2010
ANNUAL REPORT

ceca
CONFEDERACIÓN ESPAÑOLA DE CAJAS DE AHORROS

CONTENTS

01 INTRODUCTION

LETTER FROM THE CHAIRMAN

During this year 2010 we have been fully immersed in the severe world economic and financial recession, which has in Spain materialised in high unemployment rates, fragile business activity and growth rates incompatible with job creation. Savings banks are obviously not immune to these circumstances of the economy, the financial market and their customers. This has certainly been a year of profound changes in the sector, which has undergone a process of unprecedented concentration and experienced a decisive reform of its regulatory framework. For the CECA, in the centre of the sector, these difficulties raised a clear challenge in its mission and main vocation: serving savings banks.

Spanish savings banks have endured pressure from all sides. First and foremost, the tensions deriving directly from the economic crisis: turbulence in the sovereign bond markets, tough adjustment in the property sector and recession in economic activity. This difficult economic situation has affected the financial sector, in particular putting a great strain on earnings, mainly by the narrowing of the interest margin and the need to make larger provisions. But it hasn't all been bad news. The stress tests carried out by the European Central Bank revealed the strength and resilience of the Spanish financial system. They also demonstrated the clear inclination towards transparency of the Spanish system, particularly our Savings Banks: there was nothing to hide, since the figures published corresponded to 90% of the banking system (as against other countries with a far lower coverage).

After analysing the causes of the present crisis, international regulators set about reforming market operation, which triggered off an unprecedented deluge of new regulations. These measures affect the behaviour of markets, agents and supervisors. The international reform of capital requirements is a clear example of this. Although many of these reforms are apparently necessary to avoid further crises in the future, the accumulation of numerous measures could nonetheless choke traditional banking. This would be especially harmful, since it seems to have a more adverse effect on the traditional banking model, which has proved to be the most solvent in the crisis. I appeal to the need for a balanced, neutral reform that will permit the free-flowing financing of business and household requirements.

Against this backdrop and according to its mission, CECA fiercely defended the interests of the Spanish savings bank sector throughout 2010. It has worked hard to defend this traditional banking model as a stabilizer in difficult times and to provide financing for the local economy. It has also endeavoured to ensure that the new capital adequacy regulations do not hamper credit recovery or penalise the long-term financing of companies. In short, CECA has focused its activities on preventing greater difficulties and anticipating regulatory impacts to reduce the sector's adaptation costs.

▪ Letter from the Chairman
Letter From The Chief Executive Officer

The pressure on operating efficiency led to a search for economies of scale and scope that has unleashed the most intensive process of consolidation in the recent history of the Spanish financial sector. Over a space of just over twelve months, we have witnessed a drastic reduction in the number of savings banks (from 45 savings banks to 17 entities or groups) and a parallel increase in their average size, which has multiplied by 2.5 to reach EUR 78,400 million.

This business combination process has been accompanied by a far-reaching change in regulation and, consequently, in the organisation of savings banks. I should stress that these changes have been designed to put savings banks in a better position to face future challenges. The new financial regulations will be very strict on capital adequacy and it is essential for savings banks to have adequate instruments to improve their capitalisation ability. The new corporate formulas offered by the legal reform, namely indirect performance of financial business, institutional protection schemes and the issuing of "cuotas participativas" with voting rights, enable greater flexibility and capitalisation power while at the same time preserving the essential features of the savings banks model: their focus on the retail business and their commitment to regional development through Social Work. Another positive aspect of the reform is that it fosters good corporate governance through measures such as reducing political influence and enhancing the professional competence of the Boards of Directors.

CECA has naturally also been with the savings banks throughout this process. On the one hand, it has acted as liaison with the Spanish and European authorities to defend the interests and proposals of savings banks. The outcome of the process has thankfully been satisfactory and commensurate with the needs of our sector. On the other hand, CECA, in its role of services provider, is responding to the needs for strategic and operating counselling generated by these processes.

The sector closes the year with its structures ready and about to complete the greatest consolidation process in its lengthy history. It is time to design the long-term strategy of its banking model and relations with the society and community. The plural (stakeholder) model of corporate governance and social responsibility are still the distinguishing features of our entities. We must now implement these changes, which will also affect CECA as association and service provider of Spanish savings banks.

Isidro Fainé Casas

LETTER FROM THE CHIEF EXECUTIVE OFFICER

The essential purpose of this Report is to inform on the most significant actions taken by CECA during a year in which very important changes have taken place in the regulation and composition of the sector, present the results obtained, compared with the budgets, and explain the most prominent aspects of risk management and the actions that are going to be taken to develop the strategic lines defined for 2011.

The main historic landmark was the approval of Royal Decree-Law 11/2010 of 9 July on Savings Banks (Governing Bodies and Other Legal Aspects). This instrument made a sweeping reform of these institutions, to the extent that it is one of the most significant milestones in their long, productive history. The most characteristic element of the reform is accepting the principle of institutional diversity, which has been recognised since the first regulation of savings banks having the rank of law, back in 1880, and it pursues, above all, two objectives in view of the prospects of greater own resources required by Basel III: capitalisation of savings banks through the option chosen by each one and a greater professionalization of their governing bodies.

The profound, rapid, complex transformation of savings banks and the support they have received from CECA in the consequent merger and consolidation processes has required extraordinary dedication by specialist human and technical resources in all areas.

The traditional focus of cooperation among savings banks has mainly been used to find innovating solutions to enhance efficiency and efficacy, through different projects channelled through COAS (CECA's Organisation, Automation and Service Committee), such as implementation of the *Mosaico* platform, which applies the principles of free software to the community of savings banks, or putting into operation the digitalized signature platform in other financial institutions.

In Social Work, guidelines and documents have been published on strategic positioning to strengthen the Social Work brand image, with a view to providing arguments to enhance its conveyance and visibility. A pioneer study has also been published, together with FUNCAS, on equal opportunities in Spain and the role of Social Work in this area. The pawnbrokers' auction portal also finally got off the ground during 2010.

Moreover, certain actions have been taken to improve processes and computer systems and incorporate new tools with a view to cutting costs and increasing the value of the services provided for savings banks. As a result of these processes, costs have been reduced through automation and using fewer resources, the enhanced results being passed on to savings banks in lower rates.

We also bolstered the internationalisation plan in 2010 by increasing the volume of business with correspondent banks, pension remittances, pan-European debits, a *non-deal road show* through the principal financial markets in Europe and the USA to inform on the new reform of the Savings Banks Act, explain the model with total transparency and thereby facilitate access by Spanish savings banks to international financial markets. We also offered a broader range of financial services to increase the number of security loans, foreign exchange transactions, repos and CDS (credit default swaps).

With the aim of providing new financial solutions to cover savings banks' needs on the market, the necessary actions have been taken to include CECA as a direct member of the different international central counterparty clearing houses, such as the LCH Clearnet in London. The Suspicious Transaction Reporting service has also been started up on the securities markets.

The opportunities for innovating technological services have enabled, inter alia, improvement of the security standards for Visa and MasterCard in PCI/DSS, further development of operations associated with the detection and solving of incidents in the Euro 6000 network, new functions in the savings banks' own network and the incorporation of acquiring technologies. With regard to New Channels, the efficiency of E-Banking has been greatly improved by reengineering of servers and incorporating the latest advances in the digital security platform.

In IT systems new indicators have been added to the management control platform to analyse accounting and operational risk. We also continued working on the integration of accounting transactions and the migration to a multi-currency financial accounting system on the SAP platform has commenced.

Before closing I must mention the outstanding results achieved by the Financial Area in Markets both on its own initiative and by observing a very strict risks policy.

It is obviously not possible here to include an exhaustive list of all the projects and actions performed professionally and efficiently by all those who work in CECA with the ultimate aim of offering savings banks whatever financial, operating, technological, association and other services they may consider necessary; but I would like to point out that they are all proof of the effort and perseverance with which these professionals tackle every day the challenges currently facing our sector. That spirit of adaptation has characterised savings banks since their foundation and will help us to face the coming year enthusiastically in an environment of changes marked by the uncertainty created by the severe international economic crisis.

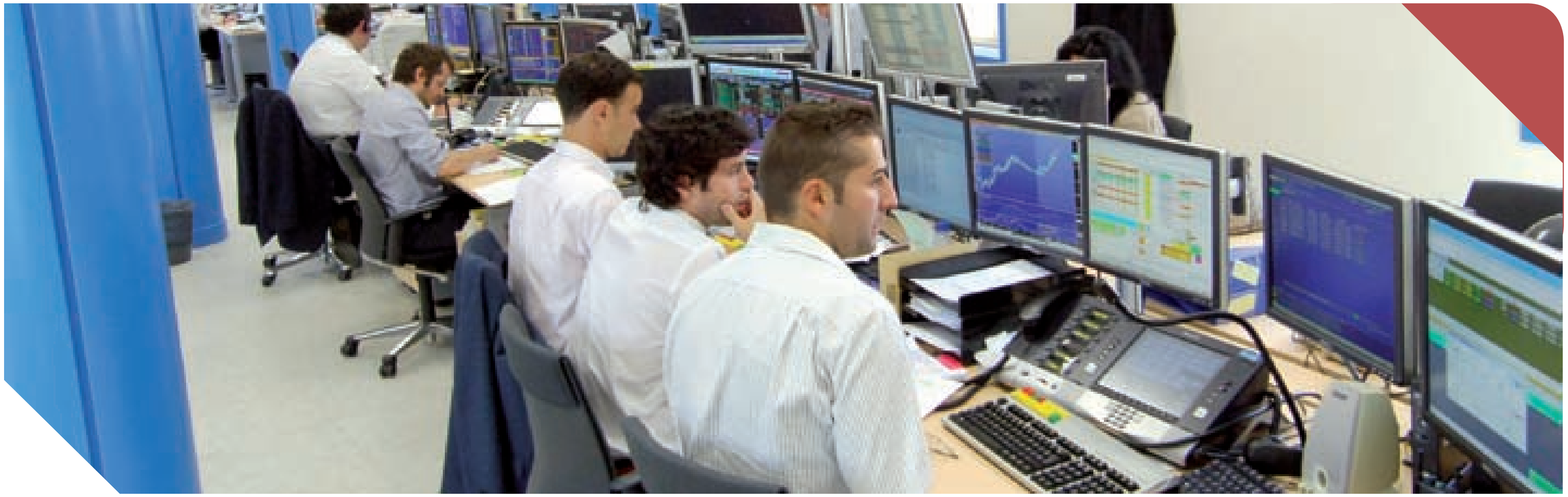
José Antonio Olavarrieta Arcos

02 SELF-DEFINITION

- Vision
- Mission
- CECA's principal objectives
- History of CECA

CECA undertakes to publicise, defend and represent the interests of savings banks

▪ Vision
• Mission
CECA's principal objectives
History of CECA



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 publicise, 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 PRINCIPAL OBJECTIVES

CECA encourages teaching all classes of society to save and make good use of wealth

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.

HISTORY OF CECA

In 1971, CECA took on financial services, operations and duties typical of a credit institution

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.

CECA adapted its services to the demands of savings banks, on free market conditions

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.

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 0.089 for every EUR 6,010 of deposits.

Another 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 legislative reform accepts the institutional diversity of savings banks, respecting their business autonomy and maintaining their identity traits

Reform of the Legal Framework for Savings Banks

The publication in July 2010 of Royal Decree-Law 11/2010 of 9 July on Governing Bodies and Other Aspects of the Legal Framework of Savings Banks introduced an extremely significant reform in Spanish law. It is the most important text of a set of financial provisions, which included another three. The first is Royal Decree-Law 9/2009 of 26 June on the restructuring of banking and reinforcement of the equity of credit institutions, which creates the Fund for Orderly Bank Restructuring (FROB). The second is Royal Decree-Law 6/2010 of 9 April on measures to enhance economic recovery and employment, which includes a number of measures referring to the financial sector, particularly the first global Spanish regulation of institutional protection schemes (IPS). The third is the Development Promotion Fund Act 36/2010 of 22 October, which amends Royal Decree-Law 11/2010, incorporating certain very precise technical aspects.

This package of legal provisions is one of the most important milestones in the long history of savings banks. It could be said to take up the liberal focus of the first regulation of Spanish savings banks with the rank of law, back in 1880. Indeed, the most characteristic feature of the entire reform is accepting institutional diversity, as it was accepted in the late XIX century, through numerous strategic alternatives for these institutions, based on their business autonomy but maintaining their identity traits.

The reform has provided tailored solutions for the different needs of savings banks, putting new corporate formulas at their disposal (indirect performance of the business, consolidation through institutional protection schemes and the issuing of "cuotas participativas" [≈ "shares"] with or without voting rights). Each savings bank will now choose the solution that best suits its vocation and needs. But at the same time, the reform has been fully respectful of the legal nature of savings banks. All the new formulas maintain a foundational substratum that guarantees the survival of the corporate model inherited from the LORCA [Savings Banks (Governing Bodies) Act]: a model based on the stakeholder approach and the commitment to regional development through Social Work and advanced corporate social responsibility policies.

The reform is structured on two basic lines of action: the first aims to foster the capitalisation of savings banks, facilitating their access to top quality resources on an equal footing with other credit institutions, and the second seeks to enhance the professional competence of their governing bodies. These lines are complemented with a modification of the tax system to guarantee tax neutrality of the different models of consolidation.

Vision
Mission
CECA's principal objectives
History of CECA

The principal new features introduced in this reform are described briefly below:

1) Measures to facilitate capitalisation

The current economic outlook of all credit institutions –squeeze on profit margins, excess capacity and high default rates–, together with the recent international regulation on capital adequacy and liquidity (Basel III), make it urgent to find alternatives to capitalisation via reserves. For this reason, three strategic alternatives have been incorporated in the new regulation of savings banks: the performance of financial business through a special purpose entity, the creation of IPS (institutional protection schemes) and a thorough overhaul of the regulation of "cuotas participativas". We analyse these alternatives briefly below.

1.1) Performance of business through an special purpose entity

This is a new organisation model for savings banks: the indirect performance of savings' banks financial business through a credit institution, to which they will transfer their entire financial business (and may also contribute all or part of their assets). The most noteworthy features are:

- Savings banks that opt for this model will preserve their legal nature.
- The savings bank must hold at least fifty per cent of the voting rights in the special purpose entity through which the savings bank performs its business as a credit institution.
- The special purpose entity may use expressions in its name and business that indicate its instrumental nature, including the name of the savings bank it is operating for. Moreover, the special purpose entity must join the Savings Bank Deposit Guarantee Fund.

This indirect operation will also be applicable to any savings banks which, acting in concert, perform their credit institution business exclusively through a credit institution that they jointly control.

The reform aims to promote the capitalisation of savings banks and enhance the professional competence of their governing bodies

Savings banks must hold at least 50% of the capital of the central institution of an IPS

1.2) Institutional Protection Schemes (IPS)

Royal Decree-Law 9/2009 fosters the integration of viable credit institutions as the formula for improving efficiency, streamlining their administration and reducing their excess capacity. These consolidations may be made through mergers or through the creation of an IPS. Although contemplated from the point of view of capital adequacy in Directive 2006/48/EC of 14 June and in Royal Decree 216/2008 of 15 February, the IPS regulations were actually completed (in some cases with specific provisions for savings banks) by Royal Decree-Law 6/2010 and, on certain points, by Royal Decree-Law 11/2010. The main features of these schemes are described below:

- The ISP must be established through a new central corporation with the articles of a credit institution, which must join the Savings Bank Deposit Guarantee Fund.
- The member savings banks must hold at least 50% of the capital of that central institution.
- The IPS must be arranged for at least ten years and members must give two years' advance notice if they wish to end the arrangements. Moreover, before any of the member ends the arrangements, the Bank of Spain must assess the individual viability of the institution wishing to leave the IPS and that of the remaining members.
- Royal Decree-Law 11/2010 incorporated a number of tax measures in the scope of direct and indirect taxation, aiming to guarantee the tax neutrality of these integration arrangements in comparison with mergers.

1.3) *Cuotas participativas*

The reform proposes the double aim of making *"cuotas participativas"* more attractive for potential investors and bolstering their consideration as top quality equity instruments. To achieve this, it introduces the following modifications in respect of the previous regulations:

- **Voting rights.** *"Cuotas participativas"* may incorporate the right of representation on the governing bodies of the issuing savings bank. This is a voluntary alternative, compatible with issues without that right. When this occurs, their representation on the governing bodies will be proportional to the relative weight of the outstanding "cuotas" in the net equity of the savings bank.

"Cuotas participativas" may incorporate the right of representation on the governing bodies

Vision

Mission

CECA's principal objectives

History of CECA

- **Holding limits.** The cap on holding of five per cent of the total "cuotas" issued is eliminated.

- **Price of the *"cuotas"*.** The "cuotas participativas" must necessarily be traded on organised secondary markets "whenever issues thereof are addressed to the public at large".

- **Freedom of issue.** Pursuant to section 25.1 of the Securities Market Act, no prior authorisation is required to issue *"cuotas participativas"*.

- **Special rights deriving from mergers.** The right of "cuota"-holders to assign their *"cuotas"* to the savings bank in the event of merger is eliminated.

- **Remuneration of *"cuotas"*.** No authorisation is required under credit regulations for the annual remuneration of *"cuotas"* and distribution of that remuneration, without prejudice to the powers of the Bank of Spain.

1.4) Transformation into special foundations

Finally, savings banks must separate their financial and charitable-social activities in the following cases:

- If a savings bank that has opted for indirect performance of its business ceases to hold at least 50% of the capital of the instrumental bank.

- If it waives the authorisation to operate as a credit institution.

- In the event of revocation of the authorisation or intervention by the Bank of Spain.

As a result of that separation:

- All their assets tied to the financial business must be transferred to another credit institution in exchange for shares in the latter. This spin-off will be governed by the provisions of the Corporations (Structural Modification) Act 3/2009 of 3 April.

- They will be transformed into special foundations (and must respect the requirements stipulated for setting up foundations), hence losing their status as credit institutions. The foundations will focus their activities on their social work, for which purpose they may manage their securities portfolio.

Vision
Mission
CECA's principal objectives
History of CECA

Being a member of any governing body of a savings bank is incompatible with any elected public office

2) Professionalization of governing bodies

Royal Decree-Law 11/2010 introduces some significant amendments to Part II of the Savings Banks (Governing Bodies) Act 31/1985 of 2 August (LORCA), which is still their basic legislative instrument in respect of corporate governance. Those amendments are summarised below:

- **Incompatibilities.** The new text of the LORCA proposes eliminating any potential political influence in management, stipulating that holding office as member of any governing body of a savings bank is incompatible with any elected public office and with the office of senior civil servants.

- **New bodies.** In addition to the traditional governing bodies –General Assembly, Board of Directors and Control Committee–, the CEO, investment, nomination and remuneration committees and the new Social and Charitable Work Committee are also considered bodies of the savings banks.

- **Precise definition of the concepts "commercial and professional honour"**, in terms equivalent to those set out in banking laws.

- **Representation of interests in governing bodies.** The principal new features are a lowering of the maximum limit for the representation of government and civil service institutions to forty per cent (including the voting rights deriving from the subscription of "cuotas participativas" by public entities) and the definition of a new compulsory representation group: entities representing collective interests in the scope of action of the savings bank or firmly established within that scope. This group must have a representation of at least five per cent.

- **Renewal of governing bodies.** The principle of partial renewal by halves is replaced with a more flexible system which merely prohibits total renewal and any partial renewals that may be equivalent to a total renewal.

- **Board of Directors.** At least the majority of its members must have specific expertise and experience in the duties they are to perform.

- **Control Committee.** The figure of representative of the autonomous community is eliminated. Moreover, members must meet the same requirements as Board members as regards expertise and experience.

- **Nomination and Remuneration Committee.** It is given broader duties, including the duty to ensure that the requirements for holding office as Board member, member of the Control Committee and CEO are met.

- **Social Work Committee.** This committee is created to ensure correct performance of the charitable and social work.

- **Corporate Governance Report.** All savings banks are obliged to publish an annual corporate governance report, even if they have not issued any financial instruments.

- **Mergers.** Mergers may only be denied by autonomous communities in a reasoned resolution and based on objective requirements stipulated in the regional statutory instruments developing the Royal Decree-Law.

Obligation of all Savings Banks to publish an annual Corporate Governance Report

03 CORPORATE GOVERNANCE: GOVERNING BODIES

- Corporate governance
- Structure and procedures of the governing bodies
- Corporate shareholdings
- Other information regarding corporate governance

All savings banks are represented on the General Assembly, CECA's supreme governing body

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, duly updated, where details on its corporate governance can be found in a specific section called Corporate Information.

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 2010 is as follows:

Modesto Crespo Martínez	Juan Manuel García Falcón	Xabier Iturbe Otaegu
María Dolores Amorós Marcos	Fernando Beltrán Aparicio	Fernando Martínez-Jorcano Eguiluz
Agustín González González	Jorge Albájar Barrón	Álvaro Arvelo Hernández
José Manuel Espinosa Herrero	Rodrigo de Rato Figaredo	David José Cova Alonso
Francisco García Peña	Ildefonso Sánchez Barcó	Enrique Manuel Ambrosio Orizaola
Francisco Javier Chico Avilés	Braulio Medel Cámara	Victor Javier Eraso Maeso
Fernando Casado Juan	Manuel Azuaga Moreno	Atilano Soto Rábanos
Adolfo Todó Rovira	Jaume Boter de Palau i Ràfols	Manuel Escribano Soto
Isidro Fainé Casas	José Ibern i Gallart	Antonio Pulido Gutiérrez
Juan María Nin Génova	Carlos Egea Krauel	Juan Salido Freyre
Mario Fernández Pelaz	José Antonio Olavarrieta Arcos	Salvador Soley i Junoy
Ignacio Sánchez-Asiaín Sanz	Rafael Soriano Cairols	Enric Mata Tarragó
José Ignacio Mijangos Linaza	Vicente Penadés Torró	José Luis Olivas Martínez
Santiago Ruíz Díez	Manuel Menéndez Menéndez	Aurelio Izquierdo Gómez
José Mª Arribas Moral	Felipe Fernández Fernández	Josep Colomer Rafols
Leoncio García Núñez	Fernando Alzamora Carbonell	Ricardo Pagés Font
Victor Manuel Bravo Cañadas	Pablo Miguel Dols Bover	Carlos Vicente Zapatero Berdonces
Miguel Ángel Barra Quesada	José Antonio Asiain Ayala	Joseba Barrena Llorente
Antonio Jara Andréu	Enrique Goñi Beltrán de Garizurieta	Amado Franco Lahoz
Ramón Martín López	Josep Cifre Rodríguez	José Luis Aguirre Loaso
Julio Fernández Gayoso	Gabriel Bauza Manresa	Juan María Pemán Gavín
José Luis Pego Alonso	Evaristo del Canto Canto	Luis Miguel Carrasco Miguel
Juan Manuel Suárez del Toro	Lucas Hernández Pérez	José Carlos Pla Royo

Two ordinary meetings of the General Assembly were held this year, at which all the savings banks were represented

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 2010, on 21 April and 15 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 2009, together with the balance sheet, income statement and proposal for the allocation of earnings.

During 2010, the General Assembly adopted the following resolutions, among others:

21 April 2010

- 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 2009 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 2009 and submission of the previous year's financial statements.
- Charitable and social work budget outturn for 2009 and maintenance budget for 2010.
- Ratification and appointment of members of the Board.
- Renewal of the list of full and alternate members of the Control Committee.
- Study of and decision on issued submitted by the Board.
- Appointment of scrutineers to approve the minutes of the General Assembly.

15 December 2010

- 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 201009.
- Approval of the CEO's report.
- Definition of the Confederation's strategic lines of action for 2011.
- Approval of the annual budget and amount of membership fee for 2011.
- Appointment of external auditor for CECA's 2011 accounts.
- Appointment of scrutineers to approve the minutes of the General Assembly.

The Board is responsible for governance and administration of CECA

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.

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

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.

Twelve board meetings were held in 2010, one of them an extraordinary meeting, called by the Chairman at his own initiative.

On 17 March 2010, Juan Ramón Quintás Seoane resigned as Chairman and Member of the Board of Directors and Executive Committee, offices to which he had been appointed on 17 May 2006. At a meeting held on 20 April 2010 and in pursuance of Article 40.1 of the Articles of Association, the Board of Directors appointed Isidro Fainé Casas Chairman of the Board, Chairman of the Executive Committee and Chairman of CECA.

On 20 April the Board appointed Isidro Fainé Chairman, following the resignation in March by Juan Ramón Quintás

Board meetings were attended by the Secretary of the Confederation, without the right to speak or vote, acting as non-director vice-secretary of the Board.

At 31 December 2010 the members of the Board of Directors were:

Chairman:	ISIDRO FAINÉ CASAS
Vice-Chairmen:	Amado Franco Lahoz Rodrigo de Rato Figaredo Braulio Medel Cámara Modesto Crespo Martínez
Secretary:	Carlos Egea Krauel
Members:	Manuel Menéndez Menéndez Fernando Beltrán Aparicio Juan Manuel Suárez del Toro Enrique Manuel Ambrosio Orizaola Antonio Pulido Gutiérrez Adolfo Todó Rovira Lucas Hernández Pérez Julio Fernández Gayoso José Antonio Olavarrieta Arcos Enric Mata Tarragó Fernando Alzamora Carbonell Xabier Iturbe Otaegui Francisco Manuel García Peña José Luis Olivas Martínez Enrique Goñi Beltrán

The Executive Committee met seventeen times in 2010

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. Seventeen Executive Committee meetings were held in 2010.

The members of this Committee are the Chairman, Vice-Chairmen and Secretary of the Board and the CEO. At 31 December 2010, the members of the Executive Committee were:

Isidro Fainé Casas
José Antonio Olavarrieta Arcos
Amado Franco Lahoz
Rodrigo de Rato Figaredo
Braulio Medel Cámara
Modesto Crespo Martínez
Carlos Egea Krauel

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 two meetings in 2010 and submitted reports to the Board of Directors on the following matters:

- General variable remuneration system in the Confederation
- CECA executive pay and implications regarding pensions
- Promotion of executive

The Remuneration Committee is responsible for establishing the general pay policy for senior executives

No strategic investments or divestments were made in listed companies

The members of the CECA Remuneration Committee at 31 December 2010 were as follows:

Amado Franco Lahoz	(chairman)
Adolf Todó Rovira	(member)
Fernando Alzamora Carbonell	(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.

Three Investment Committee meetings were held in 2010, at which it addressed, inter alia, the activity of the Assets and Liabilities Committee, several capital increases by members and the sale of shares. It also submitted its mandatory annual report to the Board, informing that during 2010:

- 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 2010 were:

Manuel Menéndez Menéndez	(chairman)
Xavier Iturbe Otaegui	(member/secretary)
Lucas Hernández Pérez	(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.

The Control Committee ensures that the Board of Directors acts with the utmost efficiency and precision

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.
- 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 2010 were:

Chairman:	Rafael Soriano Cairols
Vice-Chairman:	Joseba Barrena Llorente
Secretary:	Antonio Jara Andreu
Members:	Atilano Soto Rábanos Ricard Pages Font Josep Ibern Gallart

The Internal Audit Manager, the Head of Regulatory Management and the external auxitor appeared before the Control Committee

The Control Committee meets whenever called by its Chairman, or at least once a quarter. In 2010 the Committee held twelve meetings, receiving reports from the following persons:

- The external auditor of CECA to explain the contents of the auditor's report on the separate and consolidated annual accounts of the Confederation for 2009.
- 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 24 February 2010, the Control Committee checked the information set down in the Key Information Document.

The corporate shareholdings are intended to broaden the financial activities and services provided by the Confederation

3.3 CORPORATE SHAREHOLDINGS

CECA's corporate shareholdings are intended to assist it in meeting its strategic objectives. Its principal interests at 31 December 2010 are set out below:

Company	Stake	Activity
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
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
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	22.49%	Means of payment
CAJA ACTIVA, S.A.	99,99%	Internet and other network links

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.

3.4 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 Control Committee and Operational Risk Committee should also be mentioned.

The Management Committee assists the CEO and General Management

3.4.1 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 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. Fourteen meetings were held in 2010.

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

3.4.2 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 CEOs and the Executives of the company. The Executive Committee held 41 meetings in 2010.

3.4.3 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 17 February 2010.

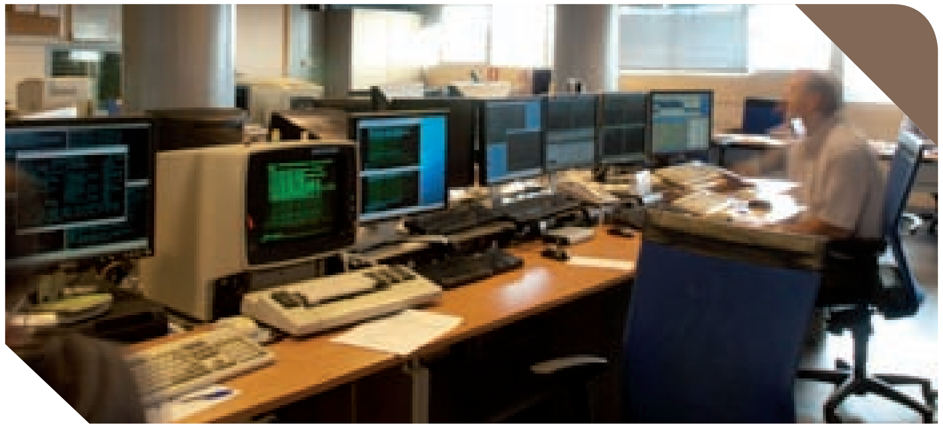
Within these responsibilities, ALCO has the following duties, among others:

- 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).

The policies for analysing, authorising, monitoring and controlling risks are set out in the ALCO Manual

- 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.
- Approve any change in the interest rates applicable to CECA credit accounts.
- 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.
- With regard to the internal self-assessment of available capital adequacy, considering the risks incurred, ALCO will be responsible for making sure that the procedures and methods used in the capital self-assessment process are suitable for the institution's risk profile.



- 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.

ALCO is chaired by the CEO and the Assistant CEO 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 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. Twenty-three ALCO meetings were held in 2010.

The Risks Committee ensures that the risk exposure is within the limits established by the Board and ALCO

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

  The Risks Committee met twelve times in 2010 (eleven ordinary meetings and one extraordinary).

- **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.

  Twenty-three meetings of the Financial Committee were held this year, one of them extraordinary.

- **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.

This Committee met eleven times in 2010.

The Financial Committee is responsible for the ordinary management of market risks

- **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.

The Liquidity Contingency Committee held ten meetings during the year.

3.4.4 REGULATORY COMPLIANCE

To ensure compliance with the applicable laws and regulations, CECA has a specific statute and basic guidelines for action, 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 Liquidity Contingency Committee assesses any potential liquidity crisis situations and decides whether to activate the Contingency Plan

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.

The Compliance Committee meets at least once a quarter for regular monitoring of compliance 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.

3.4.5 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 one support body: the Operational Risk Identification Committee

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.

04 MANAGEMENT REPORT

- Business performance and achievement of targets in 2010
- Income statement
- Proposed distribution of profit
- External credit ratings
- Capital
- Risk management
- Operational risk
- Significant events subsequent to year-end
- Research and development
- Business outlook
- Internal audit 2010

Translation of a report originally issued in Spanish. In the event of a discrepancy, the Spanish-language version prevails

Confederación Española de Cajas de Ahorros and Subsidiaries composing the Confederación Española de Cajas de Ahorros Group

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 2010.

The main aim of this Directors' report is to provide information on the most significant initiatives developed by CECA in 2010, 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 2011. Since CECA represents approximately 99.96% of the Group's assets and 99.61% of the equity of the Group at 31 December 2010, 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.

4.1. BUSINESS PERFORMANCE AND ACHIEVEMENT OF TARGETS IN 2010

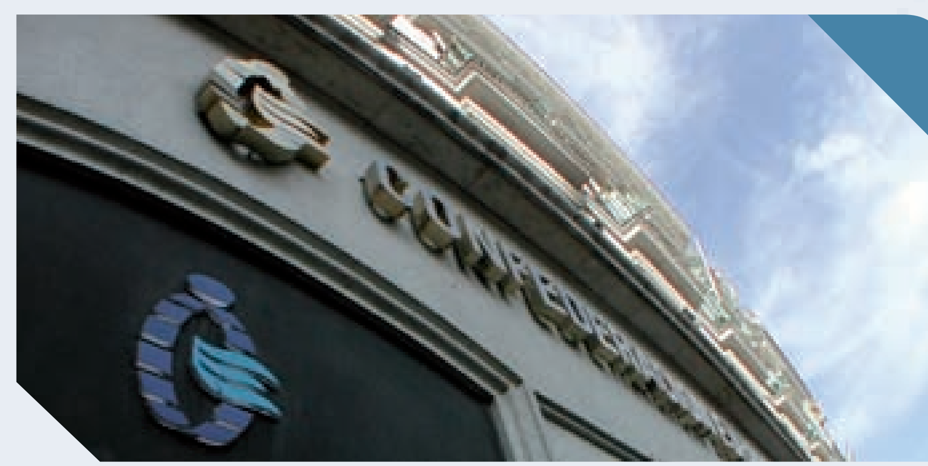
In this section relating to business performance and the results obtained in the development of the business, comment will be made, on the one hand, on the most significant actions undertaken in order to comply with the main objectives set by the 100th General Assembly on 16 December 2009, within the 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

With regards to the extensive regulatory agenda published in 2010, CECA has monitored the changes in the supervisory structure, the adaptation of the tax regimes to the savings banks' new integration models, the new rules of conduct and the proposals issued by the IASB for the replacement of international accounting standards for financial instruments. CECA also performed various analyses in order to determine the impact of capital adequacy regulations. In order to better defend the industry's interests and improve its response capability, CECA expanded its network of contacts with European institutions and strengthened its national and international presence by participating in forums related to legislative projects and the consideration of significant aspects of savings banks' corporate social responsibility and it also implemented financial education programmes. In the legal sphere, CECA also began work and proposals related to the application of the payment services law and changes to be made to financial guarantee contracts.

Extension of the network of contacts with European institutions and increased participation in forums



Cooperation between savings banks focused on finding innovative solutions for enhancing effectiveness and efficiency through various projects carried out through COAS (CECA's Organisation, Automation and Service Committee). On the technological side, additional functionality continued to be added to the SOA (Service Oriented Architecture) architecture through the implementation of the MOSAICO platform, which allows advanced business processes to be carried out, and the digital signature was implemented in various financial institutions. 2010 saw the improvement and integration of business management indicators which will improve the analysis of efficiency, quality and production and sales processes at savings banks.

Support and counselling for savings banks in merger and integration processes

The profound, rapid and complex transformation of the savings banks, and the support provided by CECA in the merger and integration processes arising therefrom, has required exceptional dedication from CECA's specialised human and technical resources in order to participate in achieving the targets envisaged for the sector in 2010. These objectives focused on the development of legislative changes and the analysis of problems posed by the application of accounting standards and of factors which might stand in the way of tax neutrality, the coordination and channelling of matters for discussion and proposals to be made and, finally, to the consultancy services which are being performed at a significant number of the groups being integrated in order to contribute to the optimisation of the required functional and technical adaptation processes and the appropriate functioning of communication logistics.

With regards to welfare projects, guides and documentation related to strategic positioning for improving the welfare project brand were developed in order to add weight to arguments for an improvement in the visibility and distribution thereof.

