the sector.

Boletín COAS (*) — Quarterly

Two-monthly R+D+I bulletin. Brief review of the latest news on new technologies on information and communication systems.

Boletín Estadístico (*) — Monthly

Compilation of all monthly statistical information available for the savings banks sector and the basic public data of each institution and the financial system as a whole

Cuentas de Pérdidas y Ganancias de las Cajas de Ahorros (on electronic file) — Quarterly

Public income statement for each savings bank and the aggregate income statement for the sector

Estados Financieros consolidados de las Cajas de Ahorros (on electronic file) — Quarterly

Consolidated public balance sheet and income statement for each savings bank

Informe Estadístico (*) — Quarterly

Compilation of all quarterly statistical information available for the savings banks sector. Breakdown by provinces of the basic data and number of branches.

Resultados de los grupos consolidados de las Cajas de Ahorros (*) — Quarterly

Analysis of the aggregate results of financial groups of savings banks.

Revista "Ahorro" — Monthly

Savings bank sector journal. Issues published in 2009 (448-459).

(*) Restricted publication, available exclusively for savings banks.

Other publications

Las Cajas de Ahorros en el Tercer Sector Social (Executive Summary) — Annual

Assessment of the impact of social work.

Digital publications (for savings banks only)

Boletín Fiscal — Daily

Review of tax laws, legal theory and case law relevant to savings banks.

Boletín M@rketing — Six-monthly

Newsletter on latest developments and articles on the financial market.

Boletín Melania de Auditoria — Four-monthly

News bulletin on internal and external auditing, money laundering, compliance and risk management.

Boletín Melania de Calidad — Occasionally

Bulletin on quality management in savings banks.

Boletín Melania de la COAS — Annual

News on savings banks' projects.

Boletín Melania de la ESCA — Tow-monthly

News on company management, training and leadership

Boletín Melania de Marketing y Publicidad — Monthly

News on financial products.

Boletín Melania de Operaciones — Six-monthly

News on operating management.

Boletín Melania de Recursos Humanos — Four-monthly

News on selection, recruitment, hiring, HR management, labour relations and training in occupational hazard prevention.

Boletín Melania de Seguridad — Weekly

News on financial security, security products, issues and interviews concerning these issues.

Facsímiles de Billetes Extranjeros — Daily

Facsimiles of foreign banknotes in operation for CECA.

Legislación de Cajas de Ahorros. — Annual

Compilation of laws enacted by the central and regional governments on issues affecting savings banks.

11.3 FUNCAS PUBLICATIONS

Papers on the spanish economy

April 2009: **La educación en España;** (2009), no. 119.

June 2009: **Los servicios en España;** (2009), no. 120.

October 2009: **Economía y cambio climático;** (2009), no. 121.

January 2010: **Crisis y regulación financiera;** (2009), no. 122.

Prospects of the financial system

April 2009: **Inestabilidad financiera y gestión de liquidez;** (2009), no. 95.

Septiembre 2009: **El consumidor en la contratación bancaria electrónica;** (2009), no. 96.

January 2010: **Tarjetas de pago;** (2009), no 97.

Economic review

March 2009: **Crisis económica. Una perspectiva regional;** (2009), no 208.

May 2009: **Crisis borrascosas;** (2009), no 209.

June 2009: **Fiscalidad, pensiones y cambio técnico: temas para debate;** (2009), no 210.

July 2009: **Brotes de verano;** (2009), no 211.

October 2009: **La explosión del ahorro familiar;** (2009), no 212.

January 2010: **La travesía del desierto;** (2009), no 213.

Social panorama

July 2009: **Tercer Sector y voluntariado;** (2009), no 9.

Dicember 2009: **Familias en transformación;** (2009), no 10.

Studies conducted by the foundation

February 2009: **Problemática de la dependencia en España: Aspectos demográficos y del mercado de trabajo (Serie Economía y Sociedad)/** *Lorenzo Serrano y Ángel Soler;* (2009), no 37.

March 2009: **Educación y familia. Los padres ante la educación general de sus hijos en España (Serie Economía y Sociedad)/** *Víctor Pérez-Díaz, Juan Carlos Rodríguez y Juan Jesús Fernández;* (2009), no 38.

May 2009: **Competitividad y deslocalización en la industria española (Serie Economía y Sociedad) /** *Diego Rodríguez, Jaime Turrión y Francisco J. Velázquez;* (2009), no 39.