Enhancement of processes and provision of tools to favour cost-cutting and increase the value of services

4.1.2. Efficiency

In order to meet the objectives for this strategic area, initiatives were undertaken for improving processes and information systems and integrating tools for reducing costs and increasing the value of services. As part of the objectives proposed, the Treasury Room created applications for improving asset management, operational processes in foreign currencies and liquidity control. The External Development and Capital Markets areas reviewed the structure of the correspondents database and implemented new solutions which allow the representative offices to be included in online processes. In relation to technological services, objectives were met with regards to the reduction of unit costs of PECA exchange transactions, new channels and IT production costs. CECA also undertook the digitisation of contracts and documentation held by the legal advisors.

In addition to these initiatives for ongoing improvement, which were implemented at the request of the various areas, a specific group was developed which is in charge of launching a project to review and streamline the processes and procedures of all the CECA units and their cost components in order to detect possible improvements in organisational and functional matters and technical and operational procedures which involve a more efficient use of available resources. During the year CECA reviewed seven units in the Operational and Finance, Audit and Control and COAS and Resources areas for which proposals to improve cost efficiency by 16.93% were put forward. It also amply achieved its objective of containing workforce numbers, in fact reducing the headcount by 5%.

4.1.3. Growth

In this area, aims focused on channelling activities that aid the development of collective business for the savings banks. In this vein, CECA promoted the internationalisation plan through operational and financial services by increasing its business activities with correspondents, pension remittances, pan-European payments, road shows which allow the savings banks improved access to international financial markets, and expansion of the offering of financial services in order to achieve an increase in the number of securities lending, foreign currency, repo and CDS transactions. Continuing with an offering of services which allow the preparation, delivery and use of financial information, CECA continued its collaboration with the Bank of Spain in developing FINREP, commercialised the E-CUBO application and performed the interconnection of Sirbe through Capture and Consolidate. Targets were also achieved with regard to the expansion of the number of users of risk management applications and the design and execution of strategic HR consulting projects.

Production of a road show throughout Europe and the USA to ease access by Spanish savings banks to international markets

4.1.4 Efficiency

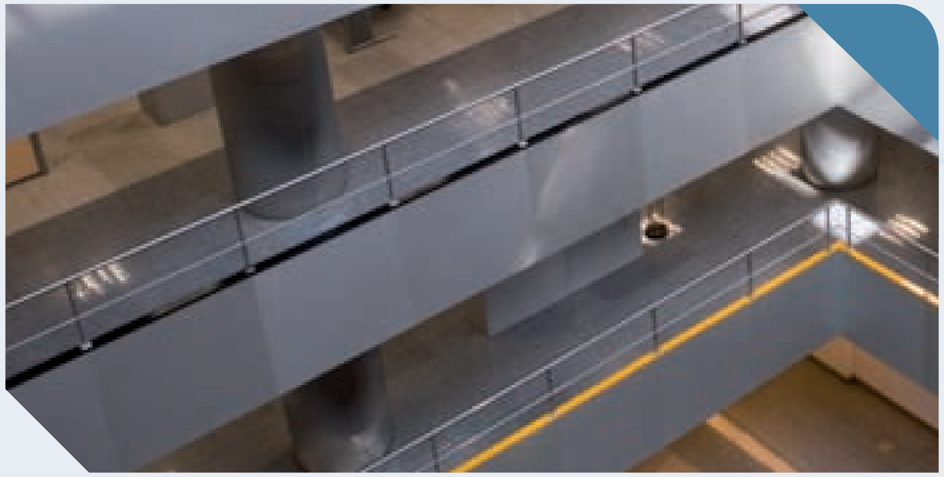
The performance of the services provided by CECA is subjected to evaluation through surveys of internal and external customers which are used to determine their level of satisfaction and which, together with the indicators of availability and response times for technological support products, are one of the main foundations for setting ongoing targets for improvement. In this connection, in relation to the aims for all services in 2010, CECA considers that targets have been optimally met as they attained a 99% success rate.

4.1.5 Innovation

In order to provide the savings banks with new financial solutions to cater for their market requirements, CECA undertook the actions required to belong, as a direct member, to various international central clearing houses such as LCH Clearnet in London, which the savings banks may access through CECA. New structured financial products were launched which allow greater flexibility in the event of changes in yield curves, so-called negative basis trades, the development in Divinet of contracts for difference and foreign currency denominated guaranteed bond issues in the Capital Markets area. With regard to operating services, new foreign trade products have been launched, such as systems increasing SWIFT exchanges, and the Suspicious Transactions Reporting service was launched in the securities markets.

Of the various opportunities for innovation in technological services there were improvements in the security standards in PCI/DSS of Visa and MasterCard, improvements in operations associated with the detection and resolution of incidents in the Euro 6000 network, an increase in the usable functionalities of the savings banks' own networks, the inclusion of acquisition technology and support for Euro 6000 in the development and roll-out of a remote management platform and the unified terminal software. With regard to new channels, there have been improvements in the efficiency of electronic banking through the reengineering of servers, the inclusion of new developments in the digital security platform and the development of new content for customers and assistance to companies for managing payments and electronic invoicing.

Improved security standards in Visa and MasterCard PCI/DSS



4.1.6. Capacity development

In information systems, the management control platform saw the addition of new indicators related to the analysis of accounting and operational risk and the implementation of improved customer information. CECA continued its plan for the integration of accounting transactions through a parametric management system (GEOS) and commenced the migration process towards a multicurrency accounting in SAP.

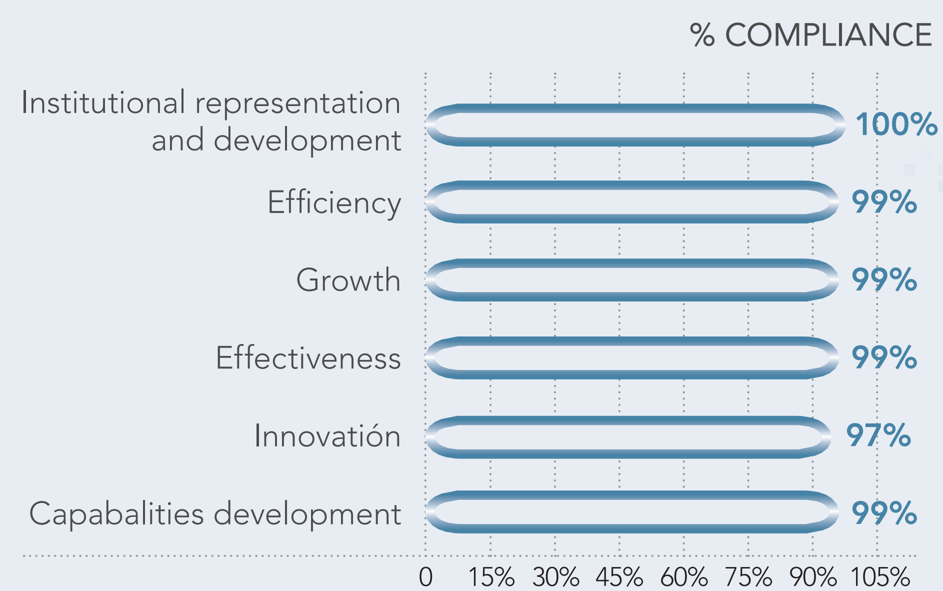
In relation to the control of the entity's regulatory risks, the procedures for controlling compliance with fiscal obligations were optimised through an adaptation of the tax returns control database, the establishment of a communication system for identifying and filing transactions with related parties and a review of the VAT indicators in software supporting payments to suppliers. Among the processes undertaken for improving regulatory compliance control is a draft of the new manual for the prevention of money laundering and financing for terrorism resulting from changes in the legal system applicable to it.

With regard to organisational adaptation and development, CECA completed its scheduled initiative for the implementation of the performance management system, which includes training for evaluators and supervisors, and the communication plan. There were also scheduled developments in the functional change programme

New indicators related with analysis of the accounting and operational risk in the management control platform

in response to the process of re-training staff in central services and the restructuring of savings banks' branches and, with regard to operational matters, CECA has developed the definition stage which will improve the functionality of the software management tool aimed at aiding operational support for OTC transactions in Spanish equity securities.

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



4.2. INCOME STATEMENT

Profit before tax was 49.8% up on the budget

	THOUSANDS OF EUROS			
	2010	Budget	Variance	%
Financial margin (*)	137,140	88,392	48,748	55,15
Net fee and commission income	73,817	68,455	5,362	7,83
Other operating income and expenses (net)	78,319	73,549	4,770	6,49
Gross income	289,276	230,396	58,880	25,56
Operating expenses	-235,000	-186,199	-48,801	-26,21
Profit from operations	54,276	44,197	10,079	22,80
Other losses (net)	11,918	-10	11,928	-
Profit before tax	66,194	44,187	22,007	49,80
Income tax	-13,857	-11,950	-1,907	-15,96
Profit for the year	52,337	32,237	20,100	62,35

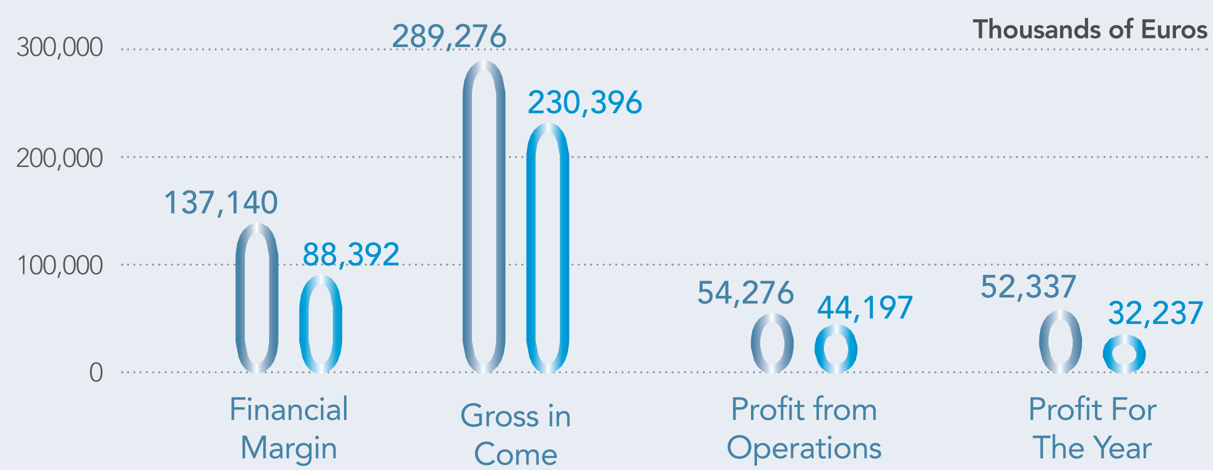
(*) Includes net interest income, income from equity instruments, the gains and losses on financial assets and liabilities and exchange differences.

Profit before tax for 2010 exceeded the budget by 49.80% and after-tax profit for the year by 62.35%.

If the income statement is analysed with regard to the various margins composing it, the net interest margin exceeded the forecast by EUR 48.7 million, of which EUR 45.2 million were obtained from dealing room activity and the margin on borrowed funds and EUR 3.5 million of gains were obtained from equity investments.

Gross income, which reflects in full the net income obtained from operating activities, reached EUR 289.3 million, exceeding the forecast by EUR 58.9 million of which, in addition to the aforementioned EUR 48.7 million rise in the net interest margin is worthy of note, as is the EUR 5.4 million increase in billings for fees and commissions mainly arising from operations performed in technical, operational and dealing room services, and the net increase of EUR 4.8 million in other operating income and expenses mainly due to income from consulting and advisory services, training services through ESCA and services related to computer software.

The total reduction in operating expenses compared to the budget includes an increase of EUR 0.5 million in general operating expenses, which includes staff costs, administrative expenses and depreciation and amortisation charges, due to the ongoing cost improvement programme, and a reduction of EUR 49.2 million comprising mainly the provision recognised to cover specific portfolio risks amounting to EUR 45.3 million in order to improve the entity's financial strength, and EUR 3.6 million in relation to provisions for operational risk.



Variations	55.15%	25.56%	22.80%	62.35%

Actual Budget

4.3. PROPOSED DISTRIBUTION OF PROFIT

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

	THOUSANDS OF EUROS
Return on participation certificates	2,408
To Welfare Fund	3,995
Fundación de las Cajas de Ahorros (FUNCAS)	3,995
To reserves	45,934
Profit for the year (profit after tax)	52,337

The high ratings assigned by the principal international agencies have been maintained

4.4. EXTERNAL CREDIT RATINGS

The ratings assigned to the Confederación at 31 December 2010 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	A+	B/C	2

MOODYS

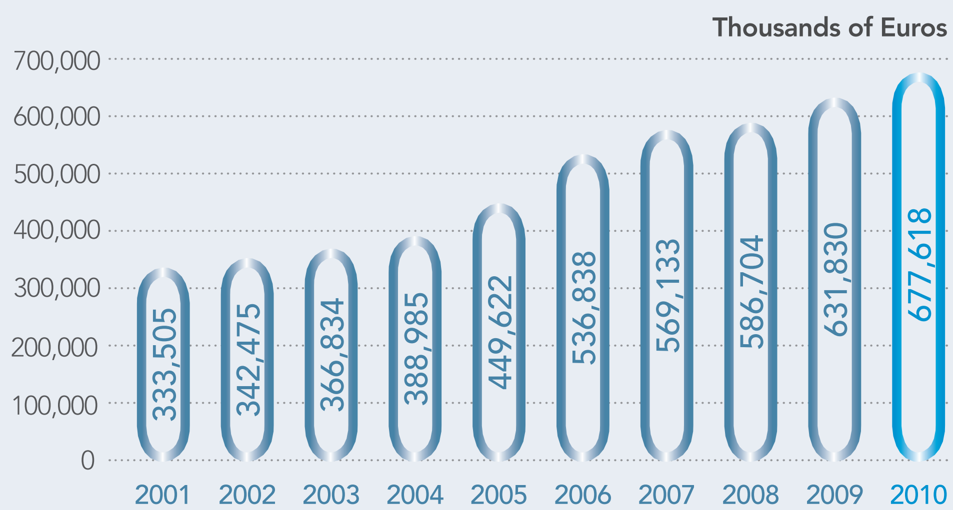
Short term	Long term	Solvency
P1	Aa3	C

STANDAR & POOR´S

Short term	Long term	Solvency
A-1+	AA-	

4.5. CAPITAL

Eligible capital amounted to EUR 677,618 thousand at 31 December 2010, un 7.25% on 2009. The variations in the last ten years were as follows:



The Confederation's equity grew by 7.25% year on year

The information on the Group's capital for 2010 does not take into account the portion of profit for the year which is used to increase reserves at year end, which will appear in 2011 once the related application has been approved. This same system has been implemented for all the years included in the chart.

4.6. RISK MANAGEMENT

For the Confederación, risk management constitutes one of the pillars for healthy business growth. This is clearly demonstrated through its risk review and improvement procedures and its investment in the development of tools and applications.

The Risk Division is responsible for ensuring that all the financial risks to which the Entity is exposed fall within the tolerance level established by the Board of Directors and supervised by ALCO as the top executive body with powers delegated by the Board.

The risk profile maintained by the Entity for risk management is underpinned by three pillars:

- Clear objectives for maintaining the Entity's levels of solvency and liquidity.
- Aggregate treatment of all risks.
- The availability of sufficient specialised resources for the levels of risk assumed and for the degree of sophistication of operations and financial markets.

Clear target of maintaining the institution's capital adequacy and liquidity levels

Independence of risks and visibility for the Senior Executives

In order to correctly manage risk, the Board of Directors establishes the basic principles and risk profile of the Entity. These elements, on which CECA's corporate risk culture is based, are included in a policies and procedures manual which also lays out the procedures for the analysis, authorisation, monitoring and control of all financial risks.

The main risk management procedures are as follows:

- **Clear and efficient organisation of the risk function.** The workings, functions and responsibilities of each level of the organisation involved in risk management are clearly defined (governing bodies, senior executives, control units and the rest of the Entity). The information channels required for decision making are also defined.

- **Independence of the risk function and visibility vis-à-vis senior executives.**

- **Structuring and formalisation of the risk function.** All the policies, and the basic structural principles guiding risk management are broken down into a series of well-defined procedures communicated to all the relevant employees in the organisation.

- **Adaptation of processes, methodologies and tools.** CECA performs an ongoing analysis of the suitability of the methodologies and tools used to control and monitor risk, and of market practices. The various spheres of the risk function (procedures, methodologies and tools) are subject to review by internal control units.

- **Quantitative definition of the risk profile.** The Entity limits its exposure to each significant type of risk. This is possible due to the effective implementation of risk measurement and control methodologies, supported by tools and information systems which ensure that they fall within accepted and authorised risk tolerance levels.

The adaptation of methodologies and the risk management capability of tools guarantee the reliability of results, that the established risk limits are representative and the adaptability of the models/measures to changes in financial instruments.

- **Ongoing review of the risk function.**

4.7. OPERATIONAL RISK

In 2010, efforts focused on improving the information management system which is directed towards the heads of the various units, senior executives and governing bodies, in relation to which the following activities were undertaken:

- An operational risk map was developed for each department through a matrix which links the probability of each risk materialising with its level of coverage.
- Information was provided on the profile obtained from the risk indicators. This information is generated through a defined level or threshold which, once surpassed, generates an alert that indicates the possibility of increased risk.
- A report on the "Evaluation of the Qualitative Basket of Indicators" was prepared by grouping together the indicators by type of risk and was calculated taking into account their weighting (probability and impact) and their relative value (base of 100) within a predefined upper and lower limit on the basis of their historical values.

Each department has its own operational risk map

Calculation for each activity of the evolution of operational losses

- The changes in operational losses for each activity since the Entity began recording loss events were made available in order to provide a picture of the improvements achieved through risk management and which processes need reinforcing because they record the most frequent and/or highest monetary amount of events.

As part of its management procedures, CECA continued with the systematic identification of risks and updating of indicators, a new self-assessment process was carried out and residual risks were analysed and plans proposed to mitigate them.

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. Implementation and launch of the digital signature system

2010 saw the definitive launch of the digital signature system in the savings banks sector.

With more than 5,500 branches already digitised, in 2010 the target of eliminating more than 100 million paper documents was achieved, with more than 5 million customers providing their signature to the new system, thereby contributing to significant savings in the management and handling of paper.

The overall aim of the system is to have 1,000 million documents generated digitally at the savings banks every year. The sector has already achieved 10% of these savings, thereby demonstrating its commitment to efficiency and environmental impact.

The digitalized signature system finally gets off the ground

The international recognition gained by this project continued throughout 2010 with the following awards:

- Financial Sector Technology Awards (UK) 2010: Award for the best anti-fraud security strategy of the year, finalist for best use of technology in 2010.
- The Financial Times Banker Award for technical innovation in banking in 2010: Award for innovation in information security.

4.9.2. Common technological platform for the sector – SOA Architecture

2010 saw the development and implementation of the MOSAICO technological platform, a new service-oriented architecture (SOA) which allows the most advanced business management processes (BPM) to be implemented. This new platform offers a real standardised environment in which various entities may develop software in a cooperative manner and also use these applications and information systems under the cloud computing model.

Using the technological platform Mosaico, several savings banks can cooperate to develop software

The main value of this new platform is to apply the principles of freeware to the savings banks community thereby offering:

- A standardised technological platform for all the entities, where each entity may contribute its developments to the community in a cooperative manner.
- A governance model based on the principles established in software forges through which to coordinate the participating entities.
- A significant reduction in development costs and decentralised management of software quality.

Advancements were made in the development of specific applications in 2010, particularly systems for inter-operation with public authorities.

4.9.3. Social networks and their impact on information systems and banking services

The impact of social networks on information systems and on the services associated with financial institutions has been one of the pillars touted by international analysts as being of strategic importance for the next two years.

As COAS is aware of the importance of social networks, it established an area for the observation and analysis of their development, both with regard to advanced behavioural analysis and development and cooperation with the new financial services based on social networks.

Observation and analysis of social networks, both to make advanced analyses of behaviour and to study of the evolution of new financial services

All types of services from payments, to loans to financial advisory are being expanded on P2P networks supported by social networks. Financial institutions' analysis and participation strategies are critical in the framework of this new relationship.

4.10. BUSINESS OUTLOOK

The targets set by CECA for 2010 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 CII General Assembly on 15 December 2010. The content of these plans can be outlined as follows:

In the strategic area of institutional representation and development, special attention will be paid to regulatory matters which could affect savings banks, to matters related to the implementation of Basil III, changes to the Savings Banks Organic Law, regulations on responsible lending, review of MIFID and market abuse regulations, and any new developments in international regulatory policies. As regards corporate social responsibility, the scope and focus of the industry-wide annual report will be redefined and savings banks' participation in global reporting initiative work related to the computerisation of indicators in XBRL format will be coordinated. CECA also aims to participate in the European Commission's group of experts on the design of a new EU regime for managing international crises.

Particular attention will be paid in 2011 to the regulatory aspects that might affect savings banks

The sectorial information of the savings banks will be redesigned in order to comprehensively improve institutional information systems and adapt them to the new situation of mergers and IPSs. Sources of financing will be monitored and their effects on capital adequacy and liquidity ratios will be analysed. The changes in the main business variables of the savings banks, businesses and the branches and workforce comprising them will also be monitored.

Cooperation projects in the area of COAS will continue to see developments relating to SOA architecture focused on business strategy, the promotion of the digital signature, the inclusion of new information requirements in financial reporting, a definition of the functions and an evaluation model for central services and the main externalisation models for financial institutions, and an analysis of the impacts and opportunities of the Universal Postal Service Law on savings banks. Through its advisory and consulting services, CECA will contribute to the optimisation of the integration of the savings banks and the adaptation of the sector to the new regulatory framework.

In order to improve the visibility of the savings banks and allow other sectors which may be interested in accessing this updated vision of the sector, CECA will roll out and manage meetings and road shows and a welfare project communication plan and will also further develop its social network strategy and extend it to the savings banks. With regard to operating services, CECA hopes to cooperate in the development of the European T2S project, the CNMV project for the creation of a central clearing house (CCP) in the Spanish fixed-income securities market and for a change in the recognition and settlement model in the Spanish equities market.

As regards the improvement of efficiency, CECA aims to continue its efficiency project in order to reduce costs and it continually monitors compliance with expected levels in the streamlining of processes and procedures submitted for review, containing the headcount at 2010 year-end levels and centralising at CECA information on entities who cooperate with savings banks in order to avoid duplication in welfare projects, thus generating economies of scale.

Development of road shows and a communications plan to increase the visibility of savings bank

Within the strategic growth area, the planned targets for increasing activity levels in operating and financial services relate to increasing the volume of pensions, pan-European direct debit transactions and those channelled through the dealing room in structured operations, securities lending, derivatives and purchases and sales of banknotes. Also, in order to provide the savings banks and other entities with access to other sources of liquidity, CECA will continue the initiatives commenced in 2010 with access to LCH in order to extend membership, as direct members, to the other international central clearing houses (Clearnet Paris and Eurex Repo in Frankfurt).

The targets of the innovation line will focus on the launching of new products and operating and financial services

As a joint project, CECA will offer a service for the externalisation of the compliance function and it is expecting to develop new international consulting and risk management projects. With regard to the expansion and consolidation of cooperation with public and private agents, there will be an increase in the scope of the Welfare Project Committee, participation with the World Bank in projects for opening banks in Mexico and in relation to the Association of Financial Institutions with Multiple Objectives in Mexico (ASOFOM) and the drawing-up or improvement of agreements with ministries, public bodies and private agencies.

As regards efficiency, CECA will continue initiatives aimed at improving external and internal customers' perceptions of the quality of the services provided by the various areas of the Entity and those focused on making applications which provide technological support readily available and will seek to establish improvement plans for increasing the results obtained from external quality surveys.

The aims of the innovation strategic area will focus on launching new operational and financial products and services, such as the entry into service of the direct access service for repo markets, providing an operational supplement to the channelling of transactions through the various central clearing houses which CECA will join as a direct member and also through the implementation of Contract for Differences operations. Communication channels in HR will be improved by the entry into service of the web and the improvement of e-learning training through ESCA.

In technological services, special attention will be paid to increasing functionalities for improving fraud prevention, increasing security standards in payment systems, the architecture of new channels, the renewal of applications and the development of new modules for expanding the offering of operating services to the savings banks and the development of support services and platforms for the management of expenses, HR and business intelligence. A framework will also be established for performing a stress test on CECA's capital as part of its internal capital adequacy assessment, and welfare fund management tools will be updated.

In the capability development strategic area, activities will be geared towards the adaptation of CECA's legal and contractual framework to the new scenario of the Savings Banks Organic Law, the design and preparation of the financial training programme for directors of financial institutions, and CECA will continue to update and improve its information management systems, especially the multi-currency financial accounting application.

4.11. FINANCIAL STATEMENT AUDIT

ceca
CONFEDERACIÓN 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, 2010 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.

February 16, 2011

The Secretary,

Signed: Antonio Jara Andreu

Approved
The Chairman,

Signed: Rafael Soriano Cairols

Domicilio Social: Alcalá, 27 - 28014 Madrid - Tel: 91 596 50 00 - Fax: 91 596 57 42

05 CONSOLIDATED FINANCIAL STATEMENTS

- Balance sheets and accounts
- External audit report

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

CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER 2010 AND 2009

(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 45). In the event of a discrepancy, the Spanish-language version prevails.

ASSETS	(THOUSANDS OF EUROS) 2010	2009 (*)
1. Cash and balances with central banks (Note 7)	127,007	606,283
2. Financial assets held for trading (Note 8.1)	5,608,751	12,266,587
2.1 Loans and advances to credit institutions	-	-
2.2 Loans and advances to customers	-	-
2.3 Debt instruments	1,560,241	8,782,117
2.4 Equity instruments	57,403	44,883
2.5 Trading derivatives	3,991,107	3,439,587
Memorandum item: Loaned or advanced as collateral	1,213,991	4,634,523
3. Other financial assets at fair value through profit or loss (Note 8.2)	4,723,151	4,547,105
3.1 Loans and advances to credit institutions	3,253,755	3,748,450
3.2 Loans and advances to customers	1,469,396	798,655
3.3 Debt instruments	-	-
3.4 Equity instruments	-	-
Memorandum item: Loaned or advanced as collateral	3,137,554	1,838,335
4. Available-for-sale financial assets (Note 9)	3,804,933	717,299
4.1 Debt instruments	3,687,433	591,324
4.2 Equity instruments	117,500	125,975
Memorandum item: Loaned or advanced as collateral	2,943,799	23,052
5. Loans and receivables (Note 10)	5,929,438	3,764,991
5.1 Loans and advances to credit institutions	2,621,869	3,056,976
5.2 Loans and advances to customers	441,215	550,394
5.3 Debt instruments	2,866,354	157,621
Memorandum item: Loaned or advanced as collateral	1,910,833	227,307

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

CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER 2010 AND 2009

(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 45). In the event of a discrepancy, the Spanish-language version prevails.

	(THOUSANDS OF EUROS)	
ASSETS	2010	2009 (*)
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 (Note 11)	298	-
9. Non-current assets held for sale (Note 12)	161	161
10. Investments (Note 13)	-	-
10.1 Associates	-	-
10.2 Jointly controlled entities	-	-
11. Insurance contracts linked to pensions	-	-
12. Reinsurance assets	-	-
13. Tangible assets (Note 14)	103,812	107,907
13.1 Property, plant and equipment	102,644	106,703
13.1.1 For own use	102,644	106,703
13.1.2 Leased out under an operating lease	-	-
13.1.3 Assigned to welfare projects	-	-
13.2 Investment property	1,168	1,204
Memorandum item: Acquired under a finance lease	-	-
14. Intangible assets (Note 15)	2,874	2,297
14.1 Goodwill	-	-
14.2 Other intangible assets	2,874	2,297

▪ Balance sheets and accounts
External audit report

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

CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER 2010 AND 2009

(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 45). In the event of a discrepancy, the Spanish-language version prevails.

	(THOUSANDS OF EUROS)	
ASSETS	2010	2009 (*)
15. Tax assets	89,196	71,000
15.1 Current	693	854
15.2 Deferred (Note 22)	88,503	70,146
16. Other assets (Note 16)	58,930	24,784
16.1 Inventories	-	-
16.2 Other	58,930	24,784
TOTAL ASSETS	20,448,551	22,108,414
MEMORANDUM ITEMS		
1. Contingent liabilities (Note 30.1)	146,126	117,754
2. Contingent commitments (Note 30.3)	2,109,900	1,177,506

(*) Presented for comparison purposes only.

The accompanying Notes 1 to 45 and Appendixes I and II are an integral part of the consolidated balance sheet at 31 December 2010.

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

CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER 2010 AND 2009

(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 45). In the event of a discrepancy, the Spanish-language version prevails.

LIABILITIES AND EQUITY	(THOUSANDS OF EUROS) 2010	2009 (*)
LIABILITIES		
1. Financial liabilities held for trading (Note 8.1)	4,258,983	4,349,645
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	3,977,193	3,486,403
1.6 Short positions	281,790	863,242
1.7 Other financial liabilities	-	-
2. Other financial liabilities at fair value through profit or loss (Note 8.2)	8,722,874	7,619,524
2.1 Deposits from central banks	-	1,209,104
2.2 Deposits from credit institutions	987,755	2,371,801
2.3 Customer deposits	7,735,119	4,038,619
2.4 Marketable debt securities	-	-
2.5 Subordinated liabilities	-	-
2.6 Other financial liabilities	-	-
3. Financial liabilities at amortised cost (Note 17)	6,529,931	9,235,776
3.1 Deposits from central banks	22,455	279,737
3.2 Deposits from credit institutions	3,276,282	5,162,482
3.3 Customer deposits	2,691,435	3,233,776
3.4 Marketable debt securities	-	-
3.5 Subordinated liabilities	-	-
3.6 Other financial liabilities	539,759	559,781

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

CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER 2010 AND 2009

(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 45). In the event of a discrepancy, the Spanish-language version prevails.

	(THOUSANDS OF EUROS)	
LIABILITIES AND EQUITY	2010	2009 (*)
LIABILITIES		
4. Changes in the fair value of hedged items in portfolio hedges of interest rate risk	-	-
5. Hedging derivatives (Note 11)	38,736	-
6. Liabilities associated with non-current assets held for sale	-	-
7. Liabilities under insurance contracts	-	-
8. Provisions (Note 18)	76,026	75,824
8.1 Provisions for pensions and similar obligations	9,453	6,769
8.2 Provisions for taxes and other legal contingencies	-	-
8.3 Provisions for contingent liabilities and commitments	14	13
8.4 Other provisions	66,559	69,042
9. Tax liabilities (Note 22)	42,910	58,483
9.1 Current	9,274	15,346
9.2 Deferred	33,636	43,137
10. Welfare fund (Note 29)	266	503
11. Other liabilities	75,349	72,233
TOTAL LIABILITIES	19,745,075	21,411,988

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

CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER 2010 AND 2009

(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 45). In the event of a discrepancy, the Spanish-language version prevails.

	(THOUSANDS OF EUROS)	
LIABILITIES AND EQUITY	2010	2009 (*)
EQUITY		
1. Own funds	708,648	661,662
1.1 Endowment fund	-	-
1.1.1 Registered capital	-	-
1.1.2 *Less: Uncalled capital*	-	-
1.2 Share premium	-	-
1.3 Reserves	625,627	585,675
1.3.1 Accumulated reserves (losses) (Note 21)	625,627	585,675
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 20)	30,051	30,051
1.4.3 Other equity instruments	-	-
1.5 *Less: Treasury shares*	-	-
1.6 Profit for the year	52,970	45,936
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 2010 AND 2009

(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 45). In the event of a discrepancy, the Spanish-language version prevails.

	(THOUSANDS OF EUROS)	
LIABILITIES AND EQUITY	2010	2009 (*)
EQUITY		
2. Valuation adjustments	(5,172)	34,764
2.1 Available-for-sale financial assets (Note 19)	(5,172)	34,764
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	703,476	696,426
TOTAL LIABILITIES AND EQUITY	20,448,551	22,108,414

(*) Presented for comparison purposes only.

The accompanying Notes 1 to 45 and Appendixes I and II are an integral part of the consolidated balance sheet at 31 December 2010.

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 2010 AND 2009

(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 45). In the event of a discrepancy, the Spanish-language version prevails.

	(THOUSANDS OF EUROS) INCOME / (EXPENSE)	
	2010	2009 (*)
1. Interest and similar income (Note 31)	343,772	487,412
2. Interest expense and similar charges (Note 32)	(322,571)	(399,460)
A. NET INTEREST INCOME	21,201	87,952
4. Income from equity instruments (Note 33)	141,042	134,511
5. Share of results of entities accounted for using the equity method	-	-
6. Fee and commission income (Note 34)	102,685	101,881
7. Fee and commission expense (Note 35)	(28,608)	(30,348)
8. Gains/losses on financial assets and liabilities (net) (Note 36)	(60,161)	(34,200)
8.1 Held for trading	(74,183)	(18,624)
8.2 Other financial instruments at fair value through profit or loss	8,617	(28,906)
8.3 Financial instruments not measured at fair value through profit or loss	5,613	13,330
8.4 Other	(208)	-
9. Exchange differences (net)	34,343	21,640
10. Other operating income (Note 37)	87,143	92,810
10.1 Income from insurance and reinsurance contracts issued	-	-
10.2 Sales and income from the provision of non-financial services	890	1,292
10.3 Other operating income	86,253	91,518

▪ Balance sheets and accounts

External audit report

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 2010 AND 2009

(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 45). In the event of a discrepancy, the Spanish-language version prevails.

	(THOUSANDS OF EUROS) INCOME / (EXPENSE)	
	2010	2009 (*)
11. Other operating expenses (Note 40)	(1,577)	(2,012)
11.1 Insurance and reinsurance contract expenses	-	-
11.2 Changes in inventories	(430)	-
11.3 Other operating expenses	(1,147)	(2,012)
B. GROSS INCOME	296,068	372,234
12. Administrative expenses	183,425	(178,900)
12.1 Staff costs (Note 38)	(96,674)	(85,442)
12.2 Other general administrative expenses (Note 39)	(86,751)	(93,458)
13. Depreciation and amortisation (Note 42)	(7,701)	(9,443)
14. Provisions (net) (Note 18)	(1,322)	(19,976)
15. Impairment losses on financial assets (net) (Notes 24 and 41)	(48,040)	(102,616)
15.1 Loans and receivables	(43,369)	(96,731)
15.2 Other financial instruments not measured at fair value through profit or loss	(4,671)	(5,885)
C. PROFIT FROM OPERATIONS	55,580	61,299
16. Impairment losses on other assets (net)	-	-
16.1 Goodwill and other intangible assets	-	-
16.2 Other assets	-	-

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 2010 AND 2009

(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 45). In the event of a discrepancy, the Spanish-language version prevails.

	(THOUSANDS OF EUROS) INCOME / (EXPENSE)	
	2010	2009 (*)
17. Gains (losses) on disposal of assets not classified as non-current assets held for sale	11,918	(3)
18. Negative goodwill on business combinations	-	-
19. Gains (losses) on non-current assets held for sale not classified as discontinued operations (Note 12)	-	-
D. PROFIT BEFORE TAX	67,498	61,296
20. Income tax (Note 22)	(14,528)	(15,360)
21. Mandatory transfer to welfare projects and funds	-	-
E. PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS	52,970	45,936
22. Profit/Loss from discontinued operations (net)	-	-
F. CONSOLIDATED PROFIT FOR THE YEAR	52,970	45,936
F.1 Profit attributable to the Parent	52,970	45,936
F.2 Profit attributable to minority interests	-	-

(*) Presented for comparison purposes only.