June 2009: **Dos ensayos sobre financiación autonómica (Serie Economía y Sociedad) /** *Carlos Monasterio Escudero e Ignacio Zubiri Oria;* (2009), no 40.

July 2009: **Eficiencia y concentración del sistema bancario español (Serie Análisis)/** *Fernando Maravall, Silviu Glavan y Analistas Financieros Internacionales;* (2009), no 41.

July 2009: **Análisis de reformas del Impuesto sobre la Renta Personal a partir de microdatos tributarios. El simulador de la Fundación de las Cajas de Ahorros (FUNCASim) (Serie Análisis)/***José Félix Sanz Sanz, Juan Manuel Castañer Carrasco y Desiderio Romero Jordán;* (2009), no 42.

September 2009: **Comportamiento estratégico de la banca al por menor en España: Fusiones y especialización geográfica (Serie Tesis) /***Cristina Bernad Morcate;* (2009), no 43.

September 2009: **La vertiente cualitativa de la materialidad en auditoría: Marco teórico y estudio empírico para el caso español (Serie Tesis)/** *Javier Montoya del Corte;* (2009), no 44.

September 2009: **La decisión de internacionalización de las empresas: Un modelo teórico con inversión horizontal y vertical (Serie Tesis) /** *Jaime Turrión Sánchez;* (2009), no 45.

OTHER PUBLICATIONS

April 2009: **XXXV Concurso de Cuentos "Hucha de Oro", El fin de las palabras y otros cuentos**; (2009).

November 2009: **Diversidad en el sector bancario europeo. La actividad y el papel de las Cajas de Ahorros /** *Rym Ayadi, Reinhard H. Schmidt, Santiago Carbó Valverde con Emrah Arbak y Francisco Rodríguez Fernández;* (2009).

November 2009: **El coste de un sector bancario "sin cajas" /** *Santiago Carbó Valverde;* (2009).

January 2010: **Balance Económico Regional (autonomías y provincias). Años 2000 a 2008 /** *Julio Alcaide Inchausti y Pablo Alcaide Guindo;* (2009).

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January 2009: Friendly or controlling boards?/*Pablo de Andrés Alonso y Juan Antonio Rodríguez Sanz;* (2009), no. 438.

January 2009: La sociedad Trenor y Cía. (1838-1926): Un modelo de negocio industrial en la España del siglo XIX/ *Amparo Ruiz Llopis;* (2009), no. 439.

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January 2009: Determining operational capital at risk: An empirical application to the retail banking / *Enrique José Jiménez-Rodríguez, José Manuel Feria-Domínguez y José Luis Martín-Marín;* (2009), no. 441.

February 2009: Costes de mitigación y escenarios post-Kyoto en España: Un análisis de equilibrio general para España/ *Mikel González Ruiz de Eguino;* (2009), no. 442.

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March 2009: Information technologies and financial performance: The effect of technology diffusion among competitors/ *Lucio Fuentelsaz, Jaime Gómez y Sergio Palomas;* (2009), no. 451.

March 2009: A detailed comparison of value at risk in international stock exchanges / *Pilar Abad y Sonia Benito;* (2009), no. 452.

March 2009: Understanding offshoring: Has Spain been and offshoring location in the nineties? / *Belén González-Díaz y Rosario Gandoy;* (2009), no. 453.

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Marzo 2009: Does playing several competitions influence a team's league performance? Evidence from Spanish professional football / *Andrés J. Picazo-Tadeo y Francisco González-Gómez;* (2009), no. 455.

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May 2009: Cash conversion cycle in SMEs / *Sonia Baños-Caballero, Pedro J. García-Teruel y Pedro Martínez-Solano;* (2009), no. 457.

May 2009: Un estudio sobre el perfil de hogares endeudados y sobreeendeudados: El caso de los hogares vascos/ *Alazne Mujika Alberdi, Iñaki García Arrazabalaga y Juan José Gibaja Martíns;* (2009), no. 458.

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June 2009: Financial condition, cost efficiency and the quality of local public services / *Manuel A. Muñiz y José L. Zafra;* (2009), no. 462.

June 2009: Including non-cognitive outputs in a multidimensional evaluation of education production: An international comparison / *Marián García Valiñas y Manuel Antonio Muñiz Pérez;* (2009), no. 463.

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June 2009: On measuring the effect of demand uncertainly on cost: An application to port terminals / *Ana Rodríguez-Álvarez y Beatriz Tovar y Alan Wall;* (2009), no. 472.