The accompanying Notes 1 to 45 and Appendixes I and II are an integral part of the consolidated income statement for 2010.

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 2010 AND 2009

(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 45). In the event of a discrepancy, the Spanish-language version prevails.

	(THOUSANDS OF EUROS) INCOME / (EXPENSE)	
	2010	2009 (*)
A) CONSOLIDATED PROFIT FOR THE YEAR	52,970	45,936
B) OTHER RECOGNISED INCOME AND EXPENSE	(39,936)	9,796
1. Available-for-sale financial assets	(57,051)	13,994
1.1. Revaluation gains (losses)	(54,258)	28,749
1.2. Amounts transferred to income statement	(2,793)	(14,755)
1.3. Other reclassifications	-	-
2. Cash flow hedges	-	-
2.1. Revaluation gains (losses)	-	-
2.2. Amounts transferred to income statement	-	-
2.3. Amounts transferred to the initial carrying amount of hedged items	-	-
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	-	-

▪ Balance sheets and accounts
External audit report

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 2010 AND 2009

(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 45). In the event of a discrepancy, the Spanish-language version prevails.

	(THOUSANDS OF EUROS) INCOME / (EXPENSE)	
	2010	2009 (*)
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	-	-
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	17,115	(4,198)
C) TOTAL RECOGNISED INCOME AND EXPENSE (A+B)	13,034	55,732
C 1) Attributable to the Parent	13,034	55,732
C 2) Attributable to minority interests	-	-

(*) Presented for comparison purposes only.

The accompanying Notes 1 to 45 and Appendixes I and II are an integral part of the consolidated statement of recognised income and expense for 2010.

▪ Balance sheets and accounts

External audit report

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 2010 AND 2009

(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 45). In the event of a discrepancy, the Spanish-language version prevails.

(THOUSANDS OF EUROS)	OWN FUNDS												
	Endowment Fund	Share Premium	Reserves (Note 21)	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 19)	Total	Minority Interests	TOTAL EQUITY
1. Ending balance at 31/12/09	-	-	585,675	-	30,051	-	45,936	-	661,662	34,764	696,426	-	696,426
1.1. Adjustments due to changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-
1.2. Adjustments made to correct errors	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Adjusted beginning balance	-	-	585,675	-	30,051	-	45,936	-	661,662	34,764	696,426	-	696,426
3. Total recognised income and expense	-	-	-	-	-	-	52,970	-	52,970	(39,936)	13,034	-	13,034
4. Other changes in equity	-	-	39,952	-	-	-	(45,936)	-	(5,984)	-	(5,984)	-	(5,984)
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	-	-	-	-	-	-	(2,277)	-	(2,277)	-	(2,277)	-	(2,277)
4.8. Transactions involving own equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-
4.9. Transfers between equity items	-	-	39,952	-	-	-	(39,952)	-	-	-	-	-	-
4.10. Increases (decreases) due to business combinations	-	-	-	-	-	-	-	-	-	-	-	-	-
4.11. Discretionary transfer to welfare projects and funds	-	-	-	-	-	-	(3,707)	-	(3,707)	-	(3,707)	-	(3,707)
4.12. Equity-instrument-based payments	-	-	-	-	-	-	-	-	-	-	-	-	-
4.13. Other increases (decreases) in equity	-	-	-	-	-	-	-	-	-	-	-	-	-
5. Ending balance at 31/12/10	-	-	625,627	-	30,051	-	52,970	-	708,648	(5,172)	703,476	-	703,476

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 2010 AND 2009

(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 45). In the event of a discrepancy, the Spanish-language version prevails.

(THOUSANDS OF EUROS)	OWN FUNDS												
	Endowment Fund	Share Premium	Reserves (Note 21)	Reserves (Losses) of Entities Accounted for Using the Equity Method	Other Equity Instruments (Note 20)	Less: Treasury Shares	Profit for the Year Attributable to the Parent	Less: Dividends and Remuneration	Total Own Funds	VALUATION ADJUSTMENTS (Note 19)	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

(*) Presented for comparison purposes only.

The accompanying Notes 1 to 45 and Appendixes I and II are an integral part of the consolidated statement of changes in total equity for 2009.

▪ Balance sheets and accounts
External audit report

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 2010 AND 2009

(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 45). In the event of a discrepancy, the Spanish-language version prevails.

	(THOUSANDS OF EUROS)	
	2010	2009 (*)
A) CASH FLOWS FROM OPERATING ACTIVITIES (Note 2.16)	(484,777)	294,899
1. Consolidated profit for the year	52,970	45,936
2. Adjustments made to obtain the cash flows from operating activities	133,071	119,782
2.1. Depreciation and amortisation	7,701	9,443
2.3. Other adjustments	125,370	110,339
3. Net (increase)/decrease in operating assets	1,035,984	(3,836,695)
3.1. Financial assets held for trading	6,605,610	(3,938,444)
3.2. Other financial assets at fair value through profit or loss	(167,430)	241,933
3.3. Available-for-sale financial assets	(3,145,231)	(147,968)
3.4. Loans and receivables	(2,217,830)	40,709
3.5. Other operating assets	(39,135)	(32,925)
4. Net (increase)/decrease in operating liabilities	(1,675,857)	4,009,458
4.1. Financial liabilities held for trading	(90,662)	1,953,050
4.2. Other financial liabilities at fair value through profit or loss	1,103,350	533,697
4.3. Financial liabilities at amortised cost	(2,705,845)	1,491,311
4.4. Other operating liabilities	17,300	31,400
5. Collections/(Payments) of income tax	(30,945)	(43,582)

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 2010 AND 2009

(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 45). In the event of a discrepancy, the Spanish-language version prevails.

	(THOUSANDS OF EUROS)	
	2010	2009 (*)
B) CASH FLOWS FROM INVESTING ACTIVITIES (Note 2.16)	**(4,140)**	**(5,968)**
6. Payments	(4,140)	(5,968)
6.1. Tangible assets	(2,705)	(5,311)
6.2. Intangible assets	(1,435)	(657)
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	-	-
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	-	-
7.6. Held-to-maturity investments	-	-
7.7. Other payments related to investing activities	-	-

▪ Balance sheets and accounts
External audit report

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 2010 AND 2009

(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 45). In the event of a discrepancy, the Spanish-language version prevails.

	(THOUSANDS OF EUROS)	
	2010	2009 (*)
C) CASH FLOWS FROM FINANCING ACTIVITIES (Note 2.16)	9,641	(2,089)
8. Payments	2,277	2,089
8.1. Dividends	2,277	2,089
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	11,918	-
9.1. Subordinated liabilities	-	-
9.2. Issuance of own equity instruments	-	-
9.3. Disposal of equity instruments	11,918	-
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)	(479,276)	286,842
F) CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	606,283	319,441

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 2010 AND 2009

(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 45). In the event of a discrepancy, the Spanish-language version prevails.

	(THOUSANDS OF EUROS)	
	2010	2009 (*)
G) CASH AND CASH EQUIVALENTS AT END OF YEAR	127,007	606,283
MEMORANDUM ITEMS		
COMPONENTS OF CASH AND CASH EQUIVALENTS AT END OF YEAR		
1.1. Cash	52,226	39,704
1.2. Cash equivalents at central banks	74,781	566,579
1.3. Other financial assets	-	-
1.4. Less: Bank overdrafts refundable on demand	-	-
Total cash and cash equivalents at end of year (Note 7)	127,007	606,283
of which: held by consolidated entities but not drawable by the Group	-	-

(*) Presented for comparison purposes only.

The accompanying Notes 1 to 45 and Appendixes I and II are an integral part of the consolidated cash flow statement for 2010.

▪ Balance sheets and accounts
External audit report

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 2010:

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 2010, 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 2010, including comparative information for 2009, and details the percentage that its assets and profit represent in relation to those of the Group.

The Group's consolidated financial statements for 2009 were approved at the Confederación's Annual General Assembly on 21 April 2010. The 2010 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 2010 were authorised for issue by the Confederación's directors at the Board of Directors meeting held on 16 February 2011.

The Group's consolidated financial statements are presented in accordance with International Financial Reporting Standards as adopted by the European Union at 31 December 2010 ("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 and as amended thereafter. This 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 2010 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 2010, 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 2010 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 2010 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.

▪ Balance sheets and accounts

External audit report

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 2010 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 2010 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 2009

As required by IAS 1, the information relating to 2009 contained in these notes to the consolidated financial statements is presented with the information relating to 2010 for comparison purposes only and, accordingly, it does not constitute the Group's statutory consolidated financial statements for 2009.

1.5. Agency agreements

Neither at 2010 nor 2009 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 2010 and 2009, 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.

▪ Balance sheets and accounts
External audit report

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 2010 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, and as amended thereafeter, 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.

▪ Balance sheets and accounts
External audit report

- 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 2010 and 2009 calculated in accordance with Bank of Spain Circular 3/2008:

	THOUSANDS OF EUROS	
	2010	2009
Tier 1 capital	658,940	591,136
Tier 2 capital	64,612	81,172
Total eligible capital	**723,552**	**672,308**
Minimum Tier capital	**382,981**	**439,144**

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 2010 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 2010 and 2009 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 2010 and 2009, and throughout 2010 and 2009, 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 2010 the Group's cash balance with Bank of Spain for these purposes amounted to EUR 74,781 thousand (2009: EUR 66,576 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 154 thousand in 2010 (2009: EUR 63 thousand), and the related expense was recognised under "Other Operating Expenses" in the accompanying consolidated income statement for 2010 (see Note 40).

1.11. Changes in accounting policies

In 2010 there were no significant in the accounting policies applied by the Group in the consolidated financial statements in 2009.

▪ Balance sheets and accounts
External audit report

2. ACCOUNTING POLICIES AND MEASUREMENT BASES

The accounting policies and measurement bases applied in preparing the Group's consolidated financial statements for 2010 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 2010 and 2009, in accordance with the aforementioned bases, the Confederación considered Caja Activa, S.A., in which it held a 99.99% in 2010 and 2009 ownership interest, and CEA Trade Services Limited, a wholly-owned investee in 2010 and 2009, 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 2010 and 2009, 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 2010 and 2009, 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 2010 and 2009, in accordance with the aforementioned criteria, the Confederación did not hold any ownership interests in companies considered to be associates.

At 31 December 2010 and 2009, the Confederación owned 20% of the share capital of Tevea International, S.A. (formerly, Euro - Tevea S.A.). This investee was neither at 2010 nor 2009 year-end 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 2010, the Confederación owns 22.49% of the share capital of Eufiserv Payments, S.C.R.L. (31 December 2009: 21.48%). At 31 December 2010 and 2009 this investment was not considered an associate since, in spite of owning 22.49% and 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.

▪ Balance sheets and accounts
External audit report

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 _ 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 2010 and 2009 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 2010 and 2009, 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 2010 or 2009.

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.

The disclosures required by the applicable regulations in relation to the reclassifications of financial instruments between categories made by the Group in 2010 and 2009 are included in Note 30.7.

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 fair value hedges, the changes in the fair value of the derivative and the hedged item attributable to the hedged risk are recognized under the heading "Net gains (losses) on financial assets and liabilities" in the consolidated income statement (See Note 36).

When the hedged item is carried at amortised cost, its carrying amount is adjusted by the amount of the gain or loss recognised in profit or loss as a result of the hedge. When the fair value hedge of this item is discontinued, the amount of this adjustment is recognised in profit or loss at the effective interest rate re-calculated at the date of hedge discontinuation. The adjustments must be fully amortised at maturity of the hedged item.

In 2010, the Group performed several transactions that qualified for hedge accounting in accordance with the aforementioned criteria, and these, pursuant to current regulations, are classified as fair value hedges, as the aim thereof is to hedge the fair value of certain balance-sheet items from fluctuations in interest rates. There were no transactions which qualified for hedge accounting at 31 December 2009 or during 2009.

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 equity under "Valuation Adjustments - Cash Flow Hedges" and are taken to the 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. No transactions qualified for hedge accounting, in accordance with the aforementioned criteria, at 31 December 2010 and 2009.

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.

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 2010 and 2009 is as follows:

▪ Balance sheets and accounts
External audit report

Nature of Foreign Currency Balances:	Equivalent Value in Thousands of Euros (*) 2010 Assets	2010 Liabilities	2009 Assets	2009 Liabilities
Balances in US dollars-				
Cash and balances with central banks	13,792	-	8,247	-
Financial assets and liabilities held for trading	582,164	634,515	465,311	532,622
Loans and receivables	122,750	-	162,915	-
Financial liabilities at amortised cost	-	244,478	-	777,739
Other	406	404	395	385
	719,112	879,397	636,868	1,310,746
Balances in Japanese yen-				
Cash and balances with central banks	1,054	-	675	-
Loans and receivables	100,859	-	97,518	-
Financial liabilities at amortised cost	-	3,442	-	4,153
	101.913	3.442	98.193	4.153
Balances in pounds sterling-				
Cash and balances with central banks	13,535	-	17,113	-
Financial assets and liabilities held for trading	3,048	912	4,589	734
Available-for-sale financial assets	-	-	-	-
Loans and receivables	77,719	-	81,381	-
Tangible assets	120	-	118	-
Financial liabilities at amortised cost	-	49,197	-	329,535
Other	128	228	107	238
	94,550	50,337	103,308	330,507

Página 2 de 2

Nature of Foreign Currency Balances:	Equivalent Value in Thousands of Euros (*) 2010 Assets	2010 Liabilities	2009 Assets	2009 Liabilities
Balances in Swiss francs-				
Cash and balances with central banks	2,237	-	1,449	-
Loans and receivables	153,920	-	159,193	-
Financial liabilities at amortised cost	-	9,687	-	7,325
Tangible assets	-	-	-	-
	156.157	9.687	160.642	7.325
Balances in Norwegian krone-				
Cash and balances with central banks	1,895	-	1,092	-
Loans and receivables	421	-	2,212	-
Financial liabilities at amortised cost	-	5,071	-	3,312
	2.316	5.071	3.304	3.312
Balances in Swedish krone-				
Caja y depósitos en Bancos Centrales	608	-	475	-
Inversiones crediticias	2.508	-	148.916	-
Pasivos financieros a coste amortizado	-	2.284	-	2.787
Otros	-	-	-	-
	3,116	2,284	149,391	2,787
Balances in other currencies-				
Cash and balances with central banks	9,074	-	5,044	-
Loans and receivables	16,478	-	156,598	-
Financial liabilities at amortised cost	-	25,989	-	14,932
Other	-	-	-	-
	25.552	25.989	161.642	14.932
Total balances denominated in foreign currencies	1,102,716	976,207	1,313,348	1,673,762

(*) Equivalent value calculated by applying the exchange rates at 31 December 2010 and 2009, respectively.

In addition to the currency positions recognised in the consolidated balance sheets at 31 December 2010 and 2009 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 25).

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 30.2 and 30.5 contain a summary of the main circumstances of the principal transfers of assets outstanding at 2010 and 2009 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 18). 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 pre-determined 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 2010, the Control Committee of the CECA Employees' Pension Plan, pursuant to the obligations previously acquired, resolved to take out an insurance policy to cover the supplementary vested pension income payable to the beneficiaries of the pension plan. The policy is in line with the benefits payable to the group of beneficiaries of the pension plan in order to ensure these obligations are met.

In 2010 the accrued expense for the contributions to be made to the external pension fund, relating to defined contribution plans, amounted to EUR 4,484 thousand (2009: EUR 4,187 thousand) which are recognised under "Administrative Expenses – Staff Costs" in the consolidated income statement (see Note 38).

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 5,070 thousand in 2010 (2009: EUR 3,013 thousand), and this amount was recognised under "Administrative Expenses – Staff Costs" in the consolidated income statement (see Note 38).

At 31 December 2010, the total pension obligations to current and retired employees amounted to EUR 189,703 thousand (31 December 2009: EUR 199,415 thousand). Of this amount, EUR 180,250 thousand were covered by the aforementioned external pension fund and insurance policies (31 December 2009: EUR 192,979 thousand), and EUR 9,453 thousand by an internal provision recognised under "Provisions - Provisions for Pensions and Similar Obligations" in the consolidated balance sheet (31 December 2009: EUR 6,436 thousand) (see Note 18) that had not yet been transferred to the external pension fund at 31 December 2010.

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%; an expected rate of return on pension plan assets of 4.27%; and estimated increase rates ranging from 2.50% 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, which was recognised under "Provisions - Provisions for Pensions and Similar Obligations" in the consolidated balance sheet (see Note 18) and related to early retirement obligations incurred as a result of the aforementioned Agreement dated 2 April 2001. At 31 December 2009 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.

At 31 December 2010 no amounts were recognised under "Provisions - Provisions for Pensions and Similar Obligations" in the consolidated balance sheet (see Note 18), since the Confederación did not have any early retirement obligations as all the early retirees reached retirement age in 2010.

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 2010 and 2009 year-end totalled approximately EUR 223 thousand and EUR 98 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 7,088 thousand for the Confederación in 2010 (2009: EUR 3,530 thousand).

This expenses are recognised under "Administrative Expenses – Staff Costs" (see Note 38) in the accompanying consolidated

▪ Balance sheets and accounts
External audit report

income statement. EUR 4,171 thousand and EUR 1,698 thousand of this amount have been paid at 31 December 2010 and at 31 December 2009, respectively.

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 Confederación, 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 2010 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 22).

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.

▪ Balance sheets and accounts
External audit report

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.

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 29).

At 31 December 2010 and 2009, 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 2010 and 2009, 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 2010 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 29).

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 2010 and 2009 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 21 includes information relating to the Group's reserves at 31 December 2010 and 2009.

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 99.96% of the Group's assets and 99.61% of the equity attributable to the Group at 31 December 2010 (31 December 2009: 99.97% and 99.70% 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 2010 and 2009 and for the years then ended:

CONFEDERACIÓN ESPAÑOLA DE CAJAS DE AHORROS

BALANCE SHEETS AT 31 DECEMBER 2010 AND 2009

	(THOUSANDS OF EUROS)	
ASSETS	2010	2009
1. Cash and balances with central banks	127,007	606,283
2. Financial assets held for trading	5,608,751	12,266,587
2.1 Loans and advances to credit institutions	-	-
2.2 Loans and advances to customers	-	-
2.3 Debt instruments	1,560,241	8,782,117
2.4 Equity instruments	57,403	44,883
2.5 Trading derivatives	3,991,107	3,439,587
Memorandum item: Loaned or advanced as collateral	1,213,991	4,634,523
3. Other financial assets at fair value through profit or loss	4,723,151	4,547,105
3.1 Loans and advances to credit institutions	3,253,755	3,748,450
3.2 Loans and advances to customers	1,469,396	798,655
3.3 Debt instruments	-	-
3.4 Equity instruments	-	-
Memorandum item: Loaned or advanced as collateral	3,137,554	1,838,335
4. Available-for-sale financial assets	3,804,933	717,299
4.1 Debt instruments	3,687,433	591,324
4.2 Equity instruments	117,500	125,975
Memorandum item: Loaned or advanced as collateral	2,943,799	23,052
5. Loans and receivables	5,921,522	3,757,619
5.1 Loans and advances to credit institutions	2,621,776	3,056,937
5.2 Loans and advances to customers	433,392	543,061
5.3 Debt instruments	2,866,354	157,621
Memorandum item: Loaned or advanced as collateral	1,910,833	227,307

Page 2 of 3

CONFEDERACIÓN ESPAÑOLA DE CAJAS DE AHORROS

BALANCE SHEETS AT 31 DECEMBER 2010 AND 2009

(THOUSANDS OF EUROS)

ASSETS	2010	2009
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	298	-
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	103,668	107,736
13.1. Property, plant and equipment	102,500	106,532
13.1.1 For own use	102,500	106,532
13.1.2 Leased out under an operating lease	-	-
13.1.3 Assigned to welfare projects	-	-
13.2 Investment property	1,168	1,204
Memorandum item: Acquired under a finance lease	-	-
14. Intangible assets	2,800	2,281
14.1 Goodwill	-	-
14.2 Other intangible assets	2,800	2,281

CONFEDERACIÓN ESPAÑOLA DE CAJAS DE AHORROS

BALANCE SHEETS AT 31 DECEMBER 2010 AND 2009

ASSETS	(THOUSANDS OF EUROS) 2010	2009
15. Tax assets	89,186	70,986
15.1 Current	683	840
15.2 Deferred	88,503	70,146
16. Other assets	58,923	24,753
TOTAL ASSETS	20,440,915	22,101,325
MEMORANDUM ITEMS		
1. Contingent liabilities	100,140	82,683
2. Contingent commitments	2,109,900	1,177,506

CONFEDERACIÓN ESPAÑOLA DE CAJAS DE AHORROS

BALANCE SHEETS AT 31 DECEMBER 2010 AND 2009

(THOUSANDS OF EUROS)

LIABILITIES AND EQUITY	2010	2009
LIABILITIES		
1. Financial liabilities held for trading	4,258,983	4,349,645
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	3,977,193	3,486,403
1.6 Short positions	281,790	863,242
1.7. Other financial liabilities	-	-
2. Other financial liabilities at fair value through profit or loss	8,722,874	7,619,524
2.1. Deposits from central banks	-	1,209,104
2.2 Deposits from credit institutions	987,755	2,371,801
2.3 Customer deposits	7,735,119	4,038,619
2.4 Marketable debt securities	-	-
2.5 Subordinated liabilities	-	-
2.6 Other financial liabilities	-	-
3. Financial liabilities at amortised cost	6,527,455	9,236,004
3.1 Deposits from central banks	22,455	279,737
3.2 Deposits from credit institutions	3,276,282	5,162,482
3.3 Customer deposits	2,691,855	3,234,186
3.4. Marketable debt securities	-	-
3.5 Subordinated liabilities	-	-
3.6 Other financial liabilities	536,863	559,599

▪ Balance sheets and accounts
External audit report

CONFEDERACIÓN ESPAÑOLA DE CAJAS DE AHORROS

BALANCE SHEETS AT 31 DECEMBER 2010 AND 2009

(THOUSANDS OF EUROS)

LIABILITIES AND EQUITY	2010	2009
LIABILITIES		
4. Changes in the fair value of hedged items in portfolio hedges of interest rate risk	-	-
5. Hedging derivatives	38.736	-
6. Liabilities associated with non-current assets held for sale	-	-
8. Provisions	76,026	75,824
8.1 Provisions for pensions and similar obligations	9,453	6,769
8.2 Provisions for taxes and other legal contingencies	-	-
8.3 Provisions for contingent liabilities and commitments	14	13
8.4 Other provisions	66,559	69,042
9. Tax liabilities	42,660	58,212
9.1 Current	9,024	15,075
9.2 Deferred	33,636	43,137
10. Welfare fund	266	503
11. Other liabilities	73,152	67,267
12. Equity refundable on demand	-	-
TOTAL LIABILITIES	19,740,152	21,406,979

CONFEDERACIÓN ESPAÑOLA DE CAJAS DE AHORROS

BALANCE SHEETS AT 31 DECEMBER 2010 AND 2009

(THOUSANDS OF EUROS)

LIABILITIES AND EQUITY	2010	2009
EQUITY		
1. Own funds	705,935	659,582
1.1 Endowment fund	-	-
1.1.1 Registered capital-	-	
1.1.2 *Less: Uncalled capital*	-	-
1.2 Share premium	-	-
1.3 Reserves	623,547	583,069
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	52,337	46,462
1.7 *Less: Dividends and remuneration*	-	-

CONFEDERACIÓN ESPAÑOLA DE CAJAS DE AHORROS

BALANCE SHEETS AT 31 DECEMBER 2010 AND 2009

(THOUSANDS OF EUROS)

LIABILITIES AND EQUITY	2010	2009
EQUITY		
2. Valuation adjustments	(5,172)	34,764
2.1 Available-for-sale financial assets	(5,172)	34,764
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	700,763	694,346
TOTAL LIABILITIES AND EQUITY	20,440,915	22,101,325

Page 1 of 3

CONFEDERACIÓN ESPAÑOLA DE CAJAS DE AHORROS

INCOME STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009

	(THOUSANDS OF EUROS) INCOME / (EXPENSE)	
	2010	2009
1. Interest and similar income	343,737	487,364
2. Interest expense and similar charges	(322,571)	(399,460)
3. Return of equity refundable on demand	-	-
A. NET INTEREST INCOME	21,166	87,904
4. Income from equity instruments	141,792	136,761
5. Fee and commission income	101,970	101,143
6. Fee and commission expense	(28,153)	(29,902)
8. Gains/losses on financial assets and liabilities (net)	(60,161)	(34,200)
8.1 Held for trading	(74,183)	(18,624)
8.2 Other financial instruments at fair value through profit or loss	8,617	(28,906)
8.3 Financial instruments not measured at fair value through profit or loss	5,613	13,330
8.4 Other	(208)	-
9. Exchange differences (net)	34,343	21,640
10. Other operating income	79,896	84,327
11. Other operating expenses	(1,577)	(2,012)

▪ Balance sheets and accounts
External audit report

CONFEDERACIÓN ESPAÑOLA DE CAJAS DE AHORROS

INCOME STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009

	(THOUSANDS OF EUROS) INCOME / (EXPENSE)	
	2010	2009
B.GROSS INCOME	289,276	365,661
12. Administrative expenses	(177,999)	(172,540)
12.1 Staff costs	(95,477)	(84,176)
12.2 Other general administrative expense	(82,522)	(88,364)
13. Depreciation and amortisation	(7,646)	(9,392)
14. Provisions (net)	(1,322)	(19,976)
15. Impairment losses on financial assets (net)	(48,033)	(102,614)
15.1 Loans and receivables	(43,362)	(96,726)
15.2 Other financial instruments not measured at fair value through profit or loss	(4,671)	(5,888)
C. PROFIT FROM OPERATIONS	54,276	61,139
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	11,918	(3)
18. Negative goodwill on business combinations	-	-
19. Gains (losses) on non-current assets held for sale not classified as discontinued operations	-	-

▪ Balance sheets and accounts
External audit report

CONFEDERACIÓN ESPAÑOLA DE CAJAS DE AHORROS

INCOME STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009

	(THOUSANDS OF EUROS) INCOME / (EXPENSE)	
	2010	2009
D. PROFIT BEFORE TAX	66,194	61,136
20. Income tax	(13,857)	(14,674)
21. Mandatory transfer to welfare projects and funds	-	-
E. PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS	52,337	46,462
22. Profit/Loss from discontinued operations (net)	-	-
E. PROFIT FOR THE YEAR	52,337	46,462

▪ Balance sheets and accounts
External audit report

CONFEDERACIÓN ESPAÑOLA DE CAJAS DE AHORROS

STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009

I. STATEMENTS OF RECOGNISED INCOME AND EXPENSE FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009

	(THOUSANDS OF EUROS) INCOME / (EXPENSE)	
	2010	2009
A) PROFIT FOR THE YEAR	52,337	46,462
B) OTHER RECOGNISED INCOME AND EXPENSE	(39,936)	9,796
1. Available-for-sale financial assets	(57,051)	13,944
1.1. Revaluation gains (losses)	(54,258)	28,749
1.2. Amounts transferred to income statement	(2,793)	(14,755)
1.3. Other reclassifications	-	-
2. Cash flow hedges	-	-
2.1. Revaluation gains (losses)	-	-
2.2. Amounts transferred to income statement	-	-
2.3. Amounts transferred to the initial carrying amount of hedged items	-	-
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	-	-

CONFEDERACIÓN ESPAÑOLA DE CAJAS DE AHORROS

STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009

I. STATEMENTS OF RECOGNISED INCOME AND EXPENSE FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009

	(THOUSANDS OF EUROS) INCOME / (EXPENSE)	
	2010	2009
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	17,115	(4,198)
C) TOTAL RECOGNISED INCOME AND EXPENSE (A+B)	12,401	56,258

CONFEDERACIÓN ESPAÑOLA DE CAJAS DE AHORROS

STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009

II. STATEMENTS OF CHANGES IN TOTAL EQUITY FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009

(THOUSANDS OF EUROS)	OWN FUNDS								VALUATION ADJUSTMENTS	TOTAL EQUITY
	Endowment Fund	Share Premium	Reserves	Other Equity Instruments	Less: Treasury Shares	Profit for the Year	Less: Dividends and Remuneration	Total Own Funds		
1. Ending balance at 31/12/09	-	-	583,069	30,051	-	46,462	-	659,582	34,764	694,346
1.1. Adjustments due to changes in accounting policies	-	-	-	-	-	-	-	-	-	-
1.2. Adjustments made to correct errors	-	-	-	-	-	-	-	-	-	-
2. Adjusted beginning balance	-	-	583,069	30,051	-	46,462	-	659,582	34,764	694,346
3. Total recognised income and expense	-	-	-	-	-	52,337	-	52,337	(39,936)	12,401
4. Other changes in equity	-	-	40,478	-	-	(46,462)	-	(5,984)	-	(5,984)
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	-	-	-	-	-	(2,277)	-	(2,277)	-	(2,277)
4.8. Transactions involving own equity instruments	-	-	-	-	-	-	-	-	-	-
4.9. Transfers between equity items	-	-	40,478	-	-	(40,478)	-	-	-	-
4.10. Increases (decreases) due to business combinations	-	-	-	-	-	-	-	-	-	-
4.11. Discretionary transfer to welfare projects and funds	-	-	-	-	-	(3,707)	-	(3,707)	-	(3,707)
4.12. Equity-instrument-based payments	-	-	-	-	-	-	-	-	-	-
4.13. Other increases (decreases) in equity	-	-	-	-	-	-	-	-	-	-
5. Ending balance at 31/12/10	-	-	623,547	30,051	-	52,337	-	705,935	(5,172)	700,763

▪ Balance sheets and accounts

External audit report

CONFEDERACIÓN ESPAÑOLA DE CAJAS DE AHORROS

STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009

II. STATEMENTS OF CHANGES IN TOTAL EQUITY FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009

(THOUSANDS OF EUROS)	OWN FUNDS								VALUATION ADJUSTMENTS	TOTAL EQUITY
	Endowment Fund	Share Premium	Reserves	Other Equity Instruments	Less: Treasury Shares	Profit for the Year	Less: Dividends and Remuneration	Total Own Funds		
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

CASH FLOW STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009

	(THOUSANDS OF EUROS)	
	2010	2009
A) CASH FLOWS FROM OPERATING ACTIVITIES	(484,864)	294,858
1. Profit for the year	52,337	46,462
2. Adjustments made to obtain the cash flows from operating activities	131,644	118,375
2.1. Depreciation and amortisation	7,646	9,392
2.3. Other adjustments	123,998	108,983
3. Net (increase)/decrease in operating assets	1,036,041	(3,836,368)
3.1. Financial assets held for trading	6,605,610	(3,938,444)
3.2. Other financial assets at fair value through profit or loss	(167,430)	241,933
3.3. Available-for-sale financial assets	(3,145,224)	(147,968)
3.4. Loans and receivables	(2,217,286)	40,607
3.5. Other operating assets	(39,629)	(32,496)
4. Net (increase)/decrease in operating liabilities	(1,674,633)	4,009,306
4.1. Financial liabilities held for trading	(90,662)	1,953,050
4.2. Other financial liabilities at fair value through profit or loss	1,103,350	533,697
4.3. Financial liabilities at amortised cost	(2,708,549)	1,493,416
4.4. Other operating liabilities	21,228	29,143
5. Collections/(Payments) of income tax	(30,253)	(42,917)

CONFEDERACIÓN ESPAÑOLA DE CAJAS DE AHORROS

CASH FLOW STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009

(THOUSANDS OF EUROS)

	2010	2009
B) CASH FLOWS FROM INVESTING ACTIVITIES	(4,053)	(5,927)
6. Payments	(4,053)	(5,927)
6.1. Tangible assets	(2,697)	(5,282)
6.2. Intangible assets	(1,356)	(645)
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	-	-
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	-	-
7.6. Held-to-maturity investments	-	-
7.7. Other payments related to investing activities	-	-

CONFEDERACIÓN ESPAÑOLA DE CAJAS DE AHORROS

CASH FLOW STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009

(THOUSANDS OF EUROS)

	2010	2009
C) CASH FLOWS FROM FINANCING ACTIVITIES	9,641	(2,089)
8. Payments	2,277	2,089
8.1. Dividends	2,277	2,089
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	11,918	-
9.1. Subordinated liabilities	-	-
9.2. Issuance of own equity instruments	-	-
9.3. Disposal of equity instruments	11,918	-
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)	(479,276)	286,842
F) CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	606,283	319,441

CONFEDERACIÓN ESPAÑOLA DE CAJAS DE AHORROS

CASH FLOW STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009

(THOUSANDS OF EUROS)	2010	2009
G) CASH AND CASH EQUIVALENTS AT END OF YEAR	127,007	606,283
MEMORANDUM ITEMS		
COMPONENTS OF CASH AND CASH EQUIVALENTS AT END OF YEAR		
1.1. Cash	52,226	39,704
1.2. Cash equivalents at central banks	74,781	566,579
1.3. Other financial assets	-	-
1.4. Less: Bank overdrafts refundable on demand	-	-
Total cash and cash equivalents at end of year	127,007	606,283

▪ Balance sheets and accounts
External audit report

4. DISTRIBUTION OF THE CONFEDERACIÓN'S PROFIT

The distribution of the Confederación's net profit for 2010 that the Board of Directors will propose for approval by the General Assembly (the figures for 2009 are presented for comparison purposes only) is as follows:

	THOUSANDS OF EUROS	
	2010	2009
Reserves	45,934	40,478
Transfer to welfare fund (Note 29)	3,995	3,707
Return on participation certificates (Note 20)	2,408	2,277
Net profit for the year	52,337	46,462

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 2010 and 2009 by the geographical areas giving rise thereto:

2010:

	THOUSANDS OF EUROS			
	Spain	Rest of Europe	Rest of the world	Total
Interest and similar income (Note 31)	333,530	10,242	-	343,772
Fee and comisión income (Note 34)	99,371	2,599	715	102,685
Gains /losses on financial assets and liabilities (net) (Note 36)	(60,161)	-	-	(60,161)
Other operating income (Note 37)	87,017	126	-	87,143

2009:

	THOUSANDS OF EUROS			
	Spain	Rest of Europe	Rest of the world	Total
Interest and similar income (Note 31)	438,375	49,037	-	487,412
Fee and comisión income (Note 34)	98,908	2,235	738	101,881
Gains /losses on financial assets and liabilities (net) (Note 36)	(33,185)	(1,015)	-	(34,200)
Other operating income (Note 37)	92,661	149	-	92,810

Note 28 contains information on geographical distribution, by counterparty, of the Group's main activities.

At 31 December 2010 and 2009 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 2010 and 2009 is shown in the table below.