June 2009: Order of market entry, market and technological evolution and firm competitive performance / *Jaime Gómez, Gianvito Lanzolla y Juan Pablo Maicas;* (2009), no. 473.

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July 2009: Incertidumbre externa y elección del modo de entrada en el marco de la inversión directa en el exterior / *Cristina López Duarte y Marta M.ª Vidal Suárez;* (2009), no. 476.

July 2009: Testing for structural breaks in factor loadings: An application to international business cycle / *José Luis Cendejas Bueno, Sonia de Lucas Santos, Inmaculada Álvarez Ayuso y M.ª Jesús Delgado Rodríguez;* (2009), no. 477.

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September 2009: Spatial analysis of public employment services in the Spanish provinces / *Patricia Suárez Cano y Matías Mayor Fernández;* (2009), no. 485.

September 2009: Trade effects of continental and intercontinental preferential trade agreements / *Salvador Gil-Pareja, Rafael Llorca-Vivero y José Antonio Martínez-Serrano;* (2009), no. 486.

November 2009: Testing the accuracy of DEA for measuring efficiency in education under endogeneity / *José Manuel Cordero Ferrera y Daniel Santín González;* (2009), no. 487.

November 2009: Measuring efficiency in primary health care: The effect of exogenous variables on results / *José Manuel Cordero Ferrera, Eva Crespo Cebada y Luis R. Murillo Zamorano;* (2009), no. 488.

November 2009: Capital structure determinants in growth firms accessing venture funding / *Marina Balboa, José Martí y Álvaro Tresierra;* (2009), no. 489.

November 2009: Determinants of debt maturity structure across firm size / *Víctor M. González;* (2009), no. 490.

November 2009: Análisis del efecto de la aplicación de las NIIF en la valoración de las salidas a bolsa / *Susana Álvarez Otero y Eduardo Rodríguez Enríquez;* (2009), no. 491.

November 2009: An analysis of urban size and territorial location effects on employment probabilities: The Spanish case / *Ana Viñuela–Jiménez, Fernando Rubiera-Morollón y Begoña Cueto;* (2009), no. 492.

11.4 GLOSSARY

A

ADEPO	Agrupación de Depositarios (Depositaries Association)
ADS	Cash Auxiliary Deposit System
AEAT	Agencia Estatal de Administración Tributaria *(Spanish Inland Revenue Service)*
AEB	Asociación Española de Banca (Association of Spanish Private Banks)
AECA	Asociación Española de Contabilidad y Administración de Empresas *(Spanish Business Administration and Accounting Association)*
AENOR	Asociación Española de Normalización y Certificación *(Spanish Standardisation and Certification Association)*
AHE	Asociación Hipotecaria Española *(Spanish Mortgage Association)*
AIAF	Asociación de Intermediarios de Activos Financieros *(Association of Brokers and Securities Dealers)*
AJD	Actos Jurídicos Documentados *(document under seal / deed of act or transaction, etc.)*
ALCO	Assets and Liabilities Committee
AMAEF	Asociación de la Mediación Aseguradora de Entidades Financieras *(Association of Insurance Intermediaries of Financial Institutions)*
ASNEF	Asociación Nacional de Establecimientos Financieros de Crédito (National Association of Credit Finance Companies)
AUTELsi	Asociación Española de Usuarios de las Telecomunicaciones y de los Sistemas de Información *(Spanish Association of Users of Telecommunications and IT Systems)*
AyT	Ahorro y Titulización *(Savings and Securitisation)*

B

BAI	Beneficio antes de Impuestos *(Profit before Tax)*
BDI	Beneficio después de Impuestos *(Profit after tax)*
BIC	Bank Identfier Code
BIS	Bank for International Settlements
BSR	Business Social Responsibility

C

CAC	Current Account Code
CARD	Centro Activo para Resolution de Disputas *(Active Troubleshooting Centre)*
CCC	Código Cuenta Corriente *(Current Account Code) (CAC)*
CCI	Centro de Cooperación Interbancaria *(Interbank Cooperation Centre)*
CEA TSL	Cajas Españolas de Ahorros *(Trade Services Limited)*
CEAMI	Centro de Apoyo a Microempresas *(Micro-enterprise Support Centre)*
CEBS	Committee of European Banking Supervisors
CECA	Confederación Española de Cajas de Ahorros *(Spanish Confederation of Savings Banks)*
CECON	Consorcio Español de Continuidad de Negocio *(Spanish Consortium of Business Continuity)*
CEOE	Confederación Española de Organizaciones Empresariales *(Spanish Confederation of Business Organisations)*
CEPYME	Confederación Española de la Pequeña y Mediana Empresa *(Spanish Confederation of Small and Medium-Sized Enterprises)*
CERO	Consorcio Español de Riesgo Operativo *(Spanish Consortium of Operational Risk)*

CERSE	Consejo Estatal de Responsabilidad Social *(State Social Responsibility Council)*
CES	Consejo Económico y Social *(Social and Economic Council)*
CESR	Committee of European Securities Regulators
CGPJ	Consejo General del Poder Judicial *(General Council of the Judiciary)*
CIF	Código de Identificación Fiscal *(Tax Registration Number)*
CIL	Centro de Intercambio y Liquidación *(Trading and Settlement Centre)*
CIRO	Comité de Identificación de Riesgos Operacionales *(Operational Risk Identification Committee)*
CMOF	Contrato Marco de Operaciones Financieras *(Master Financial Transactions Agreement)*
CNAE	Clasificación Nacional de Actividades Económicas *(National Economic Activities Classification)*
CNMV	Comisión Nacional del Mercado de Valores *(National Securities Market Commission)*
COAS	Comisión de Organización, Automación y Servicios *(Organisation, Automation and Service Committee)*
COFACE	Companie Francaise D'assurance pour le Commerce Exterieur *(French Foreign Trade Insurance Company)*
COS	Comunicación de Operaciones Sospechosas *(Suspicious Transaction Reporting)*
CRU	Central Risk Unit
CSR	Corporate Social Responsibility

D

DGT	Dirección General de Tributos *(Spanish Directorate General for Taxation)*
DNI	Documento Nacional de Identidad *(Spanish National Identity Card)*

E

EBA	Euro Banking Association
EAPS	Euro Alliance of Payment Schemes
EBIC	European Banking Industry Committee
EC	European Commission
ECB	European Central Bank
ECF	Catalan Economic and Finance Department
EEC	European Economic Community
EFQM	European Foundation for Quality Management
EFRAG	European Financial Reporting Advisory Group
EHA	Ministerio de Economía y Hacienda *(Spanish Ministry of Economy and Finance)*
EHEA	European Higher Education Area
EMA	European Master Agreement
EMTN	Euro Medium Term Notes
EMU	Economic and Monetary Union
EMV	Europay Mastercard Visa
ENISE	Encuentro Nacional de la Industria de Seguridad en España *(National Meeting of the Security Industry in Spain)*
EPC	European Payments Council
ESBG	European Savings Banks Group
ESCA	Escuela Superior de Cajas de Ahorros *(Savings Banks college)*
EU	European Union

F

FAAF	Fondo para la Adquisición de Activos financieros *(Financial Asset Acquisition Fund)*
FATF	Financial Action Task Force *(GAFI)*
FEPCMAC	Federación Peruana de Cajas Municipales de Ahorro y Crédito *(Peruvian Federation of Municipal Savings Banks and Credit Institutions)*

FROB	Fondo de Reestructuración Ordenada Bancaria *(Fund for Orderly Bank Restructuring)*
FTA	Fondo de titulización de Activos *(Asset Securitisation Fund)*
FTFE	Fundación tripartita para la Formación en el Empleo *(Tripartite On-the-Job Training Foundation)*
FUNCAS	Fundación Cajas de Ahorros *(Savings Banks Foundation)*

G

GMRA	Global Master Repurchase Agreement
GMSLA	Global Master Securities Lending Agreement
GREF	Grupo de Responsables de Formación de Entidades Financieras *(Group of Financial Institutions Training Managers)*
GRI	Global Reporting Initiative