	THOUSANDS OF EUROS	
	2010	2009
Alzamora Carbonell, Fernando	18	6
Arvelo Hernández, Álvaro	18	17
Batle Mayol, Pedro	-	12
Beltrán Aparicio, Fernando	18	17
Blesa de la Parra, Miguel	3	40
Crespo Martínez Modesto	38	8
De Rato Figadero, Rodrigo	35	-
De Irala Esteve, Xabier	-	11
Egea Krauel, Carlos	43	40
Escribano Soto, Manuel	-	2
Espinosa Herrero, José Manuel	8	11
Fainé Casas, Isidro	43	37
Fernández Gayoso, Julio	11	5
Formosa Prat, Feliú	-	5
Franco Lahoz, Amado	37	18
García Núñez, Leoncio	-	6
García Peña, Francisco Manuel	18	6
Goñí Beltrán de Garizurieta, Enrique	6	-
Hernández Pérez, Lucas	11	-
Herrero Autet, Didac	14	11

	THOUSANDS OF EUROS	
	2010	2009
Iturbe Otaegui, Xabier	17	-
Ibern Gallart, Josep	-	8
Jene Villagrasa, Rafael	2	-
Mata Tarragó, Enric	18	11
Medel Cámara, Braulio	40	40
Medina Ocaña, Jesús	-	14
Méndez López, José Luis	8	11
Mestre González, Jordi	14	11
Olavarrieta Arcos, José Antonio	43	40
Olivas Martínez, José Luis	22	40
Pagés Font, Ricardo	-	6
Pulido Gutiérrez, Antonio	18	17
Quintás Seoane, Juan Ramón	9	40
Ros Maorad, José Luis	15	18
Sala Belló, Vicente	-	11
Sánchez Rojas, José Manuel	-	12
Sanz Sesma, Miguel	11	17
Suárez del Toro, Juan Manuel	18	17
Todó Rovira, Adolfo	17	17
Total	573	582

▪ Balance sheets and accounts
External audit report

In 2010, the directors were paid fees for attending Standing Committee meetings and representing the Board amounting to EUR 22 thousand (2009: EUR 162 thousand). Note 44 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 15 members of the Management Committee were considered to be senior executives of the Confederación at 31 December 2010 (31 December 2009: 16 executives).

The remuneration earned in 2010 by senior executives and by the Board members in their capacity as Group executives amounted to EUR 9,274 thousand (2009: EUR 7,513 thousand) of which EUR 4,786 thousand related to short-term remuneration earned in 2010 (2009: EUR 5,183 thousand) and EUR 4,488 thousand related to post-employment benefits (2009: EUR 2,330 thousand).

No additional remuneration was earned by senior executives in 2010 and 2009 in connection with other long-term benefits, termination benefits or share-based payments as defined by the applicable regulations.

At 31 December 2010, the vested pension rights of the senior executives and Board members in their capacity as Group executives amounted to EUR 12,905 thousand (31 December 2009: EUR 17,667 thousand).

Also, the post-employment benefits accrued in 2010 by former members of the Group's Board of Directors amounted to EUR 7 thousand and their vested rights in this connection totalled EUR 854 thousand at 31 December 2010 (2009: EUR 67 thousand; 31 December 2009: EUR 1,345 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 2010 and 2009 is as follows:

	THOUSANDS OF EUROS	
	2010	2009
Cash	52,226	39,704
Balances with the Bank of Spain	74,781	566,576
Balances with other central banks	-	-
	127,007	606,280
Valuation adjustments:		
Of which-		
Other valuation adjustments	-	3
	-	3
	127,007	606,283

Note 23 includes information on the fair value of these instruments at 31 December 2010 and 2009. Note 26 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 2010 and 2009 represents the maximum exposure to credit risk assumed by the Group in relation to these instruments.

At 31 December 2010 and 2009, 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 2010 and 2009:

	THOUSANDS OF EUROS			
	Financial Assets Held for Tradings		Financial Liabilities Held for Trading	
	2010	2009	**2010**	2009
Debt instruments	1,560,241	8,782,117	-	-
Equity instruments	57,403	44,883	-	-
Trading derivatives-				
Derivatives traded in organised markets	-	556	9	525
OTC derivatives	3,991,107	3,439,031	3,997,184	3,485,878
Short positions	-	-	281,790	863,242
	5,608,751	12,266,587	4,258,983	4,349,645

Note 24 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 25 and 26 include information on the market and liquidity risks, respectively, associated with the financial instruments included in this category. Note 23 provides information on the fair value of the financial instruments included in this category. Note 28 includes information on the concentration of risk relating to the financial assets held for trading. Note 27 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 2010 and 2009:

	THOUSANDS OF EUROS					
	2010			2009		
	Fair Value			Fair Value		
	Asset Balances	Liability Balances	Notional Amount	Asset Balances	Liability Balances	Notional Amount
RInterest rate risk	3,936,436	3,925,151	129,022,892	3,364,173	3,421,714	162,542,112
Foreign currency risk	53,081	41,296	4,299,703	42,615	31,475	3,725,084
Share price risk	1,530	1,639	220,415	32,260	21,281	577,673
Credit risk	-	9,047	45,000	539	11,933	130,000
Commodities risk	60	60	3,000	-	-	-
	3,991,107	3,977,193	133,591,010	3,439,587	3,486,403	166,974,869

▪ Balance sheets and accounts
External audit report

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 2010 and 2009 is as follows:

	THOUSANDS OF EUROS	
Classification:	2010	2009
Borrowed securities-		
Equity instruments	284	90,316
Short sales-		
Debt instruments	281,506	772,926
	281,790	863,242

"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.

▪ Balance sheets and accounts
External audit report

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 2010 and 2009 is as follows:

	THOUSANDS OF EUROS	
Loans and advances to credit institutions-	**2010**	2009
Reverse repurchase agreements	3,239,534	3,715,172
Valuation adjustments-		
Accrued interest	14,571	30,868
Revaluation gains	(350)	2,410
	14,221	**33,278**
	3,253,755	3,748,450
Loans and advances to customers-		
Reverse repurchase agreements	1,468,760	797,766
Valuation adjustments-		
Accrued interest	1,675	754
Revaluation gains	(1,039)	135
	636	**889**
	1,469,396	798,655
	4,723,151	4.547,105

Note 24 includes information on the Group's exposure to credit risk at 31 December 2010 and 2009 associated with these financial instruments.

Note 23 discloses information on the fair value of these financial instruments at 31 December 2010 and 2009. Note 25 provides information on the exposure to market risk of these financial instruments.

Note 26 contains information on the liquidity risk associated with the financial instruments owned by the Group at 31 December 2010 and 2009, including information on the terms to maturity at those dates of the financial assets included in this category.

Note 28 includes information on the concentration risk relating to these financial instruments at 31 December 2010 and 2009. Note 27 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 2010 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 2010 and 2009 is as follows:

	THOUSANDS OF EUROS	
Deposits from central banks-	**2010**	2009
Taken deposits from Bank of Spain	-	1,200,000
Repurchase agreements with the Bank of Spain	-	-
Valuation adjustments-		
Accrued interest	-	6,318
Revaluation gains	-	2,786
	-	**9,104**
	-	1,209,104
Deposits from credit institutions-		
Repurchase agreements with credit institutions	986,963	2,368,811
Valuation adjustments-		
Accrued interest	777	2,659
Revaluation gains	15	331
	792	**2,990**
	987,755	2,371,801

	THOUSANDS OF EUROS	
Customer deposits-	**2010**	2009
Repurchase agreements with the Public Treasury	2,446,558	790,898
Repurchase agreements to entities with central counterparties	4,917,909	2,909,998
Repurchase agreements with other resident sectors in Spain	374,886	337,100
Repurchase agreements with other non-resident sectors in Spain	-	-
Valuation adjustments-		
Accrued interest	5,266	626
Revaluation losses	(9,500)	(3)
	(4,234)	**623**
	7,735,119	4,038,619
	8,722,874	7,619,524

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 2010 and accumulated at 31 December 2010 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 2010, which does not differ significantly from the amount that would be payable by the Group if they matured at that date.

Note 23 discloses information on the fair value of the financial liabilities included in this category at 31 December 2010. Note 26 provides information on the liquidity risk associated with these financial liabilities.

Note 25 shows certain information on the market risk associated with these financial liabilities and Note 27 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 2010 and 2009:

	THOUSANDS OF EUROS	
Debt instruments-	2010	2009
Values of Spanish Central Governments	3,078,086	81,291
Of which:		
Treasury bills	2,710,368	-
Government debt securities	367,718	81,291
Other securities	663,390	541,487
	3,741,476	622,778
Valuation adjustments-		
Accrued interest	14,283	6,804
Revaluation losses	(65,507)	(35,110)
Impairment losses	(2,819)	(3,148)
	(54,043)	(31,454)
	3,687,433	591,324

	THOUSANDS OF EUROS	
Equity instruments-	2010	2009
Shares quoted on secondary organised markets	33,150	13,370
Shares not quoted on organised markets	35,998	31,733
	69,148	45,103
Valuation adjustments-		
Revaluation gains	48,952	81,472
Impairment losses	(600)	(600)
Other adjustments	-	-
	48,352	80,872
	117,500	125,975
	3,804,933	717,299

Note 23 contains certain information on the fair value of the financial instruments included in this category. Note 24 includes information on the credit risk to which the debt instruments included in this financial instrument category are subject.

Note 25 shows certain information on the market risk to which the Group is exposed in relation to these financial assets. Note 26 discloses certain information on the Group's liquidity risk, including information on the terms to maturity of these financial assets at 31 December 2010 and 2009.

Note 27 shows information on the exposure to interest rate risk. Note 28 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 2010 and 2009:

	THOUSANDS OF EUROS	
Loans and advances to credit institutions-	**2010**	2009
Time deposits	820,052	1,153,511
Other accounts	1,399,824	1,223,566
Securities lending (*)	393,207	652,443
Other financial assets	7,587	24,397
Doubtful assets	-	1,116
	2,620,670	**3,055,033**
Valuation adjustments-		
Impairment losses	(59)	(1,183)
Accrued interest	1,258	3,126
	1,199	**1,943**
	2,621,869	3,056,976

	THOUSANDS OF EUROS	
Loans and advances to customers-	**2010**	**2009**
Deposits for futures transactions and other guarantees given	313,677	216,150
Unsettled stock exchange transactions	36,593	111,545
Securities lending (*)	-	76,080
Mortgage loans	50,561	46,797
Unsecured credits and loans	33,394	20,916
Other assets	1,063	74,656
Reverse repurchase agreements	6,952	6,752
Doubtful assets	24	24
	442,264	**552,920**
Valuation adjustments-		
Impairment losses	(1,171)	(2,581)
Accrued interest	122	55
	(1.049)	**(2.526)**
	441,215	**550,394**
Debt instruments-		
Issued by non-residents in Spain	119,431	161,081
Issued by residents in Spain	2,785,065	22,361
Doubtful assets	109,848	71,432
Valuation adjustments-		
Impairment losses	(142,969)	(97,253)
Other valuation adjustments (micro-hedge)	(5,021)	-
	2,866,354	**157,621**
	5,929,438	**3,764,991**

(*) Relates to the amount delivered by the Confederación as security for securities lending transactions (see Note 30.5)

Note 23 provides information on the fair value at 31 December 2010 and 2009 of the financial assets included in this category. Note 24 discloses certain relevant information on the credit risk relating to the financial assets included in this financial instrument category at 31 December 2010 and 2009.

Note 25 includes information on the market risk associated with these financial assets at 31 December 2010 and 2009. Note 26 contains information on the liquidity risk associated with the Group's financial instruments at 31 December 2010 and 2009, including information on the terms to maturity at those dates of the financial assets included in this category.

Note 28 includes information on the concentration risk associated with the financial assets included in this category at 31 December 2010 and 2009. Note 27 shows information on the exposure to interest rate risk.

11. HEDGING DERIVATIVES

Fair value hedges

The Group has entered into financial derivatives transactions with various counterparties of recognised creditworthiness which are considered fair value hedges of certain balance sheet positions against fluctuations in market interest rates.

The Group's hedged consolidated balance sheet positions relate to fixed-rate debt instruments (guaranteed issues, government bonds and treasury bills). These securities are issued by the Spanish government, Spanish private sector financial institutions and other resident sectors.

Given that the positions giving rise to the risk are long-term transactions tied to a fixed interest rate, the main aim of the hedge is to change the returns of the hedged items from fixed to floating and, accordingly, their performance to changes in market interest rates. To this end, the Group uses OTC interest rate derivatives (basically swaps such as call money swaps).

The Group uses call money swaps to hedge each group of debt instruments, which are grouped on the basis of their sensitivity to changes in interest rates, and documents the related efficiency analyses of the hedges to verify that, at inception and throughout the life of these hedges, the Group can expect, prospectively, that the changes in fair value of the hedged items attributable to the hedged risk will be almost fully offset by changes in the fair value of the hedging instruments and, retrospectively, that the actual results of the hedge are within a range of 80% to 125% of the results of the hedged item. The aforementioned hedges are highly effective.

Following is a detail of the fair value of the hedging instruments at 31 December 2010:

	THOUSANDS OF EUROS Fair value of hedging instruments	
	Asset balances	Liability balances
Hedged instrument		
Loans and receivables	268	32,813
Available-for-sale assets	30	5,923
	298	**38,736**

The Group did not have any assets that qualified for hedge accounting at 31 December 2009.

Gains/losses on hedging instruments and hedged items are recognised under "Gains/Losses on Financial Assets and Liabilities (Net)" in the Group's consolidated income statement (see Note 34).

12. 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 2010 and 2009 is as follows:

	THOUSANDS OF EUROS	
	2010	2009
Tangible assets -		
Foreclosed residential assets	-	-
Other residential assets	161	161
Equity instruments -		
Investments in associates	-	-
Impairment losses	-	-
	161	**161**

During 2010 and 2009 there were no changes in this part of the consolidated balance sheet.

13. INVESTMENTS

At 31 December 2010 and 2009 the Group did not have any investments classified as "Associates". There were no changes in this heading of the consolidated balance sheets in 2010 and 2009.

14. TANGIBLE ASSETS

The changes in 2010 and 2009 in "Tangible Assets" in the consolidated balance sheets were as follows:

	THOUSANDS OF EUROS				
	PROPERTY, PLANT AND EQUIPMENT FOR OWN USE				
Cost:	Land and Buildings	Furniture, Fixtures and Vehicles	IT Equipment and Related Fixtures	Investment Property	Total
Balance at 1 January 2009	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
Additions	-	1,513	1,192	-	2,705
Disposals	-	(2,200)	(787)	-	(2,987)
Transfers	(3,157)	3,223	(66)	-	-
Other	-	(3)	23	-	20
Balance at 31 December 2010	121,668	46,621	22,141	1,333	191,763
Accumulated depreciation:					
Balance at 1 January 2009	(29,765)	(31,444)	(21,263)	(93)	(82,565)
Charge for the year (Note 42)	(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)

Page 2 of 2

	THOUSANDS OF EUROS				
	PROPERTY, PLANT AND EQUIPMENT FOR OWN USE				
	Land and Buildings	Furniture, Fixtures and Vehicles	IT Equipment and Related Fixtures	Investment Property	Total
Charge for the year (Note 42)	(2,423)	(2,716)	(1,668)	(36)	(6,843)
Disposals	-	2,200	757	-	2,957
Transfers	2,242	(2,308)	66	-	-
Other	-	39	14	-	53
Balance at 31 December 2010	(32,407)	(36,113)	(19,266)	(165)	(87,951)
Tangible assets, net:					
Net balance at 31 December 2009	92,599	10,760	3,344	1,204	107,907
Net balance at 31 December 2010	89,261	10,508	2,875	1,168	103,812

At 31 December 2010, property, plant and equipment for own use totalling (gross) approximately EUR 53,126 thousand (EUR 46,154 thousand at 31 December 2009) had been depreciated in full.

At 31 December 2010 and 2009, 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 993 thousand in 2010 and EUR 1,012 thousand in 2009 (see Note 37).

15. INTANGIBLE ASSETS

15.1. 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 2010 and 2009 is as follows:

	THOUSANDS OF EUROS	
	2010	2009
Intangible assets with finite useful life	5,429	13,925
Less:		
Accumulated amortisation	(2,555)	(11,628)
Total net	**2,874**	**2,297**

At 31 December 2010 and 2009, the intangible assets owned by the Group were not impaired and there were no changes in this connection in those years.

At 31 December 2010 the balance of fully amortised intangible assets in use was EUR 2,422 thousand (31 December 2009: EUR 10,373 thousand).

The changes in 2010 and 2009 in "Other Intangible Assets" in the consolidated balance sheets were as follows:

	THOUSANDS OF EUROS
Cost:	
Balance at 1 January 2009	26,700
Additions	657
Disposals	(13,432)
Balance at 31 December 2009	**13,925**
Additions	1,435
Disposals	(9,931)
Balance at 31 December 2010	**5,429**
Accumulated amortisation:	
Balance at 1 January 2009	(21,953)
Charge for the year (Note 42)	(3,107)
Disposals	13,432
Balance at 31 December 2009	**(11,628)**
Charge for the year (Note 42)	(858)
Disposals	9,931
Balance at 31 December 2010	**(2,555)**
Intangible assets, net:	
Net balance at 31 December 2009	**2,297**
Net balance at 31 December 2010	**2,874**

16. OTHER ASSETS

The breakdown of the balance of "Other Assets" in the consolidated balance sheets at 31 December 2010 and 2009 is as follows:

	THOUSANDS OF EUROS	
	2010	2009
Prepayments and accrued income-		
Fees and commissions receivable	6,343	5,913
Commissions for guarantees received	13,756	-
Prepayments	128	132
Other prepayments and accrued income	2,243	1,853
Other assets-		
Transactions in transit	21,582	4,588
Other	14,878	12,298
	58,930	24,784

"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.

"Other Assets - Transactions in Transit" mainly includes temporary balances which relate basically to securities underwriting transactions and other unsettled OTC transactions.

17. FINANCIAL LIABILITIES AT AMORTISED COST

17.1. Breakdown

The detail of the items composing the balance of "Financial Liabilities at Amortised Cost" in the consolidated balance sheets at 31 December 2010 and 2009 is as follows:

	THOUSANDS OF EUROS	
	2010	2009
Deposits from central banks	22,452	279,680
Deposits from credit institutions	3,275,320	5,160,700
Customer deposits	2,687,577	3,231,265
Other financial liabilities	539,759	559,781
	6,525,108	**9,231,426**
Valuation adjustments	4,823	4,350
	6,529,931	9,235,776

▪ Balance sheets and accounts
External audit report

17.2. 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 2010 and 2009 is as follows:

	THOUSANDS OF EUROS	
	2010	2009
Deposits from other central banks	22,452	279,680
Valuation adjustments	3	57
	22,455	279,737

17.3. 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 2010 and 2009 is as follows:

	THOUSANDS OF EUROS	
By geographical location:	2010	2009
Spain	2,818,409	4,390,685
Other EMU countries	179,836	414,471
Rest of the world	278,037	357,326
	3.276.282	5.162.482
By type of instrument:		
Demand deposits and other-		
Other accounts	2,556,693	3,166,765
Time deposits-		
Time deposits	534,242	1,766,804
Repurchase agreements	184,385	227,131
	3,275,320	5,160,700
Valuation adjustments:	962	1.782
	3,276,282	5,162,482

▪ Balance sheets and accounts
External audit report

17.4. 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 2010 and 2009 is as follows:

	THOUSANDS OF EUROS	
	2010	2009
By geographical location:		
Spain	2,592,538	3,058,314
Other EMU countries	42,031	42,377
Rest of the world	56,866	133,085
	2,691,435	**3,233,776**
By counterparty:		
Resident public sector	1,799	481,421
Non-resident public sector	296	1,936
Other resident sectors	2,665,296	2,574,408
Other non-resident sectors	20,186	173,500
	2,687,577	**3,231,265**
Valuation adjustments	3,858	2,511
	2,691,435	**3,233,776**

	THOUSANDS OF EUROS	
By type of instrument:	2010	2009
Current accounts	2,534,544	2,906,760
Other demand deposits	34,028	26,864
Fixed-term deposits	116,050	297,641
Repurchase agreements	2,955	-
	2,687,577	**3,231,265**
Valuation adjustments	3,858	2,511
	2,691,435	**3,233,776**

17.5. Financial liabilities at amortised cost - Other financial liabilities

The breakdown of the balance of this item in the consolidated balance sheets at 31 December 2010 and 2009 is as follows:

	THOUSANDS OF EUROS	
	2010	2009
Payment obligations	10,690	7,627
Collateral received	270	276
Tax collection accounts	7,895	7,475
Special accounts	34,919	89,227
Other	485,985	455,176
	539,759	**559,781**

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 34,887 thousand at 31 December 2010 (31 December 2009: EUR 88,482 thousand).

The balance of "Other" in the above table includes EUR 384,593 thousand at 31 December 2010 (31 December 2009: EUR 423,687 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.

18. PROVISIONS

18.1. Provisions (net)

The detail, according to the purpose of the net provisions recognised, of this item in the consolidated income statements for 2010 and 2009 is as follows:

	THOUSANDS OF EUROS Net Additions/ (Reversals)	
	2010	2009
Additions to/ (Reversal of) provisions for pensions and similar obligations (Note 18.2)	3,801	(971)
Additions to/ (Reversal of) provisions for contingent liabilities and commitments (Note 18.3)	1	7
Additions to/ (Reversal of) other provisions (Note 18.3)	(2,480)	20,940
	1,322	19,976

18.2. Provisions - Provisions for pensions and similar obligations

The breakdown of this item in the consolidated balance sheets at 31 December 2010 and 2009 and the changes therein in 2010 and 2009, 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 2009	6,234	1,327	7,561
Net addition/ (reversal) charged/(credited) to income (Note 18.1)	(771)	(200)	(971)
Payments to early retirees and contributions to the external pension plan	-	(831)	(831)
Current service cost (Note 38)	708	-	708
Finance cost (Note 32)	265	37	302
Balances at 31 December 2009	6,436	333	6,769
Net addition/ (reversal) charged/(credited) to income (Note 18.1)	3,817	(16)	3,801
Payments to early retirees and contributions to the external pension plan	(3,031)	(319)	(3,350)
Current service cost (Note 38)	1,957	-	1,957
Finance cost (Note 32)	274	2	276
Balances at 31 December 2010	9,453	-	9,453

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

The changes in 2010 and 2009 in the balances of these items in the consolidated balance sheets at 31 December 2010 and 2009 were as follows:

	THOUSANDS OF EUROS	
	Provisions for Contingent Liabilities and Commitments (Notes 2.10 and 24)	Other Provisions
Balances at 1 January 2009	6	48,104
Net addition/ (reversal) charged/(credited) to income (Note 18.1)	7	20,940
Amounts used	-	(2)
Balances at 31 December 2009	**13**	**69,042**
Net addition/ (reversal) charged/ (credited) to income (Note 18.1)	1	(2,480)
Amounts used	-	(3)
Balances at 31 December 2010	**14**	**66,559**

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.

19. VALUATION ADJUSTMENTS

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

This item in the consolidated balance sheets at 31 December 2010 and 2009 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 2010 and 2009 in this item in the consolidated balance sheets at 31 December 2010 and 2009.

20. 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 2010 and 2009 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).

21. RESERVES - ACCUMULATED RESERVES (LOSSES)

The breakdown of "Reserves - Accumulated Reserves (Losses)" in the consolidated balance sheets at 31 December 2010 and 2009 is as follows:

	THOUSANDS OF EUROS	
Reserves attributed to the Confederación's Group:	**2010**	2009
Voluntary reserves	585,829	545,172
Asset revaluation reserves	39,798	40,503
	625,627	585,675

Asset revaluation reserve

At, 31 December 2010 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 2010 and 2009 relates to the amount transferred to unrestricted reserves in proportion to the depreciated amount of the assets (properties) revalued in 2010 on the basis of their useful lives.

▪ Balance sheets and accounts

External audit report

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 2010 and 2009 is as follows:

	THOUSANDS OF EUROS	
	2010	2009
Confederación	624,284	584,558
Caja Activa, S.A.	119	110
CEA Trade Services Limited	-	-
Reserves at subsidiaries	119	110
Ahorro y Titulización, Sociedad Gestora de Fondos de Titulización, S.A.	1,224	1,007
Reserves at jointly controlled entities	1,224	1,007
Accumulated reserves (losses)	625,627	585,675

22. TAX MATTERS

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

22.1. 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.

Accordingly, at 31 December 2010, the Group had 2007 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.

22.2. Income tax

The detail of "Income Tax" in the consolidated income statements for 2010 and 2009 is as follows:

	THOUSANDS OF EUROS	
	2010	2009
Income tax expense for the year	15,158	16,206
Prior years' and other adjustments	(630)	(846)
	14,528	**15,360**

22.3. Reconciliation of accounting profit to taxable profit

The reconciliation of the income tax expense recognised for 2010 and 2009 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 2010 and 2009 are as follows:

	THOUSANDS OF EUROS	
	2010	2009
Accounting profit before tax	67,498	61,296
Tax rate	30%	30%
	20,249	**18,389**
Permanent differences:		
Increases	262	756
Decreases	(1,199)	(1,271)
Total	**19,312**	**17,874**
(Tax credits)/(Tax relief)	(4,154)	(1,668)
Income tax expense for the year	**15,158**	**16,206**
Temporary differences:		
Increases	18,797	35,011
Decreases	(7,947)	(5,297)
Tax withholdings and prepayments	(16,734)	(30,574)
Income tax charge for the year (1)	**9,274**	**15,346**

(1) This amount is recognised under "Tax Liabilities - Current" in the consolidated balance sheets at 31 December 2010 and 2009.

▪ Balance sheets and accounts

External audit report

The permanent decreases in the taxable profit in the foregoing table include, among other items, the deduction of EUR 3,995 thousand relating to the amounts the Confederación assigned to welfare projects in 2010 (2009: EUR 3,707 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.

22.4. Tax recognised in equity

The income tax expense recognised directly in the Group's equity gave rise to a net credit of EUR 17,115 thousand in 2010 and a net charge of EUR 4,198 thousand in 2009 to "Valuation Adjustments".

22.5. Deferred taxes

Pursuant to the tax legislation in force, in 2010 and 2009 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 2010 and 2009 were as follows:

	THOUSANDS OF EUROS	
Deferred tax assets arising from:	2010	2009
Additions and contributions to pension provisions and funds and other long-term obligations to employees	11,226	11,792
Additions to provisions	20,221	20,492
Impairment losses	36,056	25,519
Available-for-sale debt instruments	16,992	9,544
Available-for sale equity instruments portfolio	491	-
Other	3,517	2,799
	88,503	70,146

	THOUSANDS OF EUROS	
Deferred tax liabilities arising from:	2010	2009
Revaluation of property	18,369	18,694
Available-for-sale equity instruments	15,177	24,442
Available-for-sale debt instruments	90	1
	33,636	43,137

23. FAIR VALUE

23.1. Fair value of financial assets and liabilities

The fair value of the Group's financial instruments at 31 December 2010 and 2009 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.

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 2010 and 2009, broken down as indicated above, is as follows:

FINANCIAL ASSETS – FAIR VALUE AT 31 DECEMBER 2010-

THOUSANDS OF EUROS

	Cash and Balances with Central Banks (Note 7)		Financial Assets Held for Trading (Note 8.1)		Other Financial Assets at Fair Value Through Profit or Loss (Note 8.2)		Available-for-sale Financial Assets (Note 9)		Loans and Receivables (Note 10)		Hedging Derivatives (Note 11)	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
LEVEL 1:												
Debt instruments	-	-	1,504,641	1,504,641	-	-	3,360,783	3,360,783	478	640	-	-
Equity instruments	-	-	57,403	57,403	-	-	31,513	31,513	-	-	-	-
Derivatives	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	1,562,044	1,562,044	-	-	3,392,296	3,392,296	478	640	-	-
LEVEL 2:												
Cash and balances with central banks	127,007	127,007	-	-	-	-	-	-	-	-	-	-
Loans and advances to credit institutions	-	-	-	-	3,253,755	3,253,755	-	-	2,621,869	2,621,869	-	-
Loans and advances to customers	-	-	-	-	1,469,396	1,469,396	-	-	441,215	441,215	-	-
Debt instruments	-	-	55,143	55,143	-	-	85,031	85,031	99,971	182,337	-	-
Equity instruments	-	-	-	-	-	-	85,987	85,987	-	-	-	-
Trading derivatives	-	-	3,991,107	3,991,107	-	-	-	-	-	-	-	-
Hedging derivatives	-	-	-	-	-	-	-	-	-	-	298	298
	127,007	127,007	4,046,250	4,046,250	4,723,151	4,723,151	171,018	171,018	3,163,055	3,245,421	298	298
LEVEL 3:												
Debt instruments	-	-	457	457	-	-	241,619	241,619	2,765,905	2,779,027	-	-
Equity instruments carried at cost	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	457	457	-	-	241,619	241,619	2,765,905	2,779,027	-	-
	127,007	127,007	5,608,751	5,608,751	4,723,151	4,723,151	3,804,933	3,804,933	5,929,438	6,025,088	298	298

FINANCIAL LIABILITIES – FAIR VALUE AT 31 DECEMBER 2010-

THOUSANDS OF EUROS

	Financial Liabilities Held for Trading (Note 8.1)		Other Financial Liabilities at Fair Value Through Profit or Loss (Note 8.2)		Financial Liabilities at Amortised Cost (Note 17)		Hedging Derivatives (Note 11)	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
LEVEL 1:								
Trading derivatives	9	9	-	-	-	-	-	-
Short positions	281,790	281,790	-	-	-	-	-	-
	281.799	281.799	-	-	-	-	-	-
LEVEL 2:								
Deposits from central banks	-	-	-	-	22,455	22,455	-	-
Deposits from credit institutions	-	-	987,755	987,755	3,276,282	3,276,282	-	-
Customer deposits	-	-	7,735,119	7,735,119	2,691,435	2,691,435	-	-
Trading derivatives	3,997,184	3,997,184	-	-	-	-	-	-
Other financial liabilities	-	-	-	-	539,759	539,759	-	-
Hedging derivatives	-	-	-	-	-	-	38,736	38,736
	3,997,184	3,997,184	8,722,874	8,722,874	6,529,931	6,529,931	38,736	38,736
LEVEL 3:								
Deposits from credit institutions	-	-	-	-	-	-	-	-
Customer deposits	-	-	-	-	-	-	-	-
Trading derivatives	-	-	-	-	-	-	-	-
Hedging derivatives	-	-	-	-	-	-	-	-
Other financial liabilities	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
Total	4,258,983	4,258,983	8,722,874	8,722,874	6,529,931	6,529,931	38,736	38,736

▪ Balance sheets and accounts
External audit report

FINANCIAL ASSETS – FAIR VALUE AT 31 DECEMBER 2009-

THOUSANDS OF EUROS

	Cash and Balances with Central Banks (Note 7)		Financial Assets Held for Trading (Note 8.1)		Other Financial Assets at Fair Value Through Profit or Loss (Note 8.2)		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	-	-	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 8.1)		Other Financial Liabilities at Fair Value Through Profit or Loss (Note 8.2)		Financial Liabilities at Amortised Cost (Note 17)	
	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

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 2010 and 2009 which were recognised in the consolidated financial statements for 2010 and 2009. 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	
	Net Gain/ (Loss)	Net Gain/ (Loss)
	2010	2009
LEVEL 2		
Financial assets held for trading-		
- Derivatives	552,076	1,443,462
- Debt instruments	(6,745)	2,579
Other financial assets at fair value through profit or loss		
- Loans and advances to credit institutions	(2,761)	(25,633)
- Loans and advances to customers	(1,175)	(1,006)
Financial liabilities held for trading		
- Derivatives	(491,306)	(1,368,012)
Hedging derivatives (asset balances)	527	-
Hedging derivatives (liability balances)	4,895	-
Other financial liabilities at fair value through profit or loss		
- Deposits from central banks	-	(2,786)
- Deposits from credit institutions	315	746
- Customer deposits	9,495	(261)
Loans and receivables		
- Debt instruments	-	-
Available-for-sale financial assets		
- Debt instruments	-	-
- Equity instruments	-	-
	65,321	49,089
LEVEL 3		
Financial assets held for trading-		
- Debt instruments	13	-
	65,334	49,089

At 31 December 2010 and 2009 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 2010 and 2009 the fair value of the securities received as collateral in these reverse repurchase agreements does not differ significantly from their carrying amount.

23.2. 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 2010, the carrying amount of these properties amounted to EUR 90,429 thousand (31 December 2009: EUR 93,803 thousand) and their estimated fair value at that date was EUR 167,004 (31 December 2009: EUR 172,970 thousand).

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

24. EXPOSURE TO CREDIT RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS

24.1. 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.

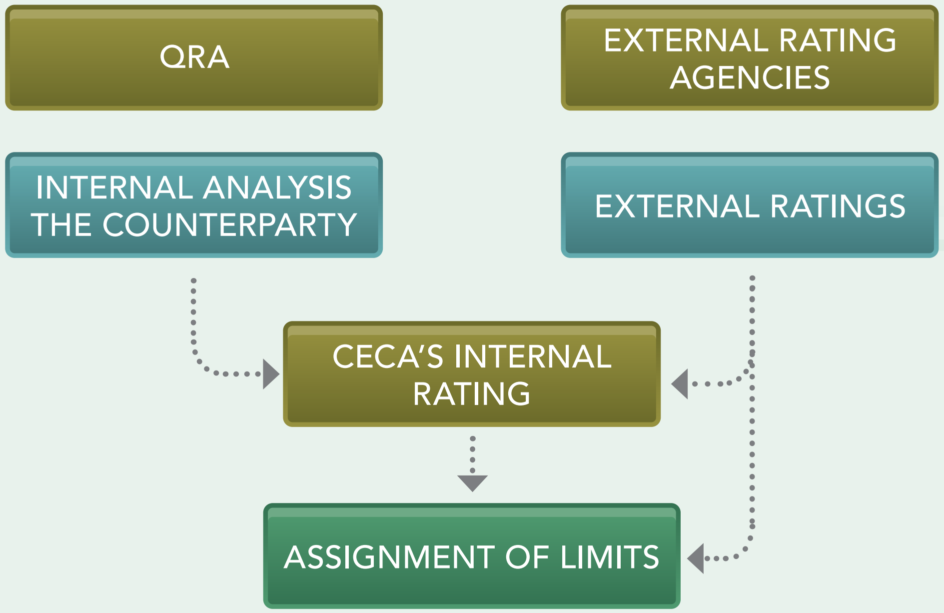
- Issuer risk: this risk arises when trading the financial assets of an issuer in primary and/or secondary markets and is defined as the risk of loss in value of these assets as a result of a change in the market perception of the issuer's economic and financial strength.
- Settlement or delivery risk: 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 parameterisations of products, customers, countries, economic groups, ratings, contractual offsetting agreements and financial guarantees 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 Group constantly monitors the extent of its credit risk concentration under various salient classifications: country, rating, sector, economic group, guaranties, 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 2010, all of the Confederación's most significant risk exposure was substantially below the legal limit (1.14 times capital vs 8 times), having also declined with respect to the previous year's ratio of 1.7 times. All of its most significant risks are investment grade according to ratings agencies, with 40.1% having a credit quality of between AAA and A-.

As regards geographical distribution, 94% of credit risk is to entities in countries with the highest credit ratings (AAA/AA).

The highest exposure is in Spain (72.6%) followed by the other euro-zone countries (13.3%), and rest of Europe (6.3%). Exposure in North America accounts for 4.3% 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.

24.2. Maximum credit risk exposure level

The following tables show the maximum level of exposure to credit risk assumed by the Group at 31 December 2010 and 2009 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 2010:

	THOUSANDS OF EUROS						
	Assets						
	Financial Asset at Fair Value Through Profit or Loss						
	Financial Asset Held for Trading (Note 8.1) (1)	Other Assets (Nota 8.2)	Available-for-Sale financial Assets (Note 9)	Loans and Receivables (Note 10)	Hedging Derivatives (Note 11)	Memorandum Items	Total
1. Debt instruments-							
1.1 Loans and advances to credit institutions	-	3,239,534	-	2,620,670	-	-	5,860,204
- Reverse repurchase agreements	-	3,239,534	-	-	-	-	3,239,534
- Time deposits	-	-	-	820,052	-	-	820,052
- Guarantee deposits on securities lending transactions	-	-	-	393,207	-	-	393,207
- Doubtful assets	-	-	-	-	-	-	-
- Other accounts and other	-	-	-	1,407,411	-	-	1,407,411
1.2 Debt instruments	1,560,241	-	3,741,476	3,014,344	-	-	8,316,061
- Government debt securities	1,472,982	-	367,718	-	-	-	1,840,700
- Treasury bills	-	-	2,710,368	-	-	-	2,710,368
- Spanish credit institutions	24,364	-	200,331	2,327,707	-	-	2,552,402
- Non-resident credit institutions	-	-	41,481	-	-	-	41,481
- Private sector (Spain)	13,105	-	359,910	457,358	-	-	830,373
- Private sector (rest of the world)	49,790	-	61,668	119,431	-	-	230,889
- Doubtful assets	-	-	-	109,848	-	-	109,848
1.3 Loans and advances to customers	-	1,468,760	-	442,264	-	-	1,911,024
- Reverse repurchase agreements	-	1,468,760	-	6,952	-	-	1,475,712
- Mortgage loans	-	-	-	50,561	-	-	50,561
- Guarantee deposits on securities lending transactions	-	-	-	-	-	-	-
- Other loans and credits	-	-	-	33,394	-	-	33,394
- Doubtful assets	-	-	-	24	-	-	24
- Other assets	-	-	-	351,333	-	-	351,333
Total debt instruments	1,560,241	4,708,294	3,741,476	6,077,278	-	-	16,087,289

	THOUSANDS OF EUROS – Assets – Financial Asset at Fair Value Through Profit or Loss: Financial Asset Held for Trading (Note 8.1) (1)	Other Assets (Nota 8.2)	Available-for-Sale financial Assets (Note 9)	Loans and Receivables (Note 10)	Hedging Derivatives (Note 11)	Memorandum Items	Total
2. Contingent liabilities							
Financial guarantees (Note 30.1)	-	-	-	-	-	46,215	46,215
Documentary credits (Note 30.1)	-	-	-	-	-	48,384	48,384
Total contingent liabilities	**-**	**-**	**-**	**-**	**-**	**94,599**	**94,599**
3. Other exposures							
Derivatives	3,991,107	-	-	-	298	-	3,991,405
Contingent commitments (Note 30.3)	-	-	-	-	-	1,000,965	1,000,965
Total other exposures	**3,991,107**	**-**	**-**	**-**	**298**	**1,000,965**	**4,992,370**
4. Less: recognised impairment losses	-	-	(2.819)	(144.199)	-	(14)	(147.032)
Maximum credit risk exposure level (1+2+3+4)	5,551,348	4,708,294	3,738,657	5,933,079	298	1,095,550	21,027,226
Valuation adjustments	-	14,857	(51,224)	(3,641)	-	-	(40,008)
Total accounting balance	**5,551,348**	**4,723,151**	**3,687,433**	**5,929,438**	**298**	**1,095,550**	**20,987,218**

(1) The maximum credit risk exposure of the instruments included in the foregoing table was taken to be their fair value at 31 December 2010.

31 December 2009:

	THOUSANDS OF EUROS					
	Assets					
	Financial Asset at Fair Value Through Profit or Loss					
	Financial Asset Held for Trading (Note 8.1) (1)	Other Assets (Nota 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

	THOUSANDS OF EUROS					
	Assets					
	Financial Asset at Fair Value Through Profit or Loss					
	Financial Asset Held for Trading (Note 8.1) (1)	Other Assets (Nota 8.2)	Available-for-Sale financial Assets (Note 9)	Loans and Receivables (Note 10)	Memorandum Items	Total
2. Contingent liabilities						
Financial guarantees (Note 30.1)	-	-	-	-	18,570	18,570
Documentary credits (Note 30.1)	-	-	-	-	39,647	39,647
Total contingent liabilities	-	-	-	-	58,217	58,217
3. Other exposures						
Derivatives	3,439,587	-	-	-	-	3,439,587
Contingent commitments (Note 30.3)	-	-	-	-	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 al 31 December 2009.

With respect to the credit derivatives arranged by the Group, the foregoing tables include only the fair value thereof at 31 December 2010 and 2009, 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 24.3 below). The (drawable) balances of the contingent liabilities are presented at the maximum amounts drawable by the counterparties.

24.3. 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 2010 and 2009:

31 December 2010:

	THOUSANDS OF EUROS								
	Government-backed	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	-	2,073,376	1,166,158	393,207	-	-	75,873	-	3,708,614
- Reverse repurchase agreements	-	2,073,376	1,166,158	-	-	-	-	-	3,239,534
- Guarantee deposits on securities lending transactions	-	-	-	393,207	-	-	-	-	393,207
- Time deposits	-	-	-	-	-	-	75,873	-	75,873
1.2 Debt instruments	2,875,422	-	-	-	-	-	-	-	2,875,422
1.3 Loans and advances to customers	-	1.453.819	21.893	-	-	50.561	-	-	1.526.273
- Reverse repurchase agreements	-	1,453,819	21,893	-	-	-	-	-	1,475,712
- Mortgage loans	-	-	-	-	-	50,561	-	-	50,561
- Guarantee deposits on securities lending transactions	-	-	-	-	-	-	-	-	-
Total debt instruments	2,875,422	3,527,195	1,188,051	393,207	-	50,561	75,873	-	8,110,309

Page 2 of 2

	THOUSANDS OF EUROS								
	Government-backed	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
2. Contingent liabilities									
Financial bank guarantees	-	29,750	-	-	-	-	16,465	-	46,215
Documentary credits	-	-	-	-	-	-	-	48,384	48,384
Total contingent liabilities	-	29,750	-	-	-	-	16,465	48,384	94,599
3. Other exposures									
Derivatives	-	-	-	-	1,231,166	-	-	-	1,231,166
Total other exposures	-	-	-	-	1,231,166	-	-	-	1,231,166
Total amount covered	2,875,422	3,556,945	1,188,051	393,207	1,231,166	50,561	92,338	48,384	9,436,074

▪ Balance sheets and accounts

External audit report

31 December 2009:

	Government-backed	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
	THOUSANDS OF EUROS								
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	2,912,347	-	-	-	-	-	-	-	2,912,347
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	2,912,347	2,222,864	2,296,826	728,523	-	46,797	199,492	-	8,406,849

▪ Balance sheets and accounts
External audit report

	THOUSANDS OF EUROS								
	Government-backed	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
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	2,912,347	2,222,864	2,296,826	728,523	1,079,135	46,797	215,946	41,763	9,544,201

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

24.4.1. Analysis of credit risk exposure by credit rating

At 31 December 2010, 65% of the exposure had been rated by a credit rating agency recognised by the Bank of Spain. The distribution, by rating, of the rated exposure is as follows:

Level	Rating (*)	Percentage
1	AAA-AA	25.6%
2	B	33.2%
3	BBB	31.3%
4	BB	0.6%
5	B	1.0%
6	CCC and below	8.3%
	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 64% of rated exposure, and the savings banks account for 60% of this total, being these tranches the ones in which most Spanish savings banks are positioned.

24.4.2. 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 2010 and 2009:

31 December 2010:

	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	-	5,741,357	-	-	-	118,847	-	5,860,204
- Reverse repurchase agreements	-	3,239,534	-	-	-	-	-	3,239,534
- Time deposits	-	815,340	-	-	-	4,712	-	820,052
- Guarantee deposits on securities lending transactions	-	392,446	-	-	-	761	-	393,207
- Other accounts	-	1,286,555	-	-	-	113,269	-	1,399,824
- Other	-	7,482	-	-	-	105	-	7,587
1.2 Debt instruments	4,520,411	2,552,402	830,373	-	30,657	41,481	230,889	8,206,213
1.3 Loans and advances to customers	91	-	1,624,566	57,847	148	-	228,348	1,911,000
- Reverse repurchase agreements	-	-	1,475,712	-	-	-	-	1,475,712
- Guarantee deposits on securities lending transactions	-	-	-	-	-	-	-	-
- Other loans and credits	91	-	25,792	7,286	148	-	77	33,394
- Mortgage loans	-	-	-	50,561	-	-	-	50,561
- Other assets	-	-	123,062	-	-	-	228,271	351,333
Total debt instruments	4,520,502	8,293,759	2,454,939	57,847	30,805	160,328	459,237	15,977,417

Page 2 of 2

	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
2. Contingent liabilities								
Financial bank guarantees	-	29,750	-	-	-	16,465	-	46,215
Documentary credits	-	-	48,384	-	-	-	-	48,384
Total contingent liabilities	-	29,750	48,384	-	-	16,465	-	94,599
3. Other exposures-								
Derivatives	-	2,022,360	1,629,069	-	-	339,976	-	3,991,405
Contingent commitments	575,550	53,666	371,449	-	-	-	300	1,000,965
Total other exposures	575,550	2,076,026	2,000,518	-	-	339,976	300	4,992,370
Total	5,096,052	10,399,535	4,503,841	57,847	30,805	516,769	459,537	21,064,386

▪ Balance sheets and accounts
External audit report

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

▪ Balance sheets and accounts
External audit report

	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
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

24.5. 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 0.52% and 0.33% at 31 December 2010 and 2009, respectively.

24.6. 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 2010 and 2009.

Had any renegotiations not taken place, it is considered that such financial instruments would have matured or become impaired at 31 December 2010 and 2009.

24.7. 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 2010 and 2009:

▪ Balance sheets and accounts
External audit report

	THOUSANDS OF EUROS					
	31 December 2010			31 December 2009		
	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
1.2 Debt instruments	109,848	-	109,848	71,432	-	71,432
1.3 Loans and advances to customers	24	-	24	24	-	24
Total debt instruments	109,872	-	109,872	72,572	-	72,572
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	109,872	-	109,872	72,572	-	72,572

Assets (secured loans) presented by the Group in the foregoing table as "individually impaired" at 31 December 2010 and 2009 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 2010 and 2009 were classified under the "Loans and Receivables" category.

24.8. Changes in impairment losses

Following are the changes in the impairment losses due to credit risk recognised by the Group in 2010 and 2009:

2010:

	THOUSANDS OF EUROS					
	Balance at 1 January 2010	Net Additions (Reversals) Charged (Credited) to Income (**)	Transfers Between Items	Amounts Used in the Year	Other Changes (*)	Balance at 31 December 2010
1. Impairment losses not specifically identified						
1.1 Debt instruments-						
- Loans and advances to credit institutions	67	(8)	-	-	-	59
- Debt instruments	3,148	(329)	-	-	-	2,819
- Loans and advances to customers	2,557	(1,409)	-	-	(1)	1,147
Total debt instruments	**5,772**	**(1,746)**	**-**	**-**	**(1)**	**4,025**
1.2 Contingent liabilities-						
- Financial bank guarantees	13	1	-	-	-	14
Total contingent liabilities	**13**	**1**	**-**	**-**	**-**	**14**
1.3 Other exposures-	-	-	-	-	-	-
Total	**5,785**	**(1,745)**	**-**	**-**	**(1)**	**4,039**

	THOUSANDS OF EUROS					
	Balance at 1 January 2010	Net Additions (Reversals) Charged (Credited) to Income (**)	Transfers Between Items	Amounts Used in the Year	Other Changes (*)	Balance at 31 December 2010
2. Specifically identified impairment losses						
2.1 Debt instruments-						
- Loans and advances to credit institutions	1,116	(591)	-	(589)	64	-
- Debt instruments (***)	97,253	50,377	-	(194)	(4,467)	142,969
- Loans and advances to customers	24	-	-	-	-	24
Total debt instruments	98,393	49,786	-	(783)	(4,403)	142,993
2.2 Contingent liabilities-	-	-	-	-	-	-
Total contingent liabilities	-	-	-	-	-	-
2.3 Other exposures-	-	-	-	-	-	-
Total	98,393	49,786	-	(783)	(4,403)	142,993
Total impairment losses (1+2)	104,178	48,041	-	(783)	(4,404)	147,032

(*) 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, 48,040 thousand Euros are recognized under "Impairment of financial assets (net) (see Note 41) and 1 thousand Euros under " Provisions (net) (see Note 18.3) in the consolidated income statement for the year 2010.

(***) Of the total of 142,969 thousand Euros of impairment losses specifically identified debt securities, 33,121 thousand relate to providing substandard.

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**

	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
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 41) and 7 thousand Euros under " Provisions (net) (see Note 18.3) 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.

Following is a detail, by financial instrument category, of the impairment losses recognised by the Group due to credit risk at 31 December 2010 and 2009:

31 December 2010:

	Available-For-Sale Financial Assets	Loans and Receivables	Provisions for Contingent Liabilities and Commitments (Note 18.3)	Total
1. Impairment losses not specifically identified				
1.1 Debt instruments-				
- Loans and advances to credit institutions	-	59	-	59
- Debt instruments	2,819	-	-	2,819
- Loans and advances to customers	-	1,147	-	1,147
Total debt instruments	2,819	1,206	-	4,025
1.2 Contingent liabilities-				
- Financial bank guarantees	-	-	14	14
Total contingent liabilities	-	-	14	14
1.3 Other exposures-	-	-	-	-
Total	2,819	1,206	14	4,039
2. Specifically identified impairment losses				
2.1 Debt instruments-				
- Loans and advances to credit institutions	-	-	-	-
- Debt instruments	-	142,969	-	142,969
- Loans and advances to customers	-	24	-	24
Total debt instruments	-	142,993	-	142,993
2.2 Contingent liabilities-	-	-	-	-
2.3 Other exposures-	-	-	-	-
Total	-	142,993	-	142,993
Total impairment losses (1+2)	2,819	144,199	14	147,032

31 December 2009:

	Available-For-Sale Financial Assets	Loans and Receivables	Provisions for Contingent Liabilities and Commitments (Note 18.3)	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

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.

24.9. Past-due but not impaired assets

At 31 December 2010 and 2009 the Group had not recognised any material past-due but not impaired assets in its consolidated financial statements.

24.10. Write-off of impaired financial assets

At 31 December 2010 and 2009 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 2010 and 2009.

24.11. Exposure to real estate risk

In view of the business activity carried on by the Group, it did not recognise any financing transactions for construction or property development or assets acquired through foreclosure at 31 December 2010 and 2009 or during those years. The only home loans granted were those granted to its employees.

24.12. Other disclosures on credit risk

At 31 December 2010 and 2009 the amount of accrued uncollected past-due receivables on impaired financial assets was not material.

In 2010 and 2009 no guarantees associated with financial assets owned by the Group were executed in order to guarantee the collection thereof.

25. EXPOSURE TO MARKET RISK

25.1. 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.

25.2. 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 2010 and 2009 is as follows:

	THOUSANDS OF EUROS	
	2010	2009
Money and currency markets	1,150	1,096
Fixed-income and equities trading	182	195
Loan trading	140	87
Derivatives and structured products	216	182

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.

25.3. 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 General Manager 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 General Manager 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.

26. LIQUIDITY RISK

26.1. 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.

In this connection, it is worth mentioning that the financial crisis continued to affect financial markets in 2010, particularly with regard to the debt of peripheral EU countries, including Spain, thereby prolonging the significant reduction in the various sources of financing of national and international financial institutions. As a result, the obtainment of financing through the intra-bank market, and especially through the use of Spanish government debt as collateral, continues to be severely hampered by this crisis.

Accordingly, due to the situation in the financial markets, in 2010 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 2010 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.

26.2. 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 bimonthly, 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.

26.3. 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.

26.4. 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 (pursuant to historical-behaviour based assumptions to which statistical analyses are applied).

Following is a detail at 31 December 2010 and 2009 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 2010:

Assets:	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
Cash and balances with central banks	127,007	-	-	-	-	-	127,007
Financial assets held for trading - Debt instruments	-	9,835	83,365	1,150,874	181,084	135,083	1,560,241
Financial assets held for trading - Other equity instruments	-	-	-	-	-	57,403	57,403
Other financial assets at fair value through profit or loss - Loans and advances to credit institutions	-	2,222,410	926,577	90,547	-	-	3,239,534
Other financial assets at fair value through profit or loss - Loans and advances to customers	-	1,101,684	-	367,076	-	-	1,468,760
Available-for-sale financial assets - Debt instruments (*)	-	67,525	461,186	2,411,958	384,329	365,254	3,690,252
Available-for-sale financial assets - Other equity instruments (**)	-	-	-	-	-	117,500	117,500
Loans and receivables - Loans and advances to credit institutions	731,034	1,648,957	130,315	109,293	827	244	2,620,670
Loans and receivables - Loans and advances to customers	63,681	321,302	490	2,149	10,149	44,493	442,264
Loans and receivables - Debt instruments	-	-	-	306,782	2,478,668	228,894	3,014,344
Total at 31 December 2010	921,722	5,371,713	1,601,933	4,438,679	3,055,057	948,871	16,337,975

Page 1 of 2

At 31 December 2010:

	THOUSANDS OF EUROS						
Liabilities:	On Demand	Less than 1 Month	1 to 3 Months	3 to 12 Months	1 to 5 Years	After 5 Years	Total
Financial liabilities held for trading - short positions	-	267,716	5,391	8,683	-	-	281,790
Other financial liabilities at fair value through profit or loss - Deposits from credit institutions	-	986,963	-	-	-	-	986,963
Other financial liabilities at fair value through profit or loss - Customer deposits	-	5,882,873	250	1,856,230	-	-	7,739,353
Financial liabilities at amortised cost - Deposits from central banks	-	22,452	-	-	-	-	22,452
Financial liabilities at amortised cost - Deposits from credit institutions	1,773,617	1,382,127	53,975	49,157	16,444	-	3,275,320
Financial liabilities at amortised cost - Customer deposits	2,563,579	41,453	893	76,369	1,921	3,362	2,687,577
Total at 31 December 2010	4,337,196	8,583,584	60,509	1,990,439	18,365	3,362	14,993,455
Assets minus liabilities at 31 December 2010	(3,415,474)	(3,211,871)	1,541,424	2,448,240	3,036,692	945,509	1,344,520

Página 2 de 2

(*) Including valuation adjustments relating to accrued interest and valuation gains or losses.
(**) Presented at fair value.

At 31 December 2009

Assets:	On Demand	Less than 1 Month	1 to 3 Months	3 to 12 Months	1 to 5 Years	After 5 Years	Total
	THOUSANDS OF EUROS						
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

Page 1 of 2

	THOUSANDS OF EUROS						
Pasivo:	On Demand	Less than 1 Month	1 to 3 Months	3 to 12 Months	1 to 5 Years	After 5 Years	Total
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

Page 2 of 2

(*) 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.

27. INTEREST RATE RISK

27.1. 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 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. (See Notes 2.4 and 11)

27.2. 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 2010 year-end, at aggregate level, is as follows:

The interest rate risk gap at 2010 year-end, at aggregate level, is as follows:

	0<=1M	1<=2M	2<=3M	3<=4M	4<=5M	5<=6M	6<=12M	1<=2A	2<=5A	5<=10A	10<=20A	20<=30A
1 Assets	514,801	514,024	191,549	296,586	369,988	57,950	2,104,936	2,486,550	222,392	285,000	32,400	53,302
1.1 Cash and balances with central banks	118,238	0	0	0	0	0		0	0	0	0	0
1.2 Loans and advances to credit institutions	0	0	0	0	0	0		0	0	0	0	0
1.3 Loans and advances to customer	41,240	1,258	18,450	615	2,742	950	9,325	0	0	0	0	0
1.4 Debt instruments	303,411	512,766	134,164	295,970	367,246	57,000	2,069,655	2,486,550	222,292	285,000	32,400	1,000
1.5 Other equity instruments												144,976
1.6 Non-current assets and other non-sensitive assets	51,913		38,934		0		25,956					-93,673
2 Liabilities	6,137,872	54,844	54,844	0	0	0	0	0	118,902	0	0	0
2.1 Deposits from credit institutions	2,155,413	0	0	0	0	0	0	0		0	0	0
2.2 Repurchase agreements	0	0	0	0				0	0	0	0	0
2.3 Customer deposits	3,982,458	54,844	54,844	0	0	0	0	0	118,902	0	0	0
2.4 Marketable debt securities	0	0	0	0	0	0	0	0	0	0	0	0
2.5 Short positions	0	0	0	0	0	0	0	0	0	0	0	0
3 Derivatives	5,687,010	-181,146	-244,667	-168,500	-345,497	-49,000	-2,056,700	-2,397,500	-229,000	-15,000	0	0
Gap	63,939	278,034	-107,962	128,086	24,491	8,950	48,236	89,050	-125,510	270,000	32,400	52,302
Cumulative GAP	63,939	341,972	234,011	362,096	386,587	395,538	443,774	532,824	407,314	677,314	709,714	762,016

The calculation of the gaps for risk management and monitoring purposes and for the calculation of financial ratios includes various assumptions, which are basically as follows:

- 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.

▪ Balance sheets and accounts
External audit report

- 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, a methodology which is similar to Market VaR is applied 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.

28. RISK CONCENTRATION

28.1 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 2010 and 2009:

31 December 2010:

	THOUSANDS OF EUROS			
	Spain	Other EMU Countries	Rest of the World	Total
By type of financial instrument-				
Loans and advances to credit institutions	5,756,664	36,127	82,892	5,875,683
Loans and advances to customers	1,683,260	224	228,274	1,911,758
Debt instruments	7,857,232	176,455	83,160	8,116,847
Equity instruments	141,558	33,345	-	174,903
Trading derivatives	3,651,607	139,751	199,749	3,991,107
	19,090,321	385,902	594,075	20,070,298
By financial instrument-				
Financial assets held for trading	5,178,023	184,344	246,384	5,608,751
Other financial assets at fair value through profit or loss	4,723,151	-	-	4,723,151
Available-for-sale financial assets (1)	3,697,286	95,723	14,743	3,807,752
Loans and receivables (2)	5,491,861	105,835	332,948	5,930,644
	19,090,321	385,902	594,075	20,070,298

(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.

▪ Balance sheets and accounts
External audit report

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.

▪ Balance sheets and accounts
External audit report

28.2. 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 2010 and 2009:

31 December 2010:

	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	46,623	10,279	56,902
Shares listed in secondary markets in the rest of the world	10,780	21,234	32,014
Unlisted shares	-	85,987	85,987
	57,403	117,500	174,903
By issuer type-			
Spanish financial institutions	15,699	8,509	24,208
Other Spanish companies	30,923	86,426	117,349
Foreign financial institutions	1,668	5,257	6,925
Other foreign companies	9,113	17,308	26,421
	57,403	117,500	174,903

▪ Balance sheets and accounts
External audit report

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**

29. 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 2010 and 2009 and throughout those years, the Confederación's Welfare fund was not invested in any tangible or intangible assets.

The changes in 2010 and 2009 in the balance of "Welfare Fund" on the liability side of the consolidated balance sheets are as follows:

	THOUSANDS OF EUROS	
	2010	2009
Beginning balance before distribution of profit	503	363
Transfer charged to prior period profit (Note 4)	3,707	4,800
Maintenance expenses for the year:		
Depreciation/amortisation of assets assigned to welfare projects	-	-
Budgeted current expenses for the year	(3,706)	(4,537)
Other expenses from previous years	(238)	(123)
Ending balance before distribution of profit	**266**	**503**

30. OTHER SIGNIFICANT DISCLOSURES

30.1 Contingent liabilities

The breakdown of the balance of "Memorandum Items – Contingent Liabilities" in the consolidated balance sheets at 31 December 2010 and 2009 is as follows:

	THOUSANDS OF EUROS	
	2010	2009
Financial guarantees provided-		
Financial bank guarantees	46,215	18,570
Documentary credits	48,384	39,647
	94,599	**58,217**
Other bank guarantees and indemnities	51,527	59,537
	146,126	**117,754**

"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 24 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 34).

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 18).

▪ Balance sheets and accounts
External audit report

30.2. Assets delivered as security

At 31 December 2010 and 2009, 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 2010 and 2009 was as follows:

	THOUSANDS OF EUROS	
	2010	2009
Spanish government debt securities classified as available-for-sale financial assets	25,000	25,000
Other securities classified as available-for-sale financial assets	656,289	1,673,808
	681,289	1,698,808

At 31 December 2010, the Confederación had securities with a face value of EUR 681,289 thousand (31 December 2009: EUR 1,698,808 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 2010, the Group had entered into repurchase agreements for securities in its portfolio and reverse repurchase agreements for a total amount of EUR 9,206,177 thousand (31 December 2009: EUR 6,723,217 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 2010 and 2009, 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.

30.3. Contingent commitments

The breakdown of the balance of "Contingent Commitments" at 31 December 2010 and 2009 is as follows:

	THOUSANDS OF EUROS	
	2010	2009
Drawable by third parties (Note 24):		
Public sector - Spain	575,550	182,550
Credit institutions	53,666	56,607
Other resident sectors	371,449	321,957
Non-resident sectors	300	300
	1,000,965	561,414
Financial asset forward purchase commitments	17,963	131,858
Regular way financial asset purchase contracts	743,363	79,232
Other contingent commitments	347,609	405,002
	2,109,900	1,177,506

30.4. Transactions for the account of third parties

The breakdown of the most significant transactions for the account of third parties at 31 December 2010 and 2009 is as follows:

	THOUSANDS OF EUROS	
	2010	2009
Financial instruments entrusted by third parties	116,144,882	122,737,894
Conditional bills and other securities received for collection	2,059,501	1,916,767
Borrowed securities	393,448	732,967
	118,597,831	125,387,628

30.5 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 2010 and 2009:

	THOUSANDS OF EUROS	
	2010	2009
Securities lent by the Confederación-		
Equity instruments-		
- Issued by credit institutions	18,436	17,636
- Issued by other resident sectors	147,651	188,970
- Issued by other non-resident sectors	11,142	17,702
	177,229	224,308
Securities borrowed by the Confederación- (Note 30.4)		
Equity instruments-		
- Issued by credit institutions	40,720	113,291
- Issued by other resident sectors	293,326	433,667
- Issued by other non-resident sectors	55,195	186,009
Debt instruments-		
- Issued by Public sector - Spain	4,207	-
	393,448	732,967

Finance income recognised by the Group in 2010 in relation to securities lent totalled EUR 122,278 thousand (2009: EUR 125,777 thousand) and is recognised under "Interest and Similar Income" in the consolidated income statement for 2010 (see Note 31).

In 2010, finance costs relating to securities borrowed amounted to EUR 242,346 thousand (2009: EUR 243,102 thousand) and were recognised under "Interest Expense and Similar Charges" in the consolidated income statement for 2010 (see Note 32).

30.6 The Confederación's Customer Care Service

Following is a summary of the complaints and claims received by the Confederación's Customer Care Service in 2010 and 2009, 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 2010 relate to claims affecting entities other than the Confederación.

	2010	2009
Number of complaints and claims received	64	30
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	-	-

30.7 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 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 2010, the assets considered to be more illiquid were reclassified out of the "held-for-trading" category into "loans and receivables" and assets which, due to exceptional circumstances, were exposed to significant changes in the credit market, were reclassified to "available-for-sale financial assets", the detail being as follows:

Category from which Assets are Reclassified		Category to which Assets are Reclassified		
Financial Instrument Category	Amount (1) (Thousands of Euros)	Available-For-Sale Financial Assets	Loans and Receivables	Total
Financial assets held for trading - Debt instruments	4,302,698	1,682,706	2,619,922	4,302,698

(1) Following is the value at the reclassification date of the securities held by the Group on its consolidated balance sheet at 31 December 2010.

Following is a detail of the carrying amount and the fair value at 31 December 2010 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 2010 in relation to the individual impairment losses of the reclassified instruments:

Portfolio in which the Securities were Classified at 31 December 2010	THOUSANDS OF EUROS Carrying Amount	Fair Value
Loans and receivables - Debt instruments	2,608,429	2,620,026
Available-for-sale financial assets - Debt instruments	1,741,092	1,741,092
	4,349,521	4,361,118

The net amount recognised in the consolidated income statement in relation to the changes in fair value of the assets reclassified to "Loans and Receivables – Debt Instruments" in 2010 was a net loss of EUR 14,444 thousand (2009: net gain of EUR 31,161 thousand).

No significant impairment is expected on the cash flows of the reclassified securities. The effective interest rate of these securities is 1.85%.

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) Following is the value at the reclassification date of the securities held by the Group on its consolidated balance sheet at 31 December 2010.

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:

Portfolio in which the Securities were Classified at 31 December 2009	THOUSANDS OF EUROS Carrying Amount	Fair Value	Net Amount Recognised in the Consolidated Income Statement
Loans and receivables – Debt instruments	-	3,479	(3,501)

31. INTEREST AND SIMILAR INCOME

The breakdown of the most important interest and similar income earned by the Group in 2010 and 2009, by type of instrument giving rise to it, is as follows:

	THOUSANDS OF EUROS	
	2010	2009
Balances with central banks	1,179	1,719
Loans and advances to credit institutions	56,630	173,826
Loans and advances to customers		
Non-resident public sector	-	17
Money market operations through counterparties	1,283	71
Other resident sectors	2,594	7,693
Other non-resident sectors	88	258
Debt instruments	160,260	177,506
Finance income from securities lending transactions (Note 30.5)	122,278	125,777
Other interest	689	545
Rectification of income as result of hedging transactions	(1,229)	-
	343,772	487,412

Additionally, the breakdown of the amounts recognised under "Interest and Similar Income" in the consolidated income statements for 2010 and 2009, by type of financial instrument category giving rise to them, is as follows:

	THOUSANDS OF EUROS	
	2010	2009
Balances with central banks	1,179	1,719
Financial assets held for trading	69,878	145,608
Available-for-sale financial assets	55,042	22,784
Other financial assets at fair value through profit or loss	36,306	110,863
Loans and receivables	60,318	80,661
Securities lending transactions (Note 30.5)	122,278	125,777
Rectification of income as result of hedging transactions	(1,229)	-
	343,772	487,412

Note 5 contains information on the breakdown by geographical areas in which "Interest and Similar Income" is generated.

32. INTEREST EXPENSE AND SIMILAR CHARGES

The detail of the balance of "Interest Expense and Similar Charges" in the consolidated income statements for 2010 and 2009, by type of instrument giving rise to them, is as follows:

	THOUSANDS OF EUROS	
	2010	2009
Bank of Spain	9,978	6,396
Other central banks	363	1,587
Deposits from credit institutions	28,089	52,105
Customer deposits	30,469	93,206
Money market operations through counterparties	11,046	2,760
Cost attributable to pension funds (Note 18.2)	276	302
Finance costs attributable to securities lending transactions (Note 30.5)	242,346	243,102
Other interest	4	2
	322.571	399.460

The breakdown of the amounts recognised under "Interest Expense and Similar Charges" in the consolidated income statements for 2010 and 2009, by type of financial instrument category giving rise to them, is as follows:

	THOUSANDS OF EUROS	
	2010	2009
Financial liabilities held for trading - Short positions	12,404	13,561
Financial liabilities at amortised cost	39,056	86,483
Securities lending (Note 30.5)	242,346	243,102
Other financial liabilities at fair value through profit or loss	28,485	56,010
Other liabilities	280	304
	322,571	399,460

▪ Balance sheets and accounts
External audit report

33. INCOME FROM EQUITY INSTRUMENTS

The balance of "Income from Equity Instruments" in the consolidated income statement amounts to EUR 141,042 thousand at 31 December 2010 (31 December 2009: EUR 134,511 thousand). Substantially all of this amount is comprised of dividends from securities lending transactions.

34. FEE AND COMMISSION INCOME

Following is a detail of the fee and commission income earned in 2010 and 2009, classified on the basis of the main items giving rise thereto:

	THOUSANDS OF EUROS	
	2010	2009
Fee and commission income -		
Fees and commissions arising from contingent liabilities (Note 30.1)	5,912	1,341
Fees and commissions arising from contingent commitments	890	15
Fees and commissions arising from collection and payment services	60,565	60,685
Fees and commissions arising from securities services (*)	27,180	28,007
Fees and commissions arising from foreign currency and foreign banknote exchange	456	497
Other fees and commissions	7,682	11,336
	102,685	101,881

(*) In 2010, this item included, EUR 20,224 thousand relating to custody services in connection with securities of third parties deposited at the Confederation (2009: EUR 20,408 thousand).

Note 5 contains information on the breakdown by geographical areas in which "Fees and Commission Income" is generated.

35. FEE AND COMMISSION EXPENSE

Following is a detail of the fee and commission expense incurred in 2010 and 2009, classified on the basis of the main items giving rise thereto:

	THOUSANDS OF EUROS	
	2010	2009
Fee and commission expense -		
Fees and commissions assigned to other entities and correspondents	19,469	20,351
Fee and commission expenses on securities transactions	9,139	9,997
	28,608	30,348

36. 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 2010 and 2009, by type of financial instrument giving rise to them, is as follows:

	THOUSANDS OF EUROS INCOME/(EXPENSES)	
	2010	2009
Financial assets and liabilities held for trading	(74,183)	(18,624)
Trading derivatives	(70,607)	(69,892)
Debt instruments	9,636	43,134
Equity instruments	(16,948)	12,146
Short positions	3,736	(4,012)
Other financial instruments at fair value through profit or loss	8,617	(28,906)
Reverse repurchase agreements	(3,930)	(26,644)
Deposits of the Bank of Spain	2,786	(2,786)
Repurchase agreements	9,761	524
Available-for-sale financial assets	2,793	14,755
Loans and receivables	2,820	1,425
Results of hedging instruments	5,680	-
Results of hedged items	(5,888)	-
	(60,161)	(34,200)

Note 5 contains information on the breakdown by geographical areas in which "Financial Operations Income" is generated.

37. OTHER OPERATING INCOME

The breakdown of the balance of "Other Operating Income" in the consolidated income statements for 2010 and 2009 is as follows:

	THOUSANDS OF EUROS	
	2010	2009
Rental income (Note 14)	993	1,012
Costs recovered through their inclusion in the cost of intangible assets	1,044	645
Income from Confederación membership dues	16,806	17,886
Costs passed on to savings banks	26,377	28,331
Other income	41,923	44,936
	87,143	92,810

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 2010 the Confederación's auditor invoiced EUR 603 thousand for professional services provided in these projects for the savings banks through the Confederación (2009: EUR 598 thousand).

Note 5 contains information on the breakdown by geographical areas in which "Other operating income" is generated.

38. ADMINISTRATIVE EXPENSES – STAFF COSTS

The detail of "Administrative Expenses – Staff Costs" in the consolidated income statements for 2010 and 2009 is as follows:

	THOUSANDS OF EUROS	
	2010	2009
Wages and salaries	66,953	62,835
Social security costs	10,198	10,308
Insurance premiums (Note 2.11.1)	5,070	3,013
Termination Benefits (Note 2.11.3)	7,088	3,530
Contributions to defined contribution plans (Note 2.11.1)	4,484	4,187
Normal cost for the year of defined benefit obligations (Note 18.2)	1,957	708
Income from insurance policies	(108)	(73)
Training expenses	240	182
Other staff costs	792	752
	96.674	85.442

In 2010 and 2009, the average number of employees at the Group, by level, was as follows:

LEVEL	2010	2009
1 - LEVEL I	15	17
1 - LEVEL II	21	19
1 - LEVEL III	43	45
1 - LEVEL IV	95	99
1 - LEVEL V	61	54
1 - LEVEL VI	244	265
1 - LEVEL VII	81	78
1 - LEVEL VIII	111	98
1 - LEVEL IX	43	52
1 - LEVEL X	30	32
1 - LEVEL XI	50	41
1 - LEVEL XII	45	49
1 - LEVEL XIII	3	12
2 - LEVEL I	3	3
2 - LEVEL II	16	19
2 - LEVEL III	-	1
2 - LEVEL IV	1	-
2 – LEVEL V	2	2
OTHER	26	27
TOTAL	890	913

At 31 December 2010 the total number of employees was 870, of which 497 were men and 373 women (57.13% and 42.87%, respectively).