H

HR	Human Resources

I

IAS	International Accounting Standards
IBERPAY	Sociedad Española de Sistemas de Pago *(Spanish Payment Systems Company)*
ICCA	Instituto de Crédito de las Cajas de Ahorros *(Savings Banks Credit Institute)*
ICMA	International Capital Market Association
IFRS	International Financial Reporting Standards
IICs	Instituciones de Inversión Colectiva *(Undertakings for Collective Investment - UCI)*
IMSERSO	Instituto de Mayores y Servicios Sociales *(Institute for the Elderly and Social Services)*
INVERCO	Asociación de Instituciones de Inversión Colectiva y Fondos de Pensiones *(Association of Collective Investment Undertakings and Pension Funds)*
IOSCO	International Organization of Securities Commissions
IRCA	International Register of Certificated Auditors
IRNR	Impuesto sobre la Renta de No Residentes *(Non-Resident Income Tax)*
IRPF	Impuesto sobre la Renta de las Personas Físicas *(Personal Income Tax)*
IS	Impuesto de Sociedades (Corporation Tax)
ISDA	International Swaps and Derivatives Association
ISSE	Information Security Solutions Europe
ITP	Impuesto sobre Transmisiones Patrimoniales *(Transfer Tax)*

J

JV	Joint Venture

L

LAE	Lotería y Apuestas del Estado *(Spanish State Lottery Company)*
LMP	Límites Máximos Ponderados *(Weighted Maximum Limits)*
LORCA	Ley Órganos Rectores de las Cajas de Ahorros *(Savings Banks Governing Bodies Act)*

M

MiFID	Markets in Financial Instruments Directive

N

NIF	Número de Identificación Fiscal *(Tax Identification Number)*
NPV	Net Present Value

O

OBS	Obra Benéfico Social *(Charitable and Social Work)*
OECD	Organisation for Economic Cooperation and Development

P

PAC	Proceso de Autoevaluación del Capital de las Entidades de Crédito *(Credit Institutions Capital Self-Assessmsent Process)*
PCN	Planes de Continuidad de Negocio *(Business Continuity Plans)*
PECA	Pago Electrónico Cajas de Ahorros *(Savings Banks Electronic Payment)*
PEPs	Politically Exposed Persons
PF	Pension Funds
POS	Point of Sale

R

RAI	Registro de Aceptaciones Impagadas *(Register of Unpaid Acceptances)*
RIC	Reglamento Interno de Conducta *(Internal Code of Conduct)*
RoVaR	Reward-to-VaR Ratio

S

SAT	Servicio de Autorización de Tarjetas (Card Authorisation Service)
SCT	SEPA Credit Transfer
SEPA	Single Euro Payment Area
SEPBLAC	Executive Service of the Anti-Money Laundering and Monetary Offences Commission
SESP	Sociedad Española de Sistemas de Pagos (Spanish Payments SystemsCompany)
SICAV	Sociedad de Inversión de Capital Variable (Open-End Investment Company / Unit Trust)
SICE	Sistema de Intercambio Centralizado (Centralised Credit Interchange System)
SLBE	Sistema de Liquidación del Banco de España (Bank of Spain Settlement System)
SME	Small and Medium-Sized Enterprise
SNCE	Servicio Nacional de Compensación Electrónica (Spanish Electronic Clearing Service)
SOA	Service-Orientated Architecture
SOCIMI	Sociedades de Inversión en el Mercado Inmobiliario (Property Market Investment Companies)

T

TARGET	*Trans-European* Automated Real-time Gross Settlement Express Transfer System

U

UCITS	Undertaking for Collective Investment in Transferable Securities
UK	United Kingdom
UNACC	Unión Nacional de Cooperativas de Crédito *(Spanish National Union of Credit Cooperatives)*
UNAM	Universidad Autónoma de México (Autonomous University of Mexico)

V

VaR	Value at Risk
VAT	Value Added Tax
VIV	Vivienda (Housing)

W/X

WSBI	World Savings Banks Institute
XBRL	Extensible Business Reporting Language

11.5 CHRONOLOGY

21 January	Board Meeting
21 January	Presentation Issue no. 8 of the FUNCAS journal Panorama Social *(Inmigrantes en España: participación y convivencia)*
22 January	Meeting of Chairman of COAS Committees
22 January	COAS Meeting
28 January	Control Committee Meeting
28 January	Presentation by FUNCAS of the book *De la quimera inmobiliaria al colapso financiero: crónica de un desenlace anunciado*, written by José García Montalvo
18 February	Board Meeting
18 February	FUNCAS Board of Trustees meeting
18 February	Workshops Training and Development Managers of Catalan Savings Banks Federation with ESCA, Barcelona
19 February	COAS Meeting
23 February	VI Workshop of General Secretaries
24 February	Plenary Session of CECON Committee (Spanish Business Continuity Consortium)
24 February	XV Executives Convention
25 February	Control Committee Meeting
6 March	Presentation by COAS to the European Savings Banks Group (ESGB) of the study *Financial applications of web* 2.0, Brussels (Belgium)
11 March	Awarding of *Investment Awards* for the best financial products
17 March	COAS Meeting
17 March	Appearance by the Chairman of CECA at the Congress of Deputies
18 March	Board Meeting
23 March	Debates in the Foundation: *The economy in crisis: prseent situation and future prospects*, organised by FUNCAS
23 March - 3 April	Internships of four executives of municipal credit and savings banks from Peru
24 March	*Forinvest Award for Corporate Social Responsibility* in Savings Banks
25 March	Control Committee Meeting
26 March	Awarding of diplomas to the Spanish winners of the *Stock Market Game*, in the Quotes Hall of the Madrid Stock Exchange
26 March	Conference on financial education and launching of the *Spanish Financial Education Network*
27 March	Awarding of diplomas to the European winners of the Stock Market Game, Luxembourg