39. ADMINISTRATIVE EXPENSES - OTHER GENERAL ADMINISTRATIVE EXPENSES

The detail of the balance of "Administrative Expenses - Other General Administrative Expenses" in the consolidated income statements for 2010 and 2009 is as follows:

	THOUSANDS OF EUROS	
	2010	2009
Property, fixtures and supplies	5,386	5,966
IT equipment	38,606	41,521
Communications	4,091	5,163
Advertising and publicity	525	739
Technical reports	829	857
Surveillance and cash courier services	5,465	4,730
Insurance and self-insurance premiums	211	200
Governing and control bodies	1,140	1,446
Outsourced administrative services	10,658	10,054
Levies and taxes	1,501	1,714
Entertainment and travel expenses	2,084	2,322
Association membership fees	2,013	1,747
External personnel	2,774	3,895
Subscriptions and publications	4,645	4,477
Other administrative expenses	6,823	8,627
	86,751	93,458

The balance of "External Personnel" in 2010 includes the fees paid for the audit of the financial statements of the various Group and jointly controlled entities and other non-attest services, the detail being as follows:

	THOUSANDS OF EUROS
	2010
Audits of the companies audited by firms belonging to the Deloitte worldwide organization and other reports related with the audit	134
Other reports reviewed by firms belonging to the Deloitte worldwide organization	148
Fees for audits conducted by other firms	24
	306
Other services (other than audits) conducted by firms belonging to the Deloitte worldwide organization	397
Total Services	703

Information on the deferral of payment to suppliers in commercial transactions

At 31 December 2010, the Group did not have any unpaid trade payables past due by more than the legally established deadline for payment.

40. OTHER OPERATING EXPENSES

The breakdown of the balance of "Other Operating Expenses" in the consolidated income statements for 2010 and 2009 is as follows:

	THOUSANDS OF EUROS	
	2010	2009
Contribution to the Deposit Guarantee Fund (Note 1.10)	154	63
Investment Real Estate Operating Expenses	102	113
Other	1,321	1,836
	1,577	2,012

41. IMPAIRMENT LOSSES ON FINANCIAL ASSETS (NET)

The breakdown of the balance of "Impairment Losses on Financial Assets (net)" in the consolidated income statements for 2010 and 2009 is as follows:

	THOUSANDS OF EUROS	
	Net (Additions)/ Reversals (Charged)/ Credited to Consolidated Income	
	2010	2009
Debt instruments (Note 24.8)-		
Available-for-sale financial assets	(4,671)	(5,258)
Loans and receivables	(43,369)	(96,731)
	(48,040)	(101,989)
Equity instruments-	-	(627)
Available-for-sale equity instruments	-	(627)
	-	(627)
	(48,040)	(102,616)

42. DEPRECIATION AND AMORTISATION

The detail of "Depreciation and Amortisation" in the consolidated income statements for 2010 and 2009 is as follows:

	THOUSANDS OF EUROS	
	2010	2009
Depreciation of tangible assets (Note 14)	6,843	6,336
Amortisation of intangible assets (Note 15)	858	3,107
	7,701	9,443

▪ Balance sheets and accounts
External audit report

43. RELATED PARTY TRANSACTIONS

At 31 December 2010, the demand deposits held by the Confederación's senior executives, the members of its Board of Directors and related entities and individuals totalled EUR 898 thousand (2009: EUR 1,212 thousand), and the loans granted to them amounted to EUR 731 thousand (2009: EUR 800 thousand). These amounts bore interest of EUR 13 thousand (2009: EUR 24 thousand) and EUR 3 thousand (2009: EUR 8 thousand), which were recognised under "Interest and Similar Income" and "Interest Expense and Similar Charges", respectively, in the consolidated income statement for 2010. At 31 December 2010 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 2010 and 2009 and in the consolidated income statements for 2010 and 2009 is as follows (Note 2.1):

	THOUSANDS OF EUROS	
	2010	2009
Asset:		
Loans and receivables	12	10
Liabilities:		
Financial liabilities at amortised cost	261	279
Income statement:		
Other operating expenses	237	198

44. 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.

45. 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 2010

						THOUSANDS OF EUROS			
			Proportion of ownership interet (%)			Entity data at 31 December 2010 (*)			
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	220	18	202	23
CEA Trade Services Limited	Hong Kong	Foreign trade	100	-	100	15	11	4	-

(*) These companies' financial statements at 31 December 2010 have not yet been approved by their shareholders at the respective Annual General Meetings

Subsidiaries included in the Group at 31 December 2009

						THOUSANDS OF EUROS			
			Proportion of ownership interet (%)			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	-

Appendix II

Jointly controlled entities at 31 December 2010

			Proportion of ownership interet (%)			THOUSANDS OF EUROS Entity data at 31 December 2010 (*)			
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	10,715	6,083	2.733

(*) The company's financial statements at 31 December 2010 have not yet been approved by its shareholders at the Annual General Meeting.

Jointly controlled entities at 31 December 2009

			Proportion of ownership interet (%)			THOUSANDS OF EUROS 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

EXTERNAL AUDIT REPORT

Deloitte.

Plaza Pablo Ruiz Picasso, 1
Torre Picasso
28020 Madrid
España

Tel.: +34 915 14 50 00
Fax: +34 915 14 51 80
+34 915 56 74 30
www.deloitte.es

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 45). 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:

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"), which consist of the consolidated balance sheet at 31 December 2010 and the related consolidated income statement, consolidated statement of recognised income and expense, consolidated statement of changes in equity, consolidated cash flow statement and notes to the consolidated financial statements for the year then ended. As indicated in Note 1.3 to the accompanying consolidated financial statements, the preparation of these consolidated financial statements is the responsibility of the Confederación's Board of Directors in conformity with the financial reporting standars applicable to the Confederación (Note 1.2), and particulary, with the accounting policies and measurement bases of it. 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 if their presentation, the accounting policies applied and estimates made, are according with the financial reporting standars applicable to the Confederación.

In our opinion, the accompanying consolidated financial statements for 2010 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 2010 and the consolidated results of its operations and its consolidated cash flows for the year then ended, in conformity with the financial reporting standars applicable to the Confederación, and particulary, with the accounting policies and measurement bases of it.

The accompanying consolidated directors' report for 2010 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 2010. 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

16 February 2011

Deloitte, S.L. Inscrita en el Registro Mercantil de Madrid, Tomo 13.650, folio 188, sección 8, hoja M-54414, inscripción 96, C.I.F.: B-79104469. Domicilio Social: Plaza Pablo Ruiz Picasso, 1 - Torre Picasso, 28020 Madrid.

Member of
Deloitte Touche Tohmatsu

06 PROFILE

- International Profile
- National Profile

6.1. INTERNATIONAL PROFILE

6.1.1. Representation of interests

CECA has a cross strategy for representing interests through international activity. On the one hand, it has an active participation in the different sector associations that represent the banking industry and savings banks; on the other, it acts independently, establishing direct contact with institutions in the European Union.

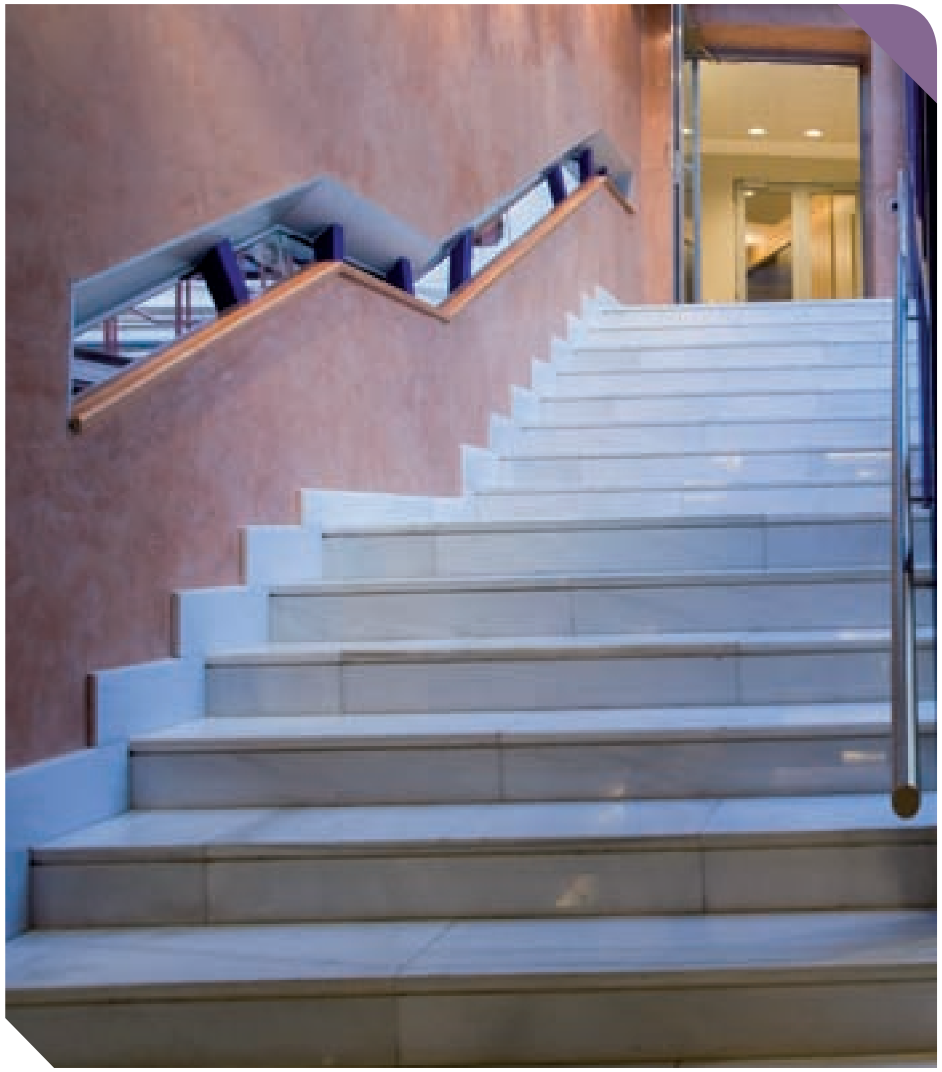
The most important international sector association for CECA is the Joint Office of the European Savings Banks Group (ESBG) and the World Savings Banks Institute (WSBI). CECA is on all the committees and in all the task forces and networks organised by ESBG and WSBI, being present in a total of 33 groups. Two new committees were set up this year, one focusing on Corporate Governance, a task force reporting to the Financial Regulation Committee, and the other, under the Coordination Committee, dealing with special taxes on the financial sector.

CECA does not limit its activity to merely being present in these tasks forces and committees and participating in their regular meetings, but collaborates intensely in the preparation of position papers and public declarations on the different issues addressed in each group. During 2010, CECA responded to more than two hundred requests for information from ESBG and WSBI.

CECA responded to more than 200 requests for information from ESBG and WSBI during the year

CECA also represents the interests of savings banks directly, from

▪ International Profile
National Profile



The application Regina is used to monitor financial regulation

its offices in Brussels and its head offices in Madrid. CECA participates in 52 international groups, including those reporting to the European Banking Industry Committee (EBIC), the European Central Bank (ECB), the European Payments Council (EPC), SWIFT, EADS, EUROMED, MasterCard, ICMA, EUFISERV, European Repo Council, EBA, Workshop CEN/XFS (European Committee for Standardization) and the FATF. During 2010, the Manager of the CECA Legal Department was nominated expert in the European Commission task force on Banking Insolvency.

With the aim of streamlining and enhancing the representation of interests and broadening the services provided by CECA, the REGINA application was developed in 2010. This is a management tool used to monitor financial regulation and organise the work undertaken by CECA to represent the interests of savings banks, both nationally and internationally.

▪ International Profile
National Profile

6.1.2 publicising of the savings banks model

The Spanish savings bank sector was dynamic in 2010, with mergers and reform of its regulation, bolstered by activity by CECA to publicise the Spanish savings banks model.

The Confederation ran five road shows during 2010 in the most important European markets: London, Paris, Brussels, Frankfurt and Munich, with excellent media coverage, which helped to convey the greater capacity of savings banks to attract capital following the reform of their regulations. The success of this European adventure motivated CECA to do two road shows in the USA, in Boston and New York, which were covered by specialist media such as the Wall Street Journal and Bloomberg.

The aim of the road shows held in Europe and the United States was to explain the regulatory reform and present the savings banks business model

6.1.3 Relations with other international banks

CECA has relations with different financial institutions and entities through its participation in the international Financial System. In 2010 it received visits from several international institutions interested in finding out more about the business of the Spanish savings banks. Two of the most important visitors were the Organisation for Economic Cooperation and Development and the International Monetary Fund, gathering information for their forthcoming reports on the economic situation of the country.

CECA also fosters its relationships with other international financial institutions. Accordingly, it has close contact with other European savings banks and receives regular visits from their central associations. This year, among others, it received visits from the Norwegian Savings Banks Group, the German Savings Banks Group and the Swedish Savings Banks.

6.1.4 Principal new international regulations

Regulatory activity was very intense in 2010, just as in previous years. The financial crisis has led the authorities to take numerous initiatives to secure financial stability and improve the regulatory framework in an effort to forestall further recessions in the future.

Spain presided the EU Council in the first half of the year. CECA collaborated with the Government by participating in meetings to prepare the Presidency and issued position papers on current regulations. As a prelude to that period, in November 2009 it organised a Conference on Community Affairs entitled Preparation of the Spanish EU Presidency.

New solvency framework

One of the principal and most important issues addressed in 2010 was the review of solvency in financial institutions. The economic recession that began in 2007 led to a review of the framework established in Basel II. The G-20 launched a request to improve prudential regulation by harmonising the definition of capital and stepping up capital requirements, with countercyclical buffers and the development of a leverage ratio and liquidity requirements.

Intense collaboration with the Government to prepare the Spanish Presidency of the European Union

CECA followed this debate very closely and had several contacts with authorities to express the Confederation's stand on the proposals made. Among others, we contacted the Secretary General of the Basel Committee, Stephan Walker, and the Chairman of the Committee, Nout Wellink. We also held meetings with European Union institutions, including Mario Nava, Head of the Banking and Financial Conglomerates Unit of the European Commission DG Internal Market and Services.

In order to define its position in these international debates, CECA gathers all the information on the matters of greatest interest for Spanish savings banks. For this specific issue, several sector meetings were called, leading to the preparation of documents responding to the different international consultations. Some of its most important contributions were made in respect of the Basel Consultative Documents on International framework for liquidity risk, measurement, standards and monitoring and Strengthening the resilience of the banking sector, and the Consultative Document of the European Commission on possible changes in the Capital Requirements Directive (CRD).

▪ International Profile
National Profile

Supervision architecture

The new EU financial supervision architecture is effective as from 1 January 2011. The deal on this new framework was finally reached after lengthy negotiations over the past two years. CECA played an active role in the debate to defend a level playing field of entities and ensure that institutions operating in the retail finance business and smaller entities did not lose out because of European standards geared towards large institutions.

Several position papers have been issued for this purpose and meetings have been held with the representatives of different EU institutions, especially the European Parliament and the Council.

Retail market

Over the past year, CECA has monitored application of the Current Account Mobility Principles, which is monitored on a European level by the EBIC (European Banking Industry Committee) Working Group on Integration.

Banking committees also caught the interest of European institutions and CECA participated in the debates through the European Savings Banks Group.

Other matters of interest that have been closely followed in this area are the Consumer Rights Directive and the Commission's Responsible Lending and Borrowing initiative, which will continue its development over the coming year.

Securities market

The financial crisis has put the spotlights on market regulation. The G-20 has requested initiatives to enhance the transparency of capital markets. Initiatives have been taken by different authorities throughout the year, but it was only in the final quarter that this activity became more intense within the EU institutions, with the consultation on OTC derivative markets or review of the Markets in Financial Instruments Directive (MiFID), focusing on investor protection levels and a possible review of the best-execution principles.

▪ International Profile
National Profile

CECA has participated, along with other European institutions, in the debate on European banking committees

CECA has an active participation in these debates, where its expertise, not only as an association but also as a credit institution, favours a greater presence in the different forums.

Corporate Governance

Remunerations in the financial sector have been widely disputed since late 2009. Based on the recommendations of the Financial Stability Board published for the G-20 Pittsburgh Summit, other institutions have published guidelines and recommendations which have been closely monitored by CECA.

In the European Union, these recommendations were incorporated in the reform of the Capital Requirements Directive (CRD3), followed by the CEBS (Committee of European Banking Supervisors) Guidelines on Remuneration Policies and Practices.

Several consultations have been made on a broader level of reflection on internal governance, including the European Commission's Green Paper on Corporate governance in financial institutions and remuneration policies.

Corporate Social Responsibility

Financial inclusion is on the international agenda of institutions such as G20, which published last June the Principles for Innovative Financial Inclusion, or the UN.

The European Commission is also sensitive to this issue and towards the end of 2010 it launched a public consultation on the possible regulation of a basic bank account to promote bank usage in society. CECA is participating actively in this issue, since the savings banks' business model has traditionally been a decisive element of bank usage in Spain.

CECA has made a special surveillance of the guidelines and recommendations on remuneration in the financial sector

▪ International Profile
National Profile

CECA is now a member of the Stakeholder Council of the Global Reporting Initiative

In the area of non-financial reporting activities, CECA is now a member of the Stakeholder Council of the Global Reporting Initiative (GRI). This body will make an exhaustive surveillance of the directions to define a framework for integrated reporting and review of the guidelines for non-financial reporting.

6.1.5 Other international forums

The annual meeting of International Association of Pledging and Social Establishments (PIGNUS), which comprises pawnbrokers from Africa, America and Europe, was held in Lima, Peru in March by invitation of Caja Metropolitana. A new chairman was elected at that meeting, Antonio Pulido, Chairman of Cajasol, to take over from Antonio Claret García on expiry of his term of office as Chairman of Caja Granada.

The working lines favoured by the new chairman were clearly defined at the annual meeting, including expansion to parts of the world in which the Association has very little presence; the provision of high-value services for its members; and contacts with multilateral bodies to make them aware of the importance of pledging.

A meeting was held in the summer between representatives of Chinese pledging establishments and senior officers of the Association, Credit Municipal de Paris and CECA. And at the end of September, the Standing Committee of the Association held a meeting in Seville, attended by representatives from Spain, Mexico and Argentina. The Standing Committee meeting was organised by invitation of Cajasol, coinciding with the General Meeting of Spanish Pawnbrokers.

The International Association of Pledging and Social Establishments is working on expanding to parts of the world in which it is not yet present

6.2. NATIONAL PROFILE

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 2010 are included here.

CECA is a full member of the **Spanish Mortgage Association (AHE)** and participated regularly during 2010 in its statutory sessions and the meetings of its task forces. CECA acts within the AHE not only in its own name, but also on behalf of the savings banks that are not direct members.

Special collaboration with AHE concerning the European Commission responsible lending and borrowing initiative

Several meetings have been held with the tax authorities to address important tax issues for the financial sector

The relationship between the two institutions continued throughout the year. Apart from other issues, such as monitoring of the Draft Sustainable Economy Bill; the Bank of Spain Circular 2/2010 of 27 January amending Circular 4/2004 of 22 December on rules on public and supervisory financial reporting and models of financial statements; the Circular developing certain aspects of the mortgage market or the Draft Royal Decree approving the Regulations of the Land Act, their collaboration was especially important in respect of the European Commission responsible lending and borrowing initiative.

Representatives of CECA and the Savings Banks Tax Committee have attended several meetings with the **Tax Authorities** to address tax issues that are important for the financial sector. These meetings have been attended by spokespersons from the Directorate General for Taxation and several bodies of the Spanish Inland Revenue Service (AEAT) and on other occasions they have been held within the **Taxation Committee**, comprising representatives of the State tax authorities, CECA, the AEB [Spanish Private Banking Association] and the four largest Spanish financial institutions.

Some of the most important debates were those on the new deposit tax introduced in the Autonomous Community of Andalusia; inspections concerned with R+D+I allowances; proposed taxes for the financial sector, in both Europe and the United States; new aspects in the tax treatment of accounting impairments deriving from the reform of the Bank of Spain Circular 4/2004; the VAT reform in the financial sector; and the system of withholding tax applicable to gifts in promotions made by credit institutions.

Frequent contacts and meetings have also been held with the tax collection bodies of the AEAT, attending the annual meeting of the **Attachment Proceedings Monitoring Committee**, composed of representatives of AEAT, CECA, AEB and UNACC [National Union of Credit Cooperatives], analysing the statistics of attachment orders and making the necessary comments to ensure a balance in the actions taken in respect of different types of financial institutions, to avoid any comparative detriment to savings banks. Members were also informed of the procedures that AEAT wants to establish for the attachment of accounts through which salaries and pensions are paid, attachment of pledged accounts and centralisation of paper attachment orders.

The three associations of our sector (CECA, AEB and UNACC), AHE and five collaborating credit institutions are represented on the **Housing Plan 2009-2012 Financial Monitoring Group.** This group is a consultation forum of the Secretariat of State for Housing and Urban Actions, 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.

The Housing Plan 2009-2012 Financial Monitoring Group assesses fulfilment of the collaboration agreements made with credit institutions

CECA is also on the **Council of the State Housing and Restoration Plan**, which aims to guarantee social participation throughout the effective term of the Plan. The members of this Council are representatives of the different public administrations and principal economic and social partners related with the Plan, including CECA. The main issue addressed has been the amendments that the Ministry plans to make in the current State Housing and Restoration Plan 2009-2012.

The Confederation also participates in the **Plan of Measures to Enhance Financing of the Agricultural Sector Monitoring Group** of the Ministry of the Environment and Rural and Maritime Environment, which met during the year to study the impact of the different measures of the Plan, especially the Ministerial Order ARM/572/2010 of 10 March laying down the regulations and awarding of aids for the owners of agricultural and livestock farms to help them obtain access to financing.

The AECA CSR Committee focused its work on the comuterisation of non-financial information for distribution and reporting

CECA is represented in several groups of the **Spanish Confederation of Business Organisations (CEOE)**, within which the **Consumer Working Group** was particularly active in 2010, monitoring the Draft Consumer Credit Contracts Bill.

The Confederation is also a member of the State Social Responsibility Council [**Consejo Estatal de Responsabilidad Social - CERSE**], within the group coordinated by CEOE. Within this framework, it is a member of the Responsible consumption and investment and the Transparency, information and reporting task forces. The work of the former has been completed and a document has been submitted to the Standing Committee setting out the consensus of the representatives of the task force, which was praised at the plenary session. The other task force continues its work, affected to a certain extent by the initiatives being developed in this area on a European and Worldwide level.

CECA also participates in the **CEOE Tax Committee**, attending the meetings held during 2010, at which proposals related with issues having a considerable tax effect on business were made and debated.

It also represents the sector on the **CEOE Corporate Social Responsibility (CSR) Commission.** The work of this Commission focused this year on monitoring the work of CERSE and the proposals for the Sustainable Economy Bill, particularly on matters of reporting and possible certification of non-financial performance.

It is also a member of the **CSR Committee of AECA (Spanish Business Accounting and Administration Association).** The work of this Committee during the year focused essentially on the computerisation of non-financial information for distribution and reporting.

In 2010, CECA participated in the **Market Place** organised by **Forética**, an event which brings together and rewards the best CSR initiatives, at which it presented the Savings Banks Social Responsibility Report.

The Confederation is one of the Vice-Chairmen of **Spainsif**, the **Spanish Socially Responsible Investment Forum.** During 2010, it participated in the design and promulgation of the strategic plan, presented in February (which includes specific actions in promotion, research, training and networking and influence from a plural, independent position) and in the celebration of the first Annual Event of Spainsif in November, at which progress was shared on socially responsible investment (SRI) and two studies on the Spanish and European SRI market.

CECA participated in the Market Place organised by Forética presenting the Sector CSR Report

Presentation to CNMV of the market abuse (and suspicious transaction) detection system

The most important issues for the financial instruments market, on which the industry was consulted, were addressed at the meetings of the **Consultative Committee of the National Securities Market Commission (CNMV).** CECA was speaker at those meetings, defending the interests of the sector and the savings banks, on several occasions, presenting the draft Order for regulation and control of the advertising of banking services and products; CNMV guidelines on convenience and suitability; confidential information of investment service providers; and standard-form liquidity contract.

A meeting was also held with the CNMV to present the Confederation's market abuse (and suspicious transaction) detection system, provided by nineteen savings banks.

CECA has also taken a very important step forward, on behalf of Spanish savings banks, by joining the **National Financial Education Plan of the CNMV and the Bank of Spain,** as a collaborator. The member savings banks thus become active members, spreading financial education in Spain. One of the actions carried out under this collaboration agreement was the distribution by savings banks of material prepared by the CNMV and the Bank of Spain on practical finance.

Joining the National Financial Education Plan promoted by the CNMV and the Bank of Spain

During the year, several contacts and meetings have also been held with national authorities to address capital adequacy issues, particularly Basel III and the amendment of the Capital Requirements Directive. In this regard two meetings were held with the **Directorate General for the Treasury and Financial Policy** to discuss the national implications of the proposed measures (initial meeting in May and follow-up in October) and three with the Bank of Spain (on Basel III in general in March, on capital adequacy statements in July and on contingent capital in September).

Two meetings were held with the **Executive Service of the Anti-Money Laundering and Monetary Offences Commission (SEPBLAC)** to discuss the information provided by the supervisor and the future of systematic reporting.

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.

International Profile
▪ National Profile

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 organised several seminars in 2010 and participated in others, including especially:

- New generation networks and applications. Challenges and opportunities
- 1st CITS Conference [Communications and Information Technology Services], CITS 2010
- Arbitrage and new technologies conference
- CIT Services based on new generation networks

The second edition has also been published of the Telecommunication Services User Satisfaction Survey, published every two years with a view to being 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.

The Institute of Business Continuity Continuam was launched in 2010

CECON (Spanish Business Continuity Consortium) set as its prime objective 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), consisting of the representatives nominated by the member entities (officers from the finance sector and its regulatory authorities).

The most important action performed by CECON in 2010 was the creation and launching of the Institute of Business Continuity (Continuam, http://www.institutodecontinuidad.com). This Institute was set up to bring together those interested in the professional management of continuity in the services provided by all kinds of organisations, even in the event of massive natural disasters. It also distributes information on and fosters actions and practices referring to the systems, solutions and instruments available to help manage business continuity in organisations, by:

- Promoting and providing incentive for academic research
- Leading initiatives to meet the goals
- Being a meeting point for professionals, businesses and public organisations.

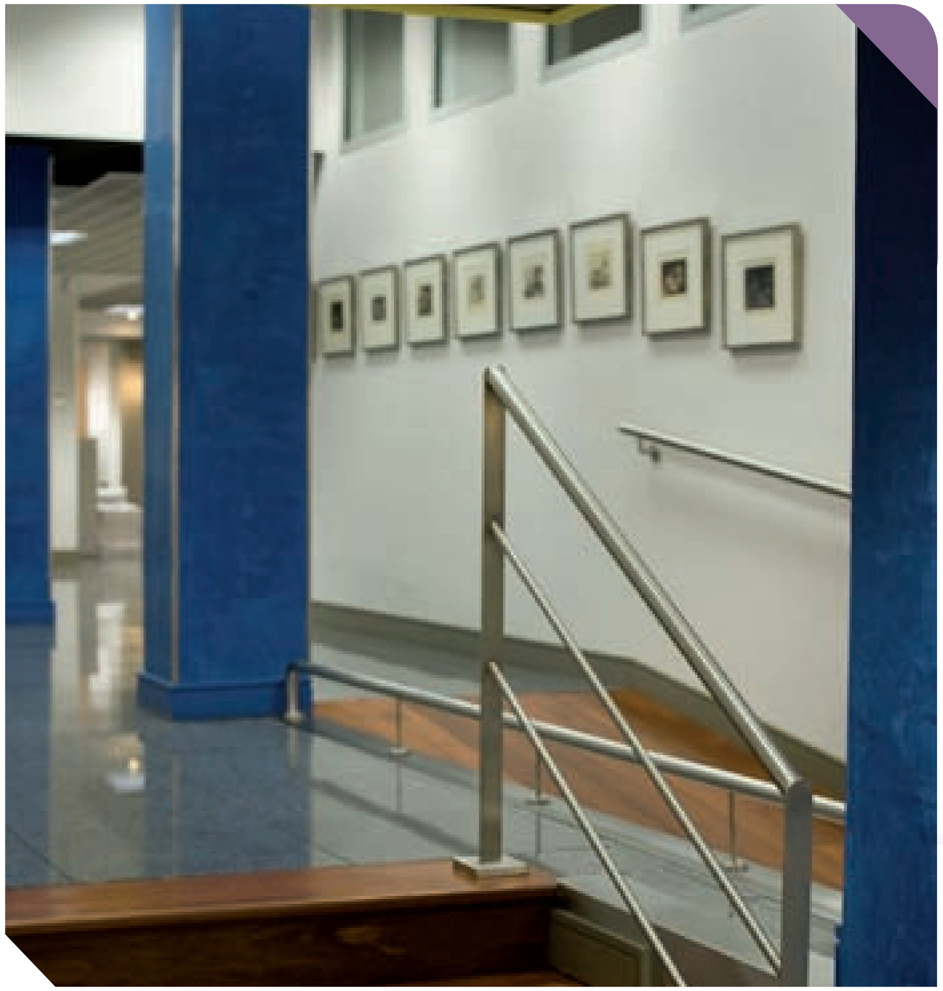
International Profile
▪ National Profile

Analysis of different training programmes and methods for the financial system and insurance sector

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 2010 was examined and controlled; new training programmes have also been established for the next three-year period, commencing in 2011, on the II Integrated Insurance Plan, which qualifies front-office personnel to sell those products.



07 HUMAN CAPITAL

- Labour relations and personnel management
- Human resources development
- Development of Human Resources Organisation
- Recruitment and compensation
- International Profile
- National Profile
- Organisation

7.1. LABOUR RELATIONS AND PERSONNEL MANAGEMENT

A labour agreement was reached with the union representatives in 2010 regulating the following within CECA:

- Plan for equality between men and women and achievement of a work-life balance.
- The harassment prevention code and protocol of actions in the event of a report of sexual or gender-based harassment.

A service was also set up to manage occupational hazard prevention.

Within the ESBG (European Savings Banks Group, European Association of Savings Banks), CECA is Chairman of the Human Resources Network. At the last session of the Coordination Committee (May 2010) it was decided to relaunch this forum, the mission of which is to propose lines of action within the framework of social dialogue.

Plan for equality between men and women and achievement of a work-life balance approved

7.2. HUMAN RESOURCES DEVELOPMENT

Executive development:

The third Executive Days, promoted by the General Management, were held in 2010 with the main purpose of making strategic reflections on how to cope with the current changes in the sector, which are a challenge for CECA.

A total of 756 hours were employed and 63 executives participated, together with the Executive Committee and the General Management.

A total of 63 executives participated in the third Executive Days

Employees have free access to the Microsoft e-Learning platform, which has Officetraining courses

Training scheme:

The principal results achieved are:

- The training budget was adapted to the expenditure adjustment made in CECA during the year.
- Under the CECA-Microsoft agreement, all employees have free, voluntary access to the Microsoft e-Learning Platform, where they can do training courses on the Office package.
- In-person training took the limelight this year, with specialised training tailored to meet the needs of the different areas within CECA.
- 61% of the workforce received training during the year, with a total of 20,195 hours training. Both ratios were adjusted to the budget.

61% of the workforce received training during the year, with an investment per employee trained of over 300 euros

- The investment in training per employee was over three hundred euros.
- The quality of training improved considerably, with a satisfaction rate of 88%.

Training support:

In order to improve their training and achieve a decent life-work balance, employees are offered zero-interest loans to buy computer equipment (90 employees). They also benefitted from special broadband promotions subsidised by CECA (84% of the workforce), including new facilities in the service.

During 2010, fourteen employees received training grants for official studies contemplated in the collective agreement.

Free access was provided for all CECA employees to the McAfee antivirus programme and, within the agreement reached by CECA with Microsoft, all Office products are offered to CECA employees at a greatly reduced price.

The recruitment and retaining of talent is a strategic goal in CECA

7.3. DEVELOPMENT OF HUMAN RESOURCES ORGANISATION

New milestones in the Integral HR Management Plan during 2010 include:

- Development of the support software for the **Performance Management System**, the corresponding pilot test having been run with entirely satisfactory results.
- Completion of the design of the support software for the **Job Evaluation System**, making the description and evaluation process more dynamic and maintaining an online inventory of jobs.

Design of the support software for the Job Evaluation System has been completed

7.4. RECRUITMENT AND COMPENSATION

The **recruitment and retaining of talent** is a strategic goal in CECA. A total of 125 candidates participated in the different **external selection** processes during 2010 (CV screening, aptitude tests, interviews and final negotiation of terms of employment with selected candidates). Eight people joined CECA through those processes. The total headcount in 2019 was 858 (497 men and 361 women).

Continuing CECA's policy of **functional mobility** and matching personal profiles with positions to be filled, a total of 31 internal movements were made during the year.

In order to favour the incorporation of new university graduates into employment, the **policy of "scholarships"** awarded through Education Cooperation Agreements with the most important Universities and Business Centres in Madrid has continued. This year a total of 161 candidates participated in the open selection processes. A total of forty scholarship holders finally obtained university employment experience in CECA in the following departments: fifteen in the Technological Area; Seven in the Financial Operations Area; six in COAS-Resources Area; six in the Risks Area; five in the Association Area-Secretariat General, and one in Social Work and Institutional Relations.

7.5. INTERNATIONAL PROFILE

The International Consultancy Area stepped up its contacts with international institutions, receiving representatives from the Association of Multiple Object Financial Entities (ASOFOM) in Mexico, The Dominican League of Savings and Lending Associations (LIDAAPI) and the Banco Popular of Cuba.

International Consultancy establishes frequent contacts with unconventional financial structures that wish to grow stronger and more modern in order to broaden their range of products and services for their customers. These projects usually need external financial support from cooperation bodies. To facilitate that support, a road show was put on to encourage contacts with entities financing technical assistance projects. This road show was taken to: the World Bank-IFC, Inter-American Development Bank (IBD), the Central American Bank of Economic Integration (CABEI) and the Central American Monetary Council (CAMC).

Commercial relations were also established with EDPYME-Proempresa and Banco de la Nación (both in Peru) and Banca Nacional in Costa Rica.

CECA also participated in the Financial Engineering Diploma Programme designed by the Autonomous University of Mexico (UNAM) and has received a group of executives in CECA to teach them the last module of the diploma course, consisting of informing on Spanish savings banks.

7.6. NATIONAL PROFILE

The HR Consultancy Area has developed collaboration projects for staff training competitions in two savings banks.

7.7. ORGANISATION

The Organisation Department has run several interdepartmental projects to reduce costs, including the following:

- Reduced paper consumption by replacing the printing of documents with online consultation.
- Optimised use of fax by installing a fax server.
- Streamlining of the global printing, copying and digitalisation process of departments through standardisation and adjustment of the available resources to the real needs of the departments.

A project was directed to install and implement a new application and integral customer data base (Customers Master), responding to the need, pointed out by the Bank of Spain, to have a single, integrated data base with CECA customers.

Reduction in paper consumption by replacing the printing of documents with online consultation

The Map of computer systems and applications in place in the Confederation has been drawn up and will be integrated next year with the Procedures Manual.

With a view to improving efficiency, process redesign processes have been carried out, including the lending process and the signing and opening of customers and accounts.

A new online training platform has been selected and implemented for e-ESCA, the Savings Banks College, with the aim of cutting costs, streamlining functions and adapting to the applicable standards.

Within the area of integral security management, the Organisation Department directs business continuity management, having established and implemented in 2010 the global continuity plan, the global framework for continuity management and several procedures required by the personal data protection laws.

08 STRATEGIC FORUMS FOR SECTOR COLLABORATION

- Forums created by the Board support committees
- Representative forums

8.1 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).

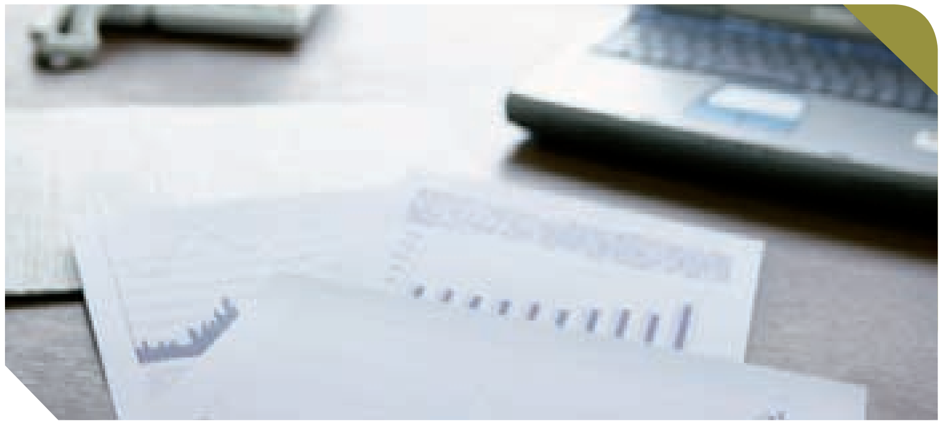
The **Committee for Organisation, Automation and Services (COAS)** obtains, exchanges and publicises knowledge on Spanish and foreign best practices and experiences and carries out studies and projects designed to improve the organisation and operations of savings banks, providing the necessary technical 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. But above all, they give an immediate response to the problems and opportunities arising from time to time.

COAS organises projects which savings banks and other institutions may voluntarily join

Some of the projects developed by the COAS vice-secretariats this year are described in greater detail below

During 2010 the **Vice-Secretariat of Standardisation and Payment Systems** worked on developing domestic and pan-European payment systems, interbank execution structures, cooperation with the different authorities and distribution of cash. 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 Euro Payments Area- and the transposition of the Payment Services Directive.



Within the area of payment systems, 2010 was an important year owing to the requirement imposed by Regulation (EC) No 924/2009 of the European Parliament and of the Council, whereby all payment service providers that have been offering national direct debit transactions –reachable, in the Regulation terminology–must also offer direct debit transactions for cross-border transactions. All savings banks have thus been coordinated to offer the SEPA pan-European direct debit (SEPA Direct Debit Core) prior to 1 November, as stipulated in the Regulation.

Furthermore, continuing the implementation of the Payments Act and the SEPA systems and working together with other banking associations, the appropriate interbank rules have been drawn up for SEPA direct debit and transfer orders in an electronic files, in both plain format and XML format.

Work continued on the migration of national transactions to SEPA

In collaboration with the Bank of Spain and other partners involved, work continued on the migration of national transactions to SEPA. With a view to contributing as far as possible in the SEPA developments and obtaining adequate information levels, CECA participated directly in several pan-European SEPA development forums, especially in the European Savings Banks Group, the European Commission and the EPC (Euro Payments Council).

The Vice-Secretariat has worked actively with savings banks, helping to publicise and increase awareness of SEPA and the Payment Services Directive –eventually Act-, addressing these issues 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 Vice-Secretariat 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 transac-

In cooperation with the authorities, the IT and tax collection systems have been improved

tions, broadening the scope of automated attachments and garnishments, etc. Development has been completed of the mechanism for automated information interchange with the General Council of the Judiciary for official requests and court orders or summons. Once the savings banks have joined the system, it will be possible to make automated attachments and garnishments as from the second half of 2011. All this has been done and coordinated by the Public Administrations Committee.

Within the field of cash management, the Vice-Secretariat continued applying the Recycling Framework, collaborating with savings banks to achieve the levels stipulated for 2010. In addition, within the pan-European cooperation on operating standards, it is planned to reduce handling charges for the presentation of banknotes at the Bank of Spain. With regard to cash ADS (Auxiliary Deposit Systems), work has been done in coordination with the Bank of Spain and the manager Iberpay to streamline the model –on the basis of integration– in order to gain efficiency and extend the use of the ADS to markets that did not have it.

In addition, in collaboration with the Interbank Cooperation Centre, the Vice-Secretariat participated in the new developments and enhancements of capital adequacy 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).

An operating procedure for account mobility has been developed and implemented in cooperation with the other associations of credit institutions (Spanish Private Banking Association and the National Union of Cooperatives). This operating procedure is based on a system of exchanging information by secure e-mails and is the first application of this mechanism in interbank operations. This completes the response to the cooperation commitment acquired by the banking community (through the respective European associations) to the European Commission in this matter of interest for consumers. As established in the commitment of the banking industry to the Commission, a report has been issued containing a self-assessment of the implementation.

An operating procedure has been developed for account mobility

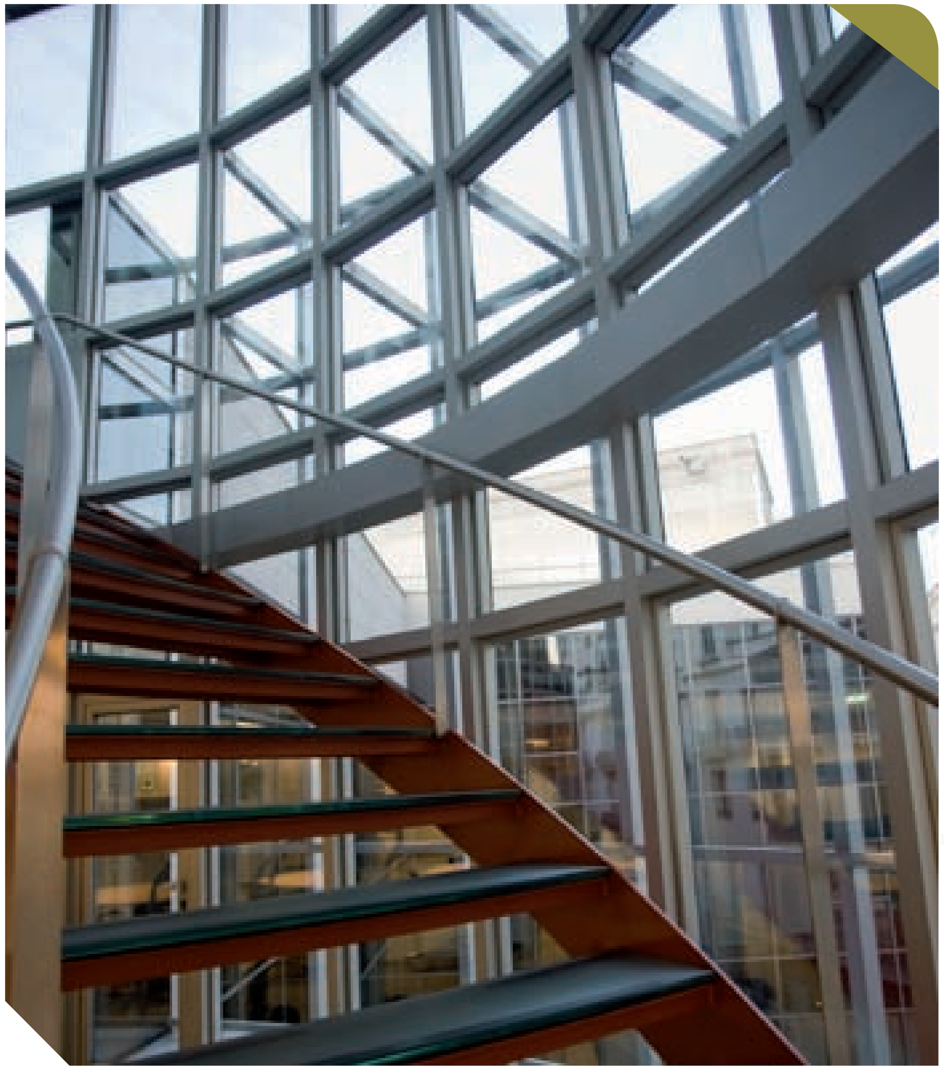
▪ Forums created by the Board support committees

Representative forums

Over the past nine years savings banks have improved their efficiency by more than twelve points

Two specific actions were developed to enhance efficiency, aimed at simplifying the treatment of transactions and reducing paper-based processes. An inventory was made of the paper-based processes in both interbank dealings and relations with the authorities, to study the impact on the need to send papers every day from the branch network and proposals were made to reduce that need significantly. On another note, the Vice-Secretariat worked on the project for reducing administrative charges, in cooperation with the CEOE and Ministry for the Presidency, submitting a list of proposals drawn up by the savings banks.

The **Vice-Secretariat for Business Development** of COAS completed the ninth Sector Efficiency Study, with general conclusions referring to 44 savings banks. Over the past nine years, savings banks have managed to improve their efficiency by more than twelve points, an outstanding improvement in which non-financial revenues or non-recurring receipts played an important role, and which are present in practically all savings banks.



Progress has also be made in improving the productivity of commercial networks and in the migration from operator-based to non-presence channels and in deregulating network administrative charges, preparing for the future, when the number of branches will fall and multi-channel customers will increase, and confirming the trend that increasingly links productivity to branch size.

The efficiency model was particularly helpful in all the consolidations of savings banks undertaken during 2010. The support given in re-sizing of the new entities, synergy and viability studies, studies of aggregated savings banks and comparisons with best practices and other entities having a similar size were especially important.

The Efficiency and Efficacy projects were successfully merged this year, adding the principle management ratios obtained from the Commercial Productivity Enhancement Project, creating a new model made available to savings banks to enable them to systematically control the main business management levers: efficiency, business processes, quality, sizing, costs, commercial productivity and systematics, management of customers and direct channels, all without losing sight of the macro variables of capital adequacy, liquidity and default.

In the third year of the Annual Customer Loyalty Study, savings banks have been able to complete their advanced customer manager strategies, incorporating a more executive scorecard and a detailed analysis by branches. Several savings banks involved in consolidation processes have requested aggregate customer studies, so this sector project has also been used for those processes.

The efficiency model was particularly helpful in all the integrations of savings banks that took place during 2010

Customer departure prevention plans have been developed for five savings banks

Five projects have been developed this year, for five different savings banks, of Plans to prevent the total departure of customers. The aim of this project is for each savings bank to implement its own model, enabling it to anticipate the departure of its customers. The project has been implemented in all five savings banks.

At five single-theme workshops, the Bad Debts Management Project addressed the main concerns of managers of these areas in savings banks. In particular, the following topics were discussed: refinancing of refinancings, risk management in the current environment of consolidation, novelties in bad debts management, how to optimise recovery, tax repercussions on payments and awards of properties and related accounting issues, and the keys to success in the marketing of property assets.

Each workshop, in which an average of twenty-four savings banks participated, ended with an executive summary setting down the key points of the practical experiences presented and discussed.

Finally, the first phase of the New central services core functions project has been delivered with the aim of downsizing the central services from the present 20% to under 10%.

Within the framework of the new regulation of the Committee of European Banking Supervisors (CEBS), the Technological Vice-Secretariat has embarked on a project to develop a sector tool for the preparation and generation of the new financial statements required by the supervisory authorities.

Project to develop a sector tool for the preparation and generation of the new financial statements

The new regulation, led by the FINREP and COREP projects, establishes harmonisation of the information requirements by central supervisory bodies throughout the European Union, for both public reporting and supervisory reporting. A transitional period has been established up to 1 January 2013 for financial institutions to adapt their reporting systems to the new regulatory framework.

The COAS New Financial System Reporting Project will give the sector a tool covering the entire cycle of the reporting function, from the initial extracting of information to the generation of statements to be sent to the regulatory authority.

The introduction of new technologies in the reporting methodology and the extensive use of XBRL taxonomies and elimination of the statement/box concept, substituting an n-dimensional hypercube of information represent a revolution and challenge for traditional reporting systems. The development of this new tool within a climate of cooperation is an example of successful collaboration in regulatory matters, where there is no competitive advantage to tackling this kind of actions individually.

In the project Platform for Cooperative Development – Services-Orientated Architecture (SOA). Joint development of EDP applications, the Technological Platform MOSAICO was developed and implemented during 2010. This is a new services-orientated architecture with which the most advanced business process management (BPM) can be implemented. This new platform offers a real, standard environment in which software can be jointly developed by several savings banks and these applications and IT systems can be operated using the cloud computing model.

Implementation of the technological platform Mosaico, which applies the principles of free software to the community of savings banks

The principal value of this new platform is the application of free software principles to the community of savings banks, offering a standard technological platform for all savings banks, where each entity can contribute its development to the community within a climate of cooperation, establishing the necessary governance models and thereby vastly reducing development costs.

During 2010 progress was made in the development of specific applications, among which priority has been given to the systems of interoperability with public authorities.

As regards the Digitalized Signature Management System, the Digitalized Signature System was definitively deployed in the savings banks sector in 2010. With over 5,500 branches now digitalized, the target of eliminating more than 100 million paper documents was surpassed in 2010, breaking through the threshold of 5 million customers who contributed, with their signatures in the new system, to the major saving in the management and handling of paper.

The overall aim of the system is to reach 1,000 million documents generated in the sector each year. Eliminating these documents would save almost 7,000 tonnes of paper, which would in turn spare the loss of 10 km2 of forest a year and the emission of 43,000 tonnes of CO_2. The Sector has already achieved 1/10 of these savings, declaring its commitment to efficiency and environmental impact.

This project continued to receive international recognition during 2010, being awarded the following prizes:

- Financial Sector Technology Awards (UK) 2010: Winner of Security/Anti-Fraud Strategy of the Year, Commendation in Best Use of Technology 2010.

- The Banker – Financial Times Innovation in Banking Technology Awards 2010: Award for Innovation in Information Security.

Melania comletes its first decade as a knowledge management tool

CECA and sector knowledge management: Melania and Mi Cuaderno. Melania, a virtual city in which savings banks share knowledge, has now completed its tenth anniversary as a mature service and consolidated as a strong tool and repository for the collective intelligence of the sector. The demand for quality information and information for management was broader in 2010, linked to the changes in the law regulating the sector, the restructuring processes, the current economic and financial situation and the declarations by regulatory authorities and savings banks at the different sector events. As a result there are now more than half a million documents stored in its data bases and it has received more than three million visits.

Melania is now used by all 8,474 executives and senior officers from the central services of savings banks. The nature, effects and consequences of the restructuring of the sector no doubt affected both the subject-matter of the documents and conversations produced in Melania and the transversalization of the interest shown in them by its participants. In fact, for the first time, more than fifty documents have received over four hundred unique visitors and twenty of them are over the thousand mark, precisely those referring to the results of the Sector, stress tests, restructuring, reform of the Savings Banks Act, regulation (Basel III), the three major financial strategy events organised this year, economic climate, ratings and outlook. Some 150 club newsletters have been produced and sent out (50% more than in 2009), receiving more visits than ever from people belonging to professional groups other than that of the club to which they are linked.

In this regard, the force of this cross demand has led to daily use of the new street in Melania, opened in 2009, which houses an outlook blog produced by the Knowledge Management Area, an R+D+I Observatory fed by COAS, an information point for economic situation forecasts generated by FUNCAS and a number of expectation polls in the sector, made and analysed by the CECA Research Department.

Globalisation and its consequences have had an effect on the documentary scenario, which has multiplied the documents from North American sources to over 8,000 references in 2010 (3,000 more than in 2009). It is worth highlighting, in particular, the documents published

Melania is now used by 8,474 executives and senior officers from the central services of savings banks from two hundred international financial information sources (particularly that published in respect of the Melania-EFMA agreement signed at the beginning of the year); and the international reports summarised in Spanish to which Melania members have had access through the “news stand” on the Map.

Simultaneous to the transversalization of knowledge and interests, the use made of Melania has mainly been structured within the lives of its virtual practice communities, which, with more than sixty clubs and workshops (growth of over 100% in active workshops to 41) 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 1,500 documents, consulted more than 70,000 times, reflecting an uncommon volume of collaboration on many fronts.

Mi Cuaderno was also launched in 2010, a specific knowledge management tool designed for all CECA employees based on their personal needs for information. Melania information subscriptions are now received through this tool. The most requested documents include the series of interviews of individuals representing the CECA vocations, the weekly remittance of podcasts and videos en English related with the financial world, complementary for employees studying this language, and the daily bulletin on mergers, IPS and FROB, the “information pills” prepared by different departments of CECA and sent to all employees on matters relating to financial regulation or compliance with the law, among other aspects; and the fortnightly and six-monthly summaries that have been sent out since the second half of 2010, addressing international trends, banking competition and financial sector suppliers and services.

***Mi Cuaderno** is the new tool of Melania designed for CECA employees, according to their personal information requirements*

8.2 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).

The Marketing Commission has paid special attention to the evolution of funding

8.2.1 Public Profile Forums

The **Marketing Commission** has paid special attention to the evolution of the financial market as regards funding. It has also analysed the possible consequences of the consolidation processes in customers, networks and duties of the marketing departments and has followed the evolution of data offered in the public reporting by savings banks. It also boosted the publication of digital M@rketing bulletins on different issues of interest for marketing managers.

The work of the **Communication Committee** focused on the main issues affecting the sector, such as regulatory changes and the consolidation processes and their effects on the reputations of the savings banks. It also designed and implemented several actions to inform the public opinion on the essential role of savings banks in the economy and society, and strengthened its presence in social networks, creating portals in Facebook and Twitter.

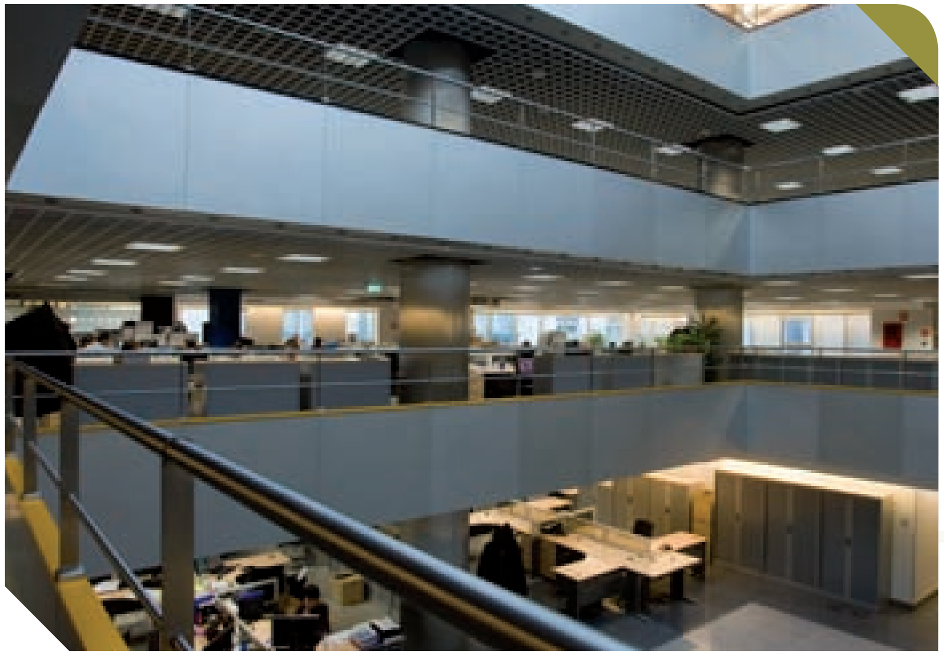
The **Advertising Committee** concentrated on the changes proposed and issued by the Bank of Spain and the CNMV in the regulation of advertising of financial products and services and of investment products. It also worked on drafting a specimen of the commercial communication policy document that savings banks are required to issue under the new regulations.

The **Customer Service Committee** focused its efforts on adjusting the information obtained in the annual survey of complaints and claims received and answered in the different Customer Service Departments. The questionnaire used to gather this information was adapted and new initiatives were launched to progress in the benchmarking studies among the different savings banks. The composition and duties of the Customer Service Departments were also analysed. This Committee has maintained close collaboration with SERBE (Bank of Spain Claims Service) and other regulators competent in this area.

8.2.2 Regulatory Guidance Forums

The **Legal Advisory Committee** has nineteen members, all 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 2010. The LXX Convention of Savings Banks Legal Advisers was held in Seville in May at the invitation of Monte de Piedad y Caja de Ahorros de Guadalajara, Huelva, Jerez y Sevilla. A Course on Insolvency Law was also held in April.



The work of the Legal Advisory Committee focused on the reform of the Insolvency Act, the entry into force of the Payment Services Act and the refom of the LORCA

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 and the reform of the savings banks regulation, approved by Legislative Royal Decree 11/2010 of 9 July on Governing Bodies and other aspects of the regulation of Savings Banks. National and international draft laws and regulations were also analysed, such as the amendment of the Payment Systems Act and Royal Decree-Law 5/2005; as well as the reform of the Penal Code, especially the criminal liability of legal persons. Other matters have also been examined, such as the collaboration agreement between the General Council of the Spanish Judiciary (CGPJ) and CECA on obtaining information for courts and tribunals, the e-Notary platform for the execution of mortgage loans and the opinions related with the updating of the Financial Transactions Framework Agreement (CMOF). In general, any judgments and court decisions affecting the Sector have been studied, especially those regarding unfair terms in banking contracts, those regarding the "floor clauses" in mortgage loans or those referring to transactions with financial products to hedge mortgage loans.

Forums created by the Board
support committees
▪ Representative forums

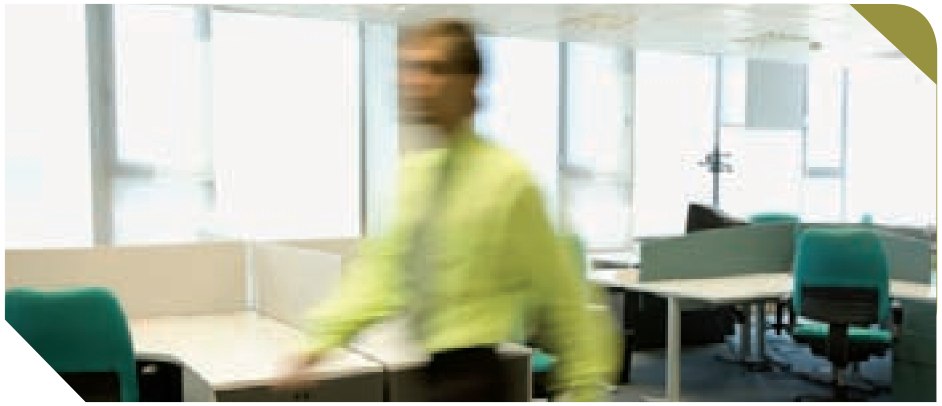
The **Sector Regulation Compliance Committee** held four meetings in 2010, at which it addressed the most important issues for the sector: processing and approval of the new Anti-Money Laundering and Counter-Terrorism Financing Act; the CNMV Guidelines on Analysis of Convenience and Suitability; pay policies; the supervisory financial statements to be sent to the watchdog by investment service providers; and the criteria for classification of financial instruments into complex and non-complex.

Within the Sector Committee, the **Anti-Money Laundering Operative Group** also met on four occasions to discuss the issues of greatest importance for this group, especially all those deriving from implementation of the novelties brought in by the new Act.

At its monthly meetings, the **Savings Banks Taxation Committee**, set up in 1992 and consisting of representatives of savings banks and the CECA Tax Counselling Division, has studied tax issues affecting the Sector and maintained permanent contacts and negotiations with the different Spanish tax authorities and other associations in the financial sector. To respond to the process of consolidations taking place among savings banks and upon recommendation by CECA, unanimously approved, the system of representation on this Committee is being extended to eventually incorporate all the savings banks, as the consolidations currently in progress become consolidated.

The Taxation Committee has dealt with the tax aspects of the different consolidation processes among savings banks

Although a broad array of different issues have been studied, some of the most important ones this year were related with the tax aspects of the consolidations or integrations currently taking place, specifically addressing the problems of economic interest groupings (EIG), the formal aspects of merger proceedings, the consultations submitted by the affected savings banks and CECA itself, the new provisions approved by the tax authorities in Navarre, etc. Owing to the tremendous importance of taxation in the consolidations being made by savings banks through different procedures, the Tax Counselling Division has had to devote a very large part of its tasks during 2010 to collaborating with the savings banks involved in these processes and it anticipates maintaining that special dedication in the future, so far as may be necessary.



The Committee also analysed the modifications made in credit risk provisions as a result of the amendments introduced by the Bank of Spain to Annex IX of Bank of Spain Circular 4/2004, following talks with the tax authorities and the Bank of Spain to harmonise the tax and accounting treatment. The new tax on deposits established in Andalusia sparked off a debate within the Committee, which concluded that the provision was likely to be unconstitutional and the consequent proposals were made for the President of the Spanish Government to present the application for judicial review of proposed legislation established in law and already filed against a similar tax that has been in place for years in the Autonomous Community of Extremadura.

The Committee is still working on the problem of unfair discrimination produced by not applying to mortgage credits the tax benefits established in applicable laws for mortgage loans, in stamp duty and transfer tax (ITP y AJD) and personal income tax (IRPF). Proposed amendments have been included for this purpose in the Sustainable Economy Bill and we have continued negotiating with the different tax authorities. Similar actions are followed to exclude guarantee deposits made in loan subrogations from taxation for transfer tax (ITP).

Support has also been provided for submitting proposals requesting a reform of the securitisation fund regulations to secure tax allowance on the acquisition of real estate in payment of securitised credits, similar to that established for property-based collective investment institutions and SOCIMIS (real estate investment trusts).

Creation of Savings Banks Consolidation Taxation and Accounting Work Group

Many other issues have been debated during the year: effect of the Payment Services Act on direct debits for the payment of taxes; new reporting obligations established by the United States affecting Spanish financial institutions in respect of their American customers; waiver of VAT exemption on acquisitions of real estate by savings banks in view of their foreseeable use; new case law set by the Supreme Court (no VAT exemption on applications of discounted bills, treatment as income from capital of products delivered in promotions), reform of the LORCA in respect of management pay, etc.

Owing to the importance for the sector of the consolidations process, the **Savings Banks Consolidation Taxation and Accounting Work Group** was set up in 2010 by the CECA Accounting and Tax Counselling Departments, the members of which are representatives of these departments and of the accounting and tax departments of the different savings banks.

The two annual **Meetings of Savings Banks' Tax Experts** regularly called by the Tax Counselling Department were also held. The LXIII meeting took place in Oporto, in response to the invitation by Caixanova, where three papers were dedicated to the tax aspects of savings banks consolidations: mergers, procedural issues and tax aspects of consolidations made through an IPS. The taxation of gifts to customers was also analysed; as well as the tax benefits applicable to events of extraordinary public interest; aspects of electronic tax administration; and the new US law on reporting obligations; along with other current issues. At the LXIV meeting, held in Madrid in December, a further two papers dealt with aspects of savings banks consolidations, this time through an IPS (practical experience and main tax issues); as well as the tax impact of the reform of provisions for doubtful debts introduced in the Bank of Spain Circular 4/2004, the code of good taxation practices and the latest tax novelties deriving from new legal provisions.

The **tax website** created and maintained by the CECA Tax Counselling Division contains tax information for savings banks, which is updated on a daily basis. During the year over 7,000 new documents were incorporated, giving a total number of more than 73,000 documents, all commented on and with related search possibilities. It has 1,300 users, savings banks employees.

Over 7,000 new documents have been included on the CECA tax website, now totalling more than 73,000

8.2.3 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 2010, either directly by the Coordinating Committee or through its different work groups, aimed to prepare audit programmes, including:

- Operational risk. Internal fraud – external fraud
- Update Tax Area
- Internal fraud indicators
- Systems integration

These programmes were presented to the internal auditors of the Savings Bank Sector at the Annual Audit Convention and the technical workshops.

During 2010, the savings banks **Accounting Committee** worked mainly on three areas: firstly, analysis of the impacts for the sector of the draft amendments of accounting standards issued by the IASB on IFRS 9, which will replace IAS 39 Financial Instruments: Recognition and Measurement in phases; secondly, study and informing on the Bank of Spain Circulars falling within the Committee's scope of action, especially those concerning the replacement of Annex IX of Accounting Circular 4/2004 and the amendments made thereto to incorporate the changes introduced by the international accounting standards on business combinations and rules on consolidation of associated and multi-group companies; and finally, the holding of the Accounting Convention at which the above-mentioned matters were debated, along with the accounting and tax aspects of IPS.

The Accounting Committee analyses the impacts for the sector of the changes in accounting standards

With regard to the accounting standards, which are gradually adapting to the new structure of IFRS 9, the Committee analysed the contents of the amendment proposed by IASB in respect of the accounting of amortised cost and impairment of assets and proposed simplifying the impairment calculation model, which was excessively complex in the formula proposed by IASB, incorporating the estimate of expected loss in the calculation of the effective interest rate; it also made a critical analysis of the fair value option for financial liabilities and accounting for defined benefit plans, in which elimination of the so-called "broker" effect is contemplated.

With regard to Bank of Spain Circular 3/2010, which introduces an extensive modification of substantial aspects of Annex IX to Circular 4/2004 on public and supervisory financial reporting standards, a report was sent to the Bank of Spain containing the sector's proposals on several aspects, including the application of guarantees, valuations and application of the provision at the entry into force. Comments were also made on the incorporation in Circular 4/2004 of the international regulation on consolidation of group, associated and multi-group companies.

The Accounting Convention was held in September, maintaining the structure of the previous year's Convention and highly appreciated by those attending, being divided into papers and work groups. On the first day, interesting papers were given, addressing aspects related with a general panorama of the accounting standards currently being modified by the IASB, the Basel III reform on strengthening of capital adequacy and liquidity, the evolution of financial reporting and the tools being developed for its preparation, and analysing the legal, institutional, tax and accounting aspects of Institutional Protection Systems (IPS). On the second day of the Convention, current issues of considerable interest for accountants were analysed in depth, with a very active participation by those attending the Convention; work groups were organised to debate different aspects of the changes in accounting standards, the phases into which the accounting reform is going to be divided and the times within which it will be implemented, analysis and hedging of the risks deriving from the implications of the amendment of Annex IX of Accounting Circular 4/2004 and, finally, a thorough dissection of the numerous aspects and accounting issues arising for application of the standards to the Institutional Protection Systems (IPS).

Debates in the Social Work Committee focused on how the changes in legislation may affect Social Work

8.2.4 Welfare Forums

The current **National Social Work Committee** 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 every month to discuss different topics with a view to improving the efficiency of the savings banks social work. In 2010, especially in the second half of the year, the debates centred on considering the changes in legislation and how those changes might affect their social work.

This year four work groups or committees were set up within the Social Work Committee, namely: the Strategy Committee, consisting of the chairman, vice-chairmen and CECA representatives; the Operating Excellence Committee; the Sector Cooperation Committee and the Communication Committee. The last case is the reactivation of an existing work group, modifying its procedures and with a closer cooperation with the Savings Banks Communication Managers Committee.

The Operating Excellence Committee has taken up again the proposal of improvement in the collection of information on Social Work, to speed up data entry.

The chapter on Governing Bodies has been included in the Social Work volume of the Corporate Social Responsibility Report for the second year, defining the management strategies in the social work of each savings banks and which governing bodies or executives are responsible for implementing and monitoring them. The migration of both volumes of the CSR Report to electronic format was completed in 2010, with the consequent saving in paper.

Development of the WebTV continued in the savings bank portal with a view to displaying all possible audiovisual material generated by savings banks, most of which is related with social work.

Development of the WebTV continued in the savings bank portal with a view to displaying all possible audiovisual material that they generate.

The Financial Education Network has become much more widely known through the creation of portals in social networks

A social networking policy has been launched in this area, through different channels and in different forums, focusing on the philosophy of savings banks, their importance for the Third Sector of Social Action and Pawnbrokers.

The **Sector CSR Committee** met regularly throughout 2010 to identify matters of interest within the sector, such as non-financial reporting, financial education and socially responsible investment. Owing to the economic recession and the reform of the organisation model of savings banks, the sector adopted CSR strategies adapted to these new circumstances in 2010.

Financial education is undoubtedly one of the main elements of social responsibility in financial institutions so significant progress has been made in this field. On the one hand, CECA organised the II Financial Education Conference, as part of the initiatives of the Spanish Financial Education Network created in 2009. At this conference participants got to know several networks of agents involved in financial education nationwide and throughout Europe and were informed on the state of financial education in Europe and in Spain and the specific initiatives taken in Spain and France.

Also in this field, the website of the Financial Education Network made great progress in reaching others, through the creation of portals in the leading social networks (Facebook , Twitter and LinkedIn). This project will help the Network to grow, be more visible in Internet and establish relations with other organisations and stakeholders.

1. www.rededucacionfinanciera.es • **2.** www.facebook.com/rededucacionfinanciera • **3.** twitter.com/redufinanciera

Furthermore, within the framework of activities of the Sector CSR Committee, a work group has been set up with the participation of the thirteen savings banks that have signed the Collaboration Agreement with the CNMV and the Bank of Spain to boost and publicise activities of the National Financial Education Plan (more information in the chapter on National Profile).

The III CSR Conference was held in November, its main theme being fair, responsible customer relations. Participants were able to debate for two days issues related with customer relations and savings banks' customer relations policies, and were informed on other international actions such as the British Banking Code (code of conduct supported voluntarily and as a sector by the UK banking industry).

The **Pawnbroking Institutions Committee**, composed of the Managers of sixteen pawnbroking institutions and chaired since April by Antonio Pulido, Chairman of Cajasol, 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.

After its public presentation in mid-January, the Pawnbrokers online Auctions Portal was developed this year. This portal, accessible by all pawnbroking institutions, 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. It ended its first year of operation with almost 4,700 registered users, almost 4,000 lots auctioned, of which over 3,700 were adjudicated, with an average surcharge of 70%.

The Pawnbrokers Report 2009 was also published for the third year, thereby consolidating this initiative. This year, just as in the case of the CSR Report, this report has been fully migrated to electronic format.

The pawnbrokers auctions portal has completed its first year with almost 4,700 users and 4,000 lots auctioned

The Committee for Agreements with Authorities acts as a platform for exchanging experience

8.2.5 Other forums

The **Sector Committee for Agreements with Authorities** was set up in 2010 to provide assistance to savings banks managers in this area, acting as a platform for exchanging experience and facilitating dialogue with the different authorities.