14 April	Presentation of the book *Emprendiendo hacia el 2020: una renovada perspectiva global del arte de crear empresas y sus artistas*, by Pedro Nueno
14 April	I Workshop on Bad Debts Management: Dation v Purchase/sale
15 April	Board Meeting, Sabadell (Barcelona)
15 April	Control Committee Meeting, Sabadell (Barcelona)
16-17 April	Euromed Conference, Barcelona
21 April	Appearance by the Chairman of CECA at the Senate
22 April	COAS Meeting
23 April	Presentation of Issue no. 119 of the FUNCAS journal *Papeles de Economía Española (La educación en España)*
24 April	Visit by a delegation of chairmen of fifteen Norwegian savings banks
28 April	Meeting of the Association of Retired Managers
5 May	Meeting of COAS Coordinators
5 May	Workshop of Training and Development Managers of Castile-Leon, Santander, Asturias Savings Banks and Caixanova with ESCA in Peñafiel (Valladolid)
7 May	Presentation of the results of the *Efficiency Project* to the National Quality Commission
11 May	Awarding of diplomas to the winners of the *Stock Market Game* for university students, Quotes Hall of the Madrid Stock Exchange
13-14 May	XI Advertising Convention, in Alicante
17 May	Meeting with the General Manager of Finrural (Bolivia)
18 May	Collaboration agreement between the savings banks and Sage España, contemplating especially the work done jointly for interconnection of the e-invoice platform, efacturaCajas
20 May	Board Meeting
20-22 May	XXII Management Control, Planning and Studies Workshop in Oviedo (Asturias)
21 May	COAS Meeting
21 May	Presentation of the *Digitalized Signature Project* to the rural savings banks sector
21 May	XII Single Euro Payments Area (SEPA) Workshop
21-22 May	XI Customer Services Convention, Vigo (Pontevedra)
24 May	Awarding of prizes granted on the *European Day of the Parks*, sponsored by FUNCAS
27 May	Control Committee Meeting
27-29 May	XXVII Human Resources Managers Convention, Seville
28 May	Collaboration agreement made between CECA, the Ministry for Equality and the Ministry of Industry, Trade and Tourism to facilitate access to financing through microcredits, at the Ministry for Equality, Madrid

3 June Meeting with representatives of Finrural and Financial Development Institutions (IFD) from Bolivia

4-5 June LXIX Convention of Legal Advisers, Granada

4-5 June XI Communication Convention, Ávila

4-5 June Visit by a delegation of national banks Costa Rica

6 June Founding of Spainsif (Spanish Socially Responsible Investment Forum), with an extensive presence of savings banks

8-9 June Banking Technology Committee de la European Savings Banks Group (ESBG), organised by COAS

8 June Awarding of the *Investment Awards* for the Social Work of savings banks, at the Mint (Real Casa de la Moneda), Madrid

9 June Participation in the *Computing Technologies Seminar* of *"IT Management"*

9 June II Workshop of Bad Debt Management: monitoring

10 June Board Meeting

10 June Committee for the Study of Social Work

10 June Control Committee Meeting

16 June Presentation of the FUNCAS book Odisea 2050. *La economía mundial del siglo XXI*, by Jaime Requeijo

17 June Presentation of the results of the *Customer Satisfaction Benchmarking Project* – Office Channel to the National Quality Committee

18 June Plenary session of the Spanish Business Continuity Consortium Committee (CECON), organised by Caixa de Sabadell and COAS, held in Sabadell (Barcelona) and the CECA head offices in Madrid

18 June COAS Meeting

18-19 June IV New Channels Convention, in Gerona

25-26 June Meeting of Cash Managers and Capital Market Managers, Barlin (Germany)

26 June Presentation at head office of CEPS (Centre of European Policy Studies) in Brussels of the study *Investigating Diversity in the Banking Sector in Europe*, sponsored by CECA and other European savings banks

29 June Presentation of COAS projects to the delegation from the Autonomous National University of Mexico

29 June Visit by a delegation from the Autonomous Commutiy-Campus Junquilla in Mexico

30 June III Technological Virtualisation Workshop, organised by COAS

2-3 July LXI Meeting of Savings Banks Tax Experts, in Oviedo (Asturias)

7 July Signing of agreement between VEGAP and CECA to support visual artists throught the economic crisis

9 July III Workshop of Bad Debt Management: management of adjudicated properties (I)

9 July	XIII Single Euro Payments Area (SEPA) Workshop
15 July	Board Meeting
15 July	FUNCAS Board of Trustees meeting
16 July	Cooperatives Technological Innovation Projects Committee meeting
16 July	COAS Meeting
22 July	Control Committee Meeting
22 July	Agreement for financing of the Housing and Restoration Plan 2009-2012 between the Ministry of Housing and 123 credit institutions
7-9 September	*Symposium Tax Systems: Whence and Whither. Recent evolution. Current problems and Future Challenges*, organised by FUNCAS and sponsored by Unicaja
8 September	Visit by a delegation from the Private Financial Development Organisation (FAMA) in Honduras
14 September	Visit by a delegation of Managing Directors and General Managers of Mexican savings banks
15 September	FUNCAS Board of Trustees meeting, Granada
16 September	Board Meeting, Granada
16 September	Control Committee Meeting, Granada
16 September	Presentation by COAS to the Managing Directors and General Managers of Mexican savings banks
17 September	Presentation of the FUNCAS study *Aalysis of reforms of personal income tax based on tax microdata. The simulator of the Savings Banks Foundation (FUNCASim)*
17 September	COAS Meeting
17 September	IV Technical Workshops on Market and Collateral Risk
17-18 September	VIII Accounting Convention in Jerez de la Frontera (Cadiz)
21 September	Awarding of the *New Monday for Reporting Transparency in Busines Organisations* 2009 award to CECA, Hotel Meliá Madrid Princesa, Madrid
23 September	Presentation of the results of the *Customer Satisfaction Benchmarking Project – Internet Channel* to the National Quality Commission
24 September	Presentation of the FUNCAS study *Efficiency and concentration of the Spanish banking system*
24-25 September	V Operational Risk Workshop
24-25 September	II Corporate Social Responsibility Workshop, Valencia
30 September	Poll of General Managers of savings banks on the activity and future lines of COAS
30 September – 2 October	XXXIV Convention of Training and Development Managers in Barcelona

30 September – 2 October XXXIV Convention of Auditors in Burgos

1-2 October Ingénico Workshop. Presentation of the *Digitalized Signature Project*, Lanzarote

6 October Presentation in FUNCAS of the publication of prize-winning doctoral theses in the 1007-1008 edition of the *Enrique Fuentes Quitana Award for Doctoral Theses*

6 October SpainSif Assembly, the Spanish Socially Responsible Investment Forum

7-8 October VII Quality Convention

7-8 October Teletrust / ISSE Awards 2009. Awarding of first *Teletrust Innovation Awards for the Digitalized Signature Project*, Copenhagen (Denmark)

7-9 October National Social Work Convention in Manresa (Barcelona)

14 October IV Workshop of Bad Debt Management: management of adjudicated properties (II)

14-16 October XIX General Assembly of Pawnbrokers, Barcelona

14-16 October XXVIII National Convention of Security Managers, Seville

15 October Presentation of Issue no. 121 of *Papers on the Spanish Economy (Economy and climate change)* of FUNCAS

15 October Standing Committee of the International Assembly of Pawnbrokers, Barcelona

15-16 October V Convention on Regulatory Compliance, Barcelona

21 October Board Meeting

22 October Cooperative Project Technological Innovation Committee meeting

22 October COAS Meeting

22-23 October XXI International Department Managers Convention, Palma de Mallorca

22-25 October XII Annual Workshop on Unit Trusts CEDA, Lyon (France)

28 October Awarding of *Tintero 2009 Award* by APIE tao Juan Ramón Quintás Seoane

28 October Control Committee Meeting

31 October *Universal Saving Day*. Concert by Casals Quartet, organised by FUNCAS

2 November Presentation of Issue no. 212 of *Cuadernos de Información Económica*, organised by FUNCAS and Caja Rioja, Logroño (La Rioja)

5-6 November XXXI Marketing Convencion, Barcelona

5-6 November *The Banking Technology Awards 2009*, runner-up prize to *Digitalized Signature Project*

6 November I Assembly of Spainsif

6 November Presentation of Issue no. 212 of *Cuadernos de Información Económica*, organised by FUNCAS and Caja de Ahorros de Extremadura, Cáceres

9 November Presentation of Issue no. 212 of *Cuadernos de Información Económica*, organised by FUNCAS and Caja Vital, Logroño (La Rioja)

10 November Awarding of *VII Fondena Award* for nature protection, sponsored by FUNCAS

6 November Portfolio and Interchange Managers Workshop

12 November VI edition *Awards for the Best Social Work of Savings Banks* (Actualidad Económica), Madrid Casino

17 November Awarding of *Victoriano Reinoso Award* by AEGAMA to Juan Ramón Quintás Seoane

17 November Agreement between CECA and ATA to boost commercial and financial relations between savings banks and self-employed workers

18 November Board Meeting

18 November Control Committee Meeting

18 November FUNCAS Board of Trustees meeting

19 November Fund Depositary and Securities Managers Workshop

20 November II Community Current Affairs Workshop

21 November Closing day of the *VIII Financial Institutions Management Experts Course 2009*, held within the framework of the collaboration bewteen FUNCAS and the Carolina Foundation

23 November VI Technical Workshop of the Integral Cash Management System

24 November *Banking'09* IDC. Presentation of the Digitalized Signature Project

26 November COAS Meeting

26 November Plenary session CECON Bankinter

26 November III Properties and General Services Convention, Sabadell (Barcelona)

26 November Presentation of results of the *Customer Observatory Project* to the National Quality Committee

26-27 November XXIX Convention of Heads of Technical Areas of Organisation, Data Processing and New Services *COAS Workshops 2009*

30 November – 1 December II Executives Workshop, Ávila

3 December XIV Single Euro Payments Area (SEPA) Workshop

3 December I Government Contracts Workshop

3 December Presentation of the FUNCAS study *Diversity in the European banking sector. The activity and role of savings banks, and the report The cost of a banking sector "without savings banks"*

10-11 December *Savings Banks and the Third Sector* Forum, Municipal Palace of Congress, Madrid

14 December V Workshop of Bad Debt Management: management of adjudicated properties (III)

15 December LXII Meeting of Savings Banks Tax Experts

16 December Board Meeting

16 December Control Committee Meeting

16 December 100th CECA General Assembly. Awarding of Order of Merit for Savings to José Manuel Sánchez Rojas, former chairman of Caja Badajoz (approved by the Board on 18-11-09); Valentí Roqueta Guillamet, former chairman of Caixa Manresa (approved by the Board on 18-11-09); Jesús Medina Ocaña, former chairman of Caja Extremadura (approved by the Board on 18-11-09); Antonio Marrero Hernández, former chairman of La Caja de Canarias (approved by the Board on 18-11-09); Francesc Astals Coma, former chairman of Caixa Terrassa (approved by the Board on 16-12-09); José Antonio Marcos Blanco, former general manager of Caja Badajoz (approved by the Board on 16-12-09); Aleix Gimbernat Martí, former general manager of Caixa Girona (approved by the Board on 16-12-09); Arcadi Calzada Salavedra; former chairman of Caixa Girona (approved by the Board on 16-12-09), and Vicente Sala Belló, former chairman of Caja de Ahorros del Mediterráneo (approved by the Board on 16-12-09)

17 December COAS Meeting

17 December V Efficiency Monographic

17-18 December Board Meeting of the European Savings Banks Group

21 December Creation of the Financial Monitoring Table of the Housing Plan 2009-2012

* When no venue is indicated, the events took place at the registered office of the Spanish Confederation of Savings Banks, Madrid.

11.6 HEAD OFFICES, BRANCHES AND REPRESENTATIVE OFFICES

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Entered in the Madrid Trade Regiser, volume 5197, book 0, folio 180, section 8, page M-85116, entry no. 1.

Branches and Representative Offices

CECA's overseas activity is performed through th following branches and offices:

OVERSEAS OPERATING OFFICE

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

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