This Committee met twice during 2010 and analysed, among other aspects, the different agreements signed by CECA, such as the Framework Agreement with *Sociedad Pública de Alquiler* (Public Renting Company) to include property assets in the rentals market, the collaboration agreement with the Ministry of the Environment and of the Rural and Maritime Environments for the promulgation and implementation of actions promoting improved financing terms for Spanish agriculture or the Addendum to the Loan Implementation Agreement to enhance and modernise farming production structures.

The **Management Planning and Control Committee** held two meetings, in February and November, at which it addressed the most important current issues for those responsible for these duties in savings banks. In particular, it analysed the situation and prospects of savings banks from a sector viewpoint, exchanging opinions and prospects in this area.

The **Statistics Group**, in which over twenty savings banks participate, held two meetings during the year, at which it analysed the future of sector statistics with the new map of savings banks and the different configurations of groups of savings banks. It also studied the technical adjustments to be made to make the most of the statistics published by other bodies.

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 economic recession and its impact on savings banks.

The **Property Group** met twice and published the VII Savings Banks Property Observatory assessing views on the housing market.

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 2010 on the draft Royal Decree amending Royal Decree 2066/2008 of 12 December regulating the State Housing and Restoration Plan 2009-2012.

The **Group of Experts on the Mortgage Market** was created by the CECA Board of Directors in 2010 with the object of bolstering the position of savings banks and CECA in respect of different national and international institutions and parties in this area. The Group, which has met twice, has studied the matters of particular interest during the year, including, among others, those related with the

The Research Committee studies the situation on the domestic and international markets and its impact on savings banks

Historical Archives of Savings Banks are being created in collaboration with the Bank of Spain

European Commission responsible lending and borrowing initiative, the Sustainable Economy Bill, the Draft Consumer Credit Bill, the Bank of Spain Circular 2/2010, the Circular that develops certain aspects of the mortgage market and the Draft Royal Decree approving the Land Law Regulations.

The **Historical Archives** group met twice, in Madrid and Valencia, to review the joint projects: the up-to-date bibliography on the history of savings banks and the census-directory of savings bank archives. This group works hand in hand with the Bank of Spain in promoting the creation and maintenance of the historical archives of savings banks.

In the **National Quality Committee**, the Customer Satisfaction Benchmarking project focused on the influence of satisfaction on customer loyalty and the impact of the recession on relations between customers and savings banks. That project was also redesigned, integrating channels and segments, so that it can be used as reference for the future.

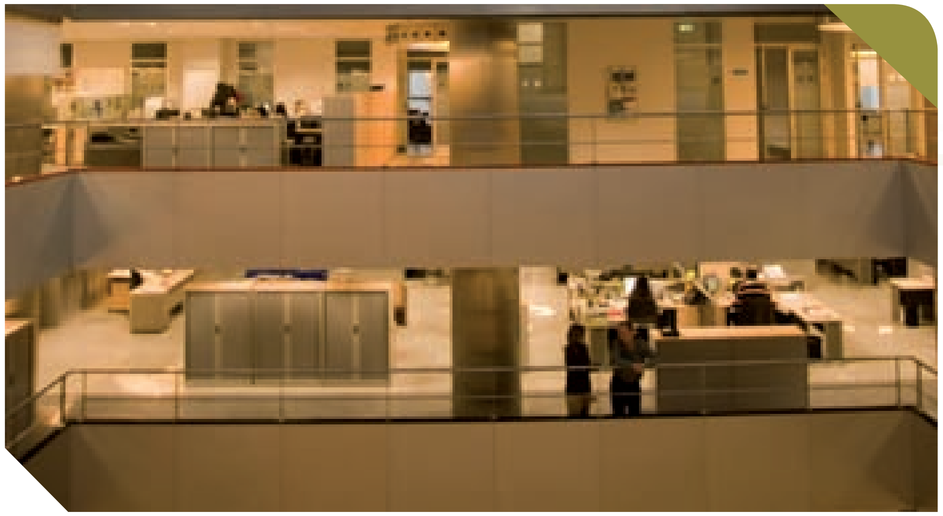
The **Consultancy** Unit carried out the following strategic projects individually for different savings banks: guidance in savings bank consolidations, mergers and ISP (providing the methods for the technological-operations integration management model, forming part of the integration office, defining and promoting implementation of the master plan, drafting the reporting for governing bodies, coordinating with CECA the integration of the savings banks' services and monitoring the master plan of the project); and analysis and design of new organisational structures in mergers and IPS.

The same Unit has developed individually for several savings banks the following projects to improve their efficiency: development and implementation of models to improve the branch network productivity, development and implementation of models for the sizing of workforces in central services (mergers and IPS); design and implementation of commercial systematics projects to boost business; and design and implementation of operation download projects to free up time for commercial management in branches.

Measurement and analysis of external and internal CECA customer satisfaction

The **Quality Management** Unit worked on the following activities: measurement and analysis of external and internal CECA customer satisfaction; broadening of the range of services by measuring and analysing Savings and Securitisation customer satisfaction; coordination of enhancement commitments to customers with the CECA services; renewal of the Quality Management System Certificate ISO 9000 – Securities Clearing, Administration and Custody Services and Depositary for Collective Investment Undertakings by AENOR, December 2010; and organisation of the VIII 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

- Association services and technical advice
- Risk services
- Training services
- Financial and support services
- Other wholesale services
- Technological services

CECA is an association of savings banks and at the same time it is 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 service provider which offers its members a broad array of structures and services, both association services and technical counselling, risk, training, financial, support and technological services. These services are contracted voluntarily by any interested institutions on arm's length terms.

Support for savings banks integration processes, especially IPS

During 2010, CECA provided strong support for savings banks consolidation processes, especially IPS, aiming to provide counselling and services to ensure that the new central companies are organised and can start operating with all the necessary guarantees. This support was possible thanks to the know how of the Confederation's teams regarding the adjustment and adaptation of the different services to different situations.

It especially cooperated in matters related with the reporting to the Bank of Spain, starting work on the unification of financial reporting tools owned by CECA and used by all the savings banks.

9.1 ASSOCIATION SERVICES AND TECHNICAL ADVICE

CECA compiles and analyses data on the sector and the financial system in general

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.

After screening and aggregation, the information 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.

CECA also compiles and distributes the savings banks' own publications and has a constantly updated Documentation Centre on all issues relating to sector activity, 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 2010 continued to focus 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 projects in collaboration with the sector.

In product development, risk management and acceptance practices were consolidated for the individual banking segment in 2010, through analytical optimization of the reactive and proactive risk systems, in which savings banks have taken advantage of the adequate implementation to obtain analytical evidence with which to enhance those systems, balancing business vision and assumed risk and also meeting their commitment to society a regards adequate access to credit. In this environment, the outstanding performance in a really adverse situation of the decision-making and classification Models and Strategies developed by the Division is still significant. As expected, the Models developed have withstood extraordinarily well in the current economic crisis, maintaining their predictive capacity, while the Strategies have been adapted as necessary to the new policies used by the savings banks to cope with the current situation.

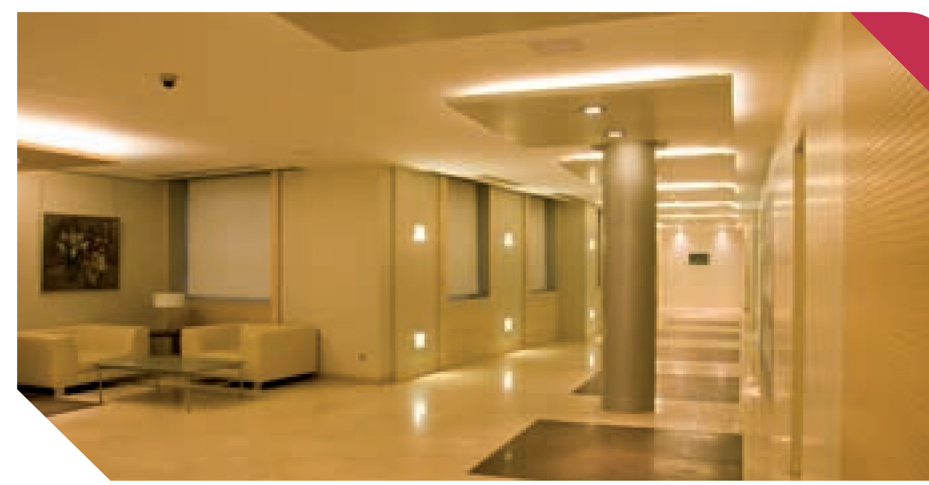
Consolidation of risk management and acceptance practices for the private banking segment

In the corporate segment, in continued development of the solution for adapting to the new Chart of Accounts (Spanish GAAP), the development of an analytical rating system has begun for the corporate segment. That system will make advanced tools available to savings banks to develop their business in this segment, at an especially important time owing to the delicate situation and verifiable commitment of savings banks to providing credit facilities for self-employed workers and small and medium-sized enterprises. The major savings banks are participating in the development of this system, offering the segment the most suitable business treatment within the Spanish financial sector.

In the field of tools, the evolutionary maintenance service of Asesor and Sibila has come up to expectations in the solving of incidents. Version 11.0 of Asesor and version 2.2 of Sibila are now available for user savings banks, with the corresponding improvements and functional breakthroughs achieved with the service, including the possibility for user savings banks to make the implementation of models for estimating credit risk independent. 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.

The analytical rating system is being developed for the corporate segment

In respect of methods, the effectiveness seemingly apparent when putting into practice the Severity and Exposure methods was confirmed in 2010, obtaining excellent results in the developments made for the Long Run (LRLDG) and Downturn (DTLGD) Severity measures, according to the requirements expressed by the Supervisor and, as a significant innovation, extending their application to the corporate segment. The methods for monitoring and validating Credit Risk Models and Decision and Classification Strategies have also been consolidated. The effectiveness and validity of the methods for developing credit risk models has been demonstrated through the development of those tools in periods of marked uncertainty.



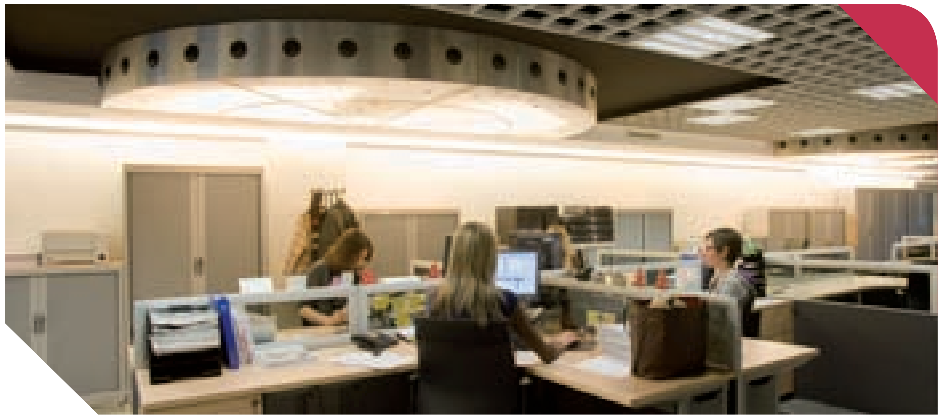
9.2.2 Central Risk Unit (CRU)

Apart from providing risk counselling and opinion services in the furnishing of guarantees to Afianza, EFC, the Central Risk Unit offers a number of other services which, although mainly directed at the shareholders of Afianza, 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.

Opinion reports on companies at the request of savings banks, adjusted to their needs



9.2.3 Collaterals integral management centre

During 2010, the Collaterals Integral Management Centre extended the services offered 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 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.

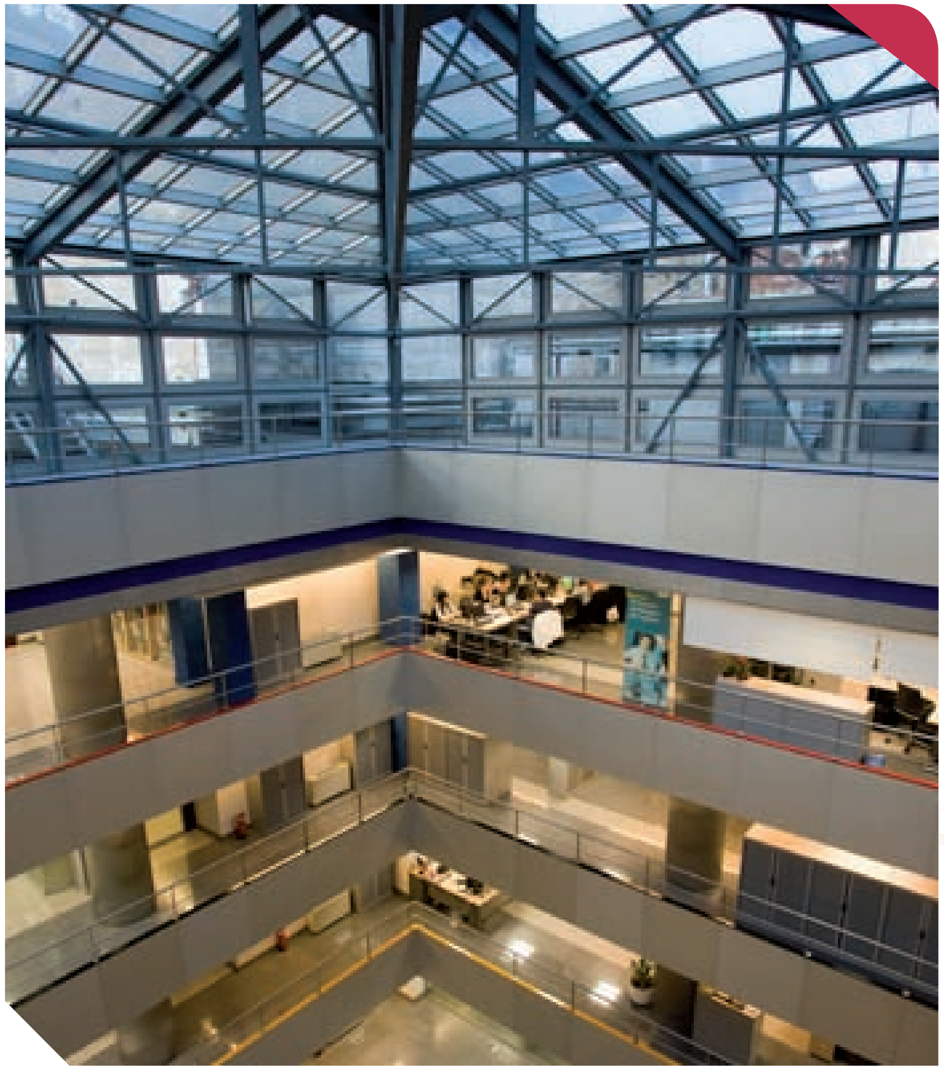
9.2.4. Operational risk support unit

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 to secure effective operational risk management.

The existing operational risk platform has a qualitative assessment tool, risk indicators and action plans and a loss data base. The purpose of this is to quantify operational losses by identifying and classifying 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.

Centralised maintenance and development of data processing tools that facilitate operational risk management



9.3 TRAINING SERVICES

SAVINGS BANKS COLLEGE 2010 TRAINING SERVICES

PROGRAMMES	2010
In-Person Training	**62**
Seminars	32
Long Specialist Courses	8
Conventions	22
Distributive Training	**1,569**
Distance	98
Online	1,095
In Company	376
Total Programmes	1,631

PARTICIPANTS	2009
In-Person Training	**1,613**
Seminars	660
Long Specialist Courses	116
Conventions	837
Distributive Training	**94,442**
Distance	2,170
Online	84,103
In Company	8,169
Total Participants	96,055

CENTRALISED TRAINING, despite the transformation that the sector is currently undergoing, CECA collaborated with 95% of savings banks this year. In 2010 the concern of savings banks has increased due to the economic situation, which has led them to put budget caps on their in-person training programmes in Madrid to reduce training costs. All this, together with the new map of entities (IPS, mergers, takeovers, etc.) has affected the demand for in-person training.

Courses run outside Madrid are still being boosted as a measure to cut costs, as in the case of Credit Institution Accounting, which has been run successfully six times.

In **long programmes**, certain courses have been consolidated, including Insolvency Law, of which there are two versions (one of them designed and given specifically for Bank of Spain employees), Credit Institution Accounting, Corporate Banking and Auditing.

***Boosting of courses run outside Madrid, such as the* Credit Institutions Accounting course**

In addition, in order to lower costs considerably, new pedagogical communication technologies have been incorporated in some of the long training programmes, such as the ESCA–AMAEF (*Asociación de la Mediación Aseguradora de Entidades Financieras* - Association of Insurance Brokering for Financial Institutions) Advanced Training Programme in Financial and Insurance Matters.

Actions concerning short specialised programmes mainly addressed regulatory management, means of payment, international, accounting, marketing, risks and legal issues. Workshops were also organised, particularly addressing the latest novelties on the market, some of the most important workshops dealing with the new Payment Services legislation, the Savings Banks Governing Bodies Act (LORCA), Basel III and Cost Management, of great interest for savings banks.

The programming of Conventions was adjusted to current circumstances, while the percentage held in Madrid increased considerably.

Cooperation with savings banks in their internal promotion through training

ESCA, through its IN-COMPANY TRAINING, has confirmed its reputation as benchmark consultant in a large number of savings banks to develop customised training and professional development programmes. Some 376 training courses were run in twenty savings banks, some of the most interesting being:

- SME and self-employed management
- risk recovery and follow-up, and
- refresher courses in management skills.

It has also continued cooperating with several savings banks in their internal promotion through training.

ESCA is a benchmark in the sector in OCCUPATIONAL HAZARD PREVENTION TRAINING, with a specialised, proven offer, 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 (4th edition) and the Online Branch Security Course (robbery).

Progress has been made in the SECTOR CERTIFICATION PROJECT. **The savings banks that have participated in it have rated it highly, considering it a strategy connected with the new talent management to make savings banks more competitive.**

A total of 1,056 participants were assessed in 2010, classified below by the type of certification:

Investment Products Adviser (CAPI):	649 participants
Financial Adviser (CAF):	252 participants
Introduction to Risk Management:	155 participants

Gradual migration from paper-based distance training to online training

ONLINE AND DISTANCE TRAINING

2010 has been a year of gradual migration from paper-based distance training to Online Training, owing to the greater demand for the latter by customers, this interest in turn due to both the cost savings in teaching material and the progressive improvement of new technologies.

In an effort to improve the service offered, new functions have been designed and a new platform has been implemented (Learning Management Systems-LMS) for online training, giving participants greater interactivity with the teachers, tutors and supervisors from the e-ESCA CAMPUS. Collaborative learning will thus be gradually built up, as will the new challenges offered by WEB 2.0.

As regards volume of activity, the ONLINE AND DISTANCE TRAINING service had **86,273** participants from **42** savings banks in 2010, and an average completion rate of over **91%**. The college is thus a benchmark in corporate education.

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.

The programmes associated with obtaining the different sector certificates:

- Financial Adviser
- Branch Network Risks

have been effectively started up, these associated programmes having been completed by a total of **1,174** participants.

New continuous training programme on anti-money laundering and counter-terrorism financing

The new programme on the II Integral **Plan on Continuous Training in Insurance** has been included in the offer of Online Training. In this second three-year period now beginning, it is essential to complete sixty hours of training in order to be able to sell insurance in the branch network. On this occasion, the programming has concentrated on how to sell, rather than what to sell, as in the I Integral Plan. A new scaling system is introduced to combine the obligatory nature of the programmes with a considerable increase in commercial action.

There is also a new continuous training programme on the prevention of money laundering and terrorist financing, which includes the new legislation enacted in Act 10/2010 of 28 April.

In addition, a new programme is being prepared on SEPA and another on Rules of Market Conduct.

The TECHNICAL SECRETARIAT handled both the supply and demand of government grants for training. Through this service, ESCA helps savings banks by considerably reducing costs and the administrative burden for them, counselling them accordingly.

During 2010 these services were provided for **38** savings banks, with **21,691** participating employees and some **30,562 registrations**.

With regard to international activity, ESCA participated in the different delegations of Latin American financial institutions during their visits to CECA. It also maintained its relations with the ESBG (European Savings Banks Group), collaborating in the call of the Third International Summer Forum on Banking Management, Neuhardenberg (Germany).

Relations have been conducted with Chambers of Commerce through the representative offices of CECA to publicise the ESCA programmes.

9.4 Financial and support services

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. In the same field, CECA has continued to provide a service for joint ventures [*Unión Temporal de Empresas* (UTE)], cash management of the state lotteries entity *Loterías y Apuestas del Estado* (LAE), with 4,108 accounts opened held by LAE, in which the Confederation is sole manager.

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 40 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.

Joint management of Social Security Treasury accounts to provide a service for savings banks' customers

Through its **Exchange and Clearing Centre** CECA has carried out a technological renovation of the online access systems to swift messenger administration in savings banks for which it provides technical cover. During the year it replaced the former online connection procedure MERVA with the new, more modern and efficient system known as Swift Alliance Messenger (SAM).

Within the framework of the Single Euro Payments Area (SEPA), the service providing integral technical and operating cover for institutions represented in the national and international clearing systems in respect of direct debits, both CORE and between businesses (B2B), fostering the harmonisation of banking practices for an essential instrument such as pan-European direct debit.

With a view to achieving a substantial improvement in the handling of images corresponding to documents interchanged within the current account Notes and Cheques Interchange Sub-System (SNCE004), these images have been made available to the businesses represented via Internet.

Within this line of streamlining the services provided to the savings banks represented, the Exchange and Clearing Centre has authorised access via internet to the images of cross-border cheques, as a cash-letter, and automated decentralised processing of those cheques by branches, by sending a TAF file containing the necessary information.

Access via internet to the images of cheques has been authorised

CONCEPT	2009	2010	VARIATION
CROSS-BORDER CHEQUE INTERCHANGE / CURRENCY CLEARANCE			
Cheques handled	354,891	301,118	-15.15%
SWIFT MESSAGES EXCHANGED			
Sent	1,484,296	1,369,331	-7.75%
Received	1,746,616	1,664,308	-4.71%
EBA (Euro Banking Association) - STEP1 & STEP2			
Transactions handled	945.529	895.448	-5,30%
Nominal value	8.152	7.851	-3,70%
TARGET / SLBE (Órdenes de Movimientos Transfronterizos y de Fondos)			
Transactions handled	945,529	895,448	-5.30%
Nominal value	8,152	7,851	-3.70%
INTERCHANGE OF SEPA TRANSFERS (EBA & SNCE)			
Transactions handled	12,703,395	46,543,328	266.38%
Nominal value	35,232	98,978	180.93%
INTERCHANGE OF TRADITIONAL TRANSACTIONS THROUGH SNCE			
Transactions handled	760,743,487	742,042,576	-2.46%
Nominal value	610,569	576,674	-5.55%
- INTERCHANGE OF DIRECT DEBITS			
Transactions handled	576,002,000	576,027,000	0.0%
Nominal value	124,618	120,157	-3.58%
- INTERCHANGE OF TRANSFERS			
Transactions handled	145,547,000	132,316,000	-9.09%
Nominal value	318,711	317,503	-0.38%
- OTHER INSTRUMENTS			
Transactions handled	33,194,487	33,699,576	-14.02%
Nominal value	167,239	139,014	-16.88%

The nominal values are expressed in EUR million

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 2010 were as follows:

CONCEPT		2009	2010
UCI	Equity	4,200	3,600
	Number	88	88
PF	Equity	1,500	2,300
	Number	63	76
TOTAL	**Equity**	**5,700**	**5,900**
	Number	**151**	**164**

(Amounts in EUR million)

Similarly, when the savings banks are depositaries, CECA provides support and shares the applications with the institutions participating in the project.

CECA performs the duties of depositary for collective investment undertakings and pension funds

Several developments have been undertaken during the year to assist and improve the performance of savings banks' duties, including especially:

- Adaptation to the requirements of Royal Decree 749/2010 of 7 June, modifying the regulations of the Collective Investment Undertakings Act 35/2003 of 4 November, approved by Royal Decree 1309/2005 of 4 November, and other tax regulations.
- Evolution and improvements in the generation of the Half-Year Depositary Report for 1H10 (2nd report submitted to CNMV).
- Unification of investment and pension environments.
- Streamlining of operations with compartments and classes/series in UCI, futures over foreign exchange and asset securitisation funds.

The most significant figures of this activity during 2010 are set out below:

CONCEPT	2009	2010
Number of savings banks	14	13
Number of UCI & PF	357	375

Several projects were developed during the year at the Discount Centre to achieve two basic goals: on the one hand comply with the applicable legal and tax provisions and on the other optimise procedures to enable savings banks to reduce their operating costs.

- Adaptation of operations deriving from the judgment passed by the Supreme Court on 2/12/2009 on the taxation of discounted bill applications between financial institutions.
- Implementation of control of time limits for rebate in the taxation of receipts and credit advances, on the entry into force of the Payment Services Act 16/2009.
- Incorporation of the modifications in statements: T-1.3, T-13 and UEM-2 to be submitted to the Bank of Spain pursuant to Circular 2/2010 and for Form 340 (Informative declaration of transactions in books).
- Changes in the information to be supplied to the National Statistics Institute (INE) on dishonoured bills, according to the new requirements.

Implementation of control of time limits for rebate in the taxation of receipts and credit advances

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 meetings with savings banks.

Both the volume of transactions and the amounts have fallen this year from the levels recorded in 2009, as illustrated in the following table:

CONCEPT (*)	2009	2010	VARIATION
Incoming bills	10,800,714	9,077,443	- 15.96 %
Nominal value of incoming bills	28,907	22,169	- 23.31 %
Outgoing bills	11,370,736	9,217,418	- 18.94 %
Nominal value of outgoing bills	32,114	22,707	- 29.29 %
Bills deposited	1,027,211	888,822	- 13.47 %
Nominal value of bills deposited	3,622	3,095	- 14.55 %
Truncated bills presented	4,634,883	3,676,514	- 20.68 %
Nominal value of truncated bills presented	13,320	9,450	- 29.05 %

(*) Nominal amounts in EUR million

The **Integral Cash Management System** offers a service to allow access by all sorts of financial institutions to standard EDP applications specialising in different activities of a Cash Room, developed by leading providers on the national and international markets.

The Suspicious Transaction Reporting Project (STR) was completed during the year, providing access to a leading application on the market for institutions joining it, with a view to complying with the reporting requirements stipulated by the CNMV, in pursuant of section 83 quater of the Securities Market Act.

The CECA **Securities** Department made new value added services available to its customers in 2010, including the following:

- Sector Project: Customer Assets Protection Report, to enable savings banks that use the CECA Securities services to comply with the new requirements established by CNMV in its Circular 5/2009.
- Private Fixed Income Electronic Trading Platform. Following the CNMV recommendations, CECA has provided access for its customers to the SEND platform.
- Access to Central Counterparty (CCP) Clearing House. The Securities Department has established connections with the Central Counterparty Clearing House - London Clearing House [now LCH.Clearnet] and created the operating processes for Tri-party Repo business, with a view to obtaining liquidity more easily.

CECA provides savings banks with access tothe private fixed income electronic trading platform

DEPOSITS BY CASH VALUE

TYPE OF SECURITY	2009	2010	VARIATION 2009/2010
Private Fixed Income	52,150	51,809	-0.65%
Equities	15,420	13,316	-13.65%
Government Debt	4,687	4,442	-5.23%
Foreign Securities	38,641	34,825	-9.87%
TOTAL DEPOSITED	110,898	104,392	-5.87%

(amounts expressed in € million)

STOCK EXCHANGE TRANSACTIONS

TRANSACTION	2009 No. Transactions	2009 Settlement value	2010 No. Transactions	2010 Settlement value	VARIATION 2009/10 No. Transactions	VARIATION 2009/10 Settlement value
Securitie purchased	486,294	18,255	439,456	19,089	-9.63%	4.57%
Securities sold	650,017	18,878	568,974	18,717	-12.47%	-0.85%
TOTAL	1,136,311	37,133	1,008,430	37,806	-11.25%	1.81%

(settlement value, in cash value and € million)

BOOK ENTRY SYSTEM // GOVERNMENT DEBT

TRANSACTION	2009 No. Transactions	2009 Settlement value	2010 No. Transactions	2010 Settlement value	VARIATION 2009/10 No. Transactions	VARIATION 2009/10 Settlement value
Government Debt additions	37,348	141,153	26,064	113,867	-30.21%	-19.33%
Government Debt disposals	41,904	141,822	27,544	113,670	-34.27%	-19.85%
TOTAL	79,252	282,975	53,608	227,537	-32.36%	-19.59%

(cash settlement value and volume deposited expressed in € million)

SPANISH INVESTMENT OVERSEAS

YEAR	No. Transactions	Year-on-year variation	Settlement Values	Year-on-year variation	Volume Deposited	Year-on-year variation
2008	212,541	-16.94%	238,085	-17.91%	32,866	- 21.81%
2009	236,320	11.19%	221,873	- 6.81%	38,641	17.57%
2010	198,691	-15.92%	232,405	4.75%	34,825	-9.88%

(cash settlement value and volume deposited expressed in € million)

TOTAL TRANSACTIONS SETTLED

TYPE OF SECURITY	2009	2010	VARIATION 2009/2010
Private fixed income	355,319	256,520	-27.81%
Spanish equities	1,136,311	1,008,430	-11.25%
Government debt	79,252	55,626	-29.81%
International securities	236,320	198,691	-15.92%
TOTAL	1,807,202	1,519,267	-15.93%

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 evolution of business over the past five years is summarised below:

NO. TRANSACTIONS

2006	2007	2008	2009	2010
195,842	205,587	198,879	154,703	142,220

VOLUMES

(EUR million)

2006	2007	2008	2009	2010
621,244	745,876	989,721	1,385,405	1,193,654

The volume in euros of transactions with institutional customers of CECA dropped 13.84% year on year in 2010, although this must be seen in perspective, compared with figures at the beginning of the economic crisis in 2007. That comparison shows that it is merely a correction of the very strong growth recorded in 2009 (up 39.97%), which was due to the large volumes of trading by savings banks for their own account, owing to their funding requirements. However, if we compare the 2010 volume with that of 2008, not only has it not declined, but on the contrary it has increased by 20.6%, or if we compare it with 2007, the increase is by 60%. These figures reveal that the trading by savings banks for their own account in order to obtain financing was smaller in 2010 than in 2009, because the market has tended to return to normal; but they also show that, looking at medium and long-term trends, savings banks continue to increase their dealings in financial products and, therefore, their market share in this business is growing.

Treasury business with institutional customers focused mainly on balance-sheet restructuring transactions

The number of transactions also declined in comparison with 2009, although on a much smaller scale than in the previous year. In 2010 transactions dropped by 8.1%, whereas a year earlier they had plummeted by 22.22%. In a context in which operating volumes on the market have been reduced because of the continued recession and bearing in mind the consolidation and restructuring process taking place in the Spanish savings banks sector, which has affected their retail trade, especially in the second half of 2010, this decline must be considered very moderate.

Treasury business with institutional customers focused mainly in 2010 on balance-sheet restructuring transactions, based on the all-time low interest rates, which offered opportunities to generate profits and even reduce the market risk level at the same time. This type of business is directly related with the securitisation issues that savings banks have been making and the interest swaps they have on their books in connection with these transactions. Owing to the effect of the lower interest rates and the credit crisis, these swaps currently have a very high market value, so can be sold with the corresponding gain, even reducing the risk level.

The Confederation is still given a high rating, both long term (high quality) and short term (top quality), which has not been modified by Standard & Poor's. Only Moody's lowered the long-term rating one notch, because it had previously raised it during the first half of 2007, as a result of changes in calculation methods, and Fitch lowered both the long-term and the short-term rating one notch; we previously had the highest possible rating level in the short term. This high rating of CECA indicates that it is a suitable entity both as counterparty and in which to deposit guarantees, which means that the Confederation has a good liquidity position, in a context in which liquidity is in short supply, and has a much better value than earlier. As a result, customers' funds have tripled during the recession, which has facilitated CECA's work as financial backer of savings banks, although, since the interbank market has disappeared in practice, the financing provided by CECA to the savings banks has almost entirely been against delivery of collateral by the latter.

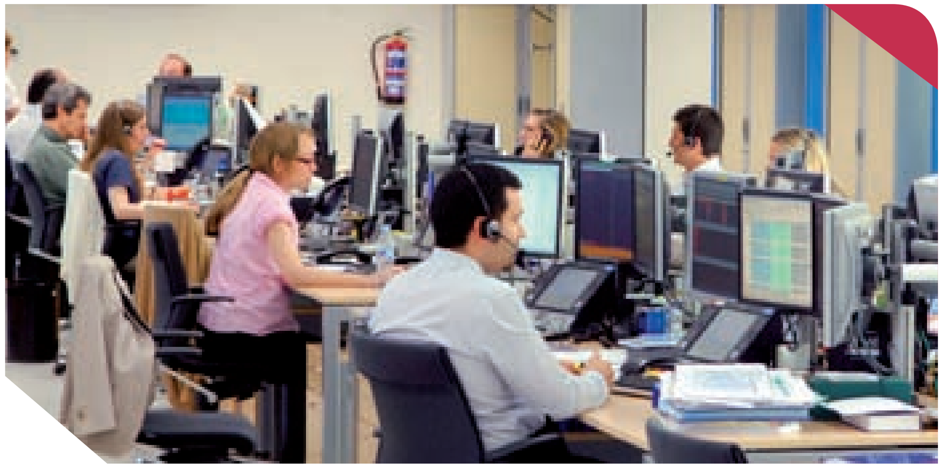
CECA is still given a high rating, both long and short term, which has not been modified by Standard & Poor's

Customers' funds have tripled during the recession, which has favoured CECA's work as financial backer of savings banks

The volumes of foreign banknotes bought and sold increased by 20% in 2010, as the tourism sector has gradually picked up and new transactions have been made.

In contrast, the volumes of euro banknotes bought and sold dropped by 30%, returning to their normal levels prior to the strong demand for cash generated in late 2009 and during the first half of 2009, following the bankruptcy of Lehman.

The Foreign Banknotes Service provided directly to branches of savings banks was so successful that the number of transactions increased by 80% to over 180,000, serving over 20,000 branches at present.



CECA retained its status of market maker for government debt during 2010, in Treasury bills, notes and bonds, where a healthy level of activity has been maintained, in spite of the Greek crisis in the spring and the Irish crisis in the autumn, which put the Spanish government debt market to the test.

The Foreign Banknotes Service provided directly to branches of savings banks was so successful that the number of transactions increased by 80%

9.5 Other wholesale service

One of its strategic objectives being to develop the Plan to Boost the International Activity of Savings Banks, the Spanish Confederation of Savings Banks brought out new products and services in 2010 and encouraged both savings banks and the newly created financial groups and their customers, especially corporate customers, to participate in international trade exchanges.

Acting for and on behalf of Spanish savings banks, CECA continued to participate 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 College (ESCA), etc.

Boosting of the Mediterranean Bank Alliance to favour the exchanging of experience among financial institutions in Europe and North Africa

CECA continued its work within the Mediterranean Bank Alliance during 2010, which aims to boost the exchange of business and experience among financial institutions in Europe and North Africa, to encourage interchanges and promote development in the countries on both sides of the Mediterranean. It also participates in the International Business Network, conferences organised by the European Savings Banks Group to increase collaboration among European savings banks and develop new products and services for corporate and individual customers.

The foreign trade of savings banks using the Pan-European Direct Debit Service increased in 2010, which handles exports for France, Germany, Italy and Portugal, and CECA's affiliate in Hong-Kong, CEA TSL, which issues and handles import documentary credits for more than thirty countries in Asia and Oceania. The financing of international trade transactions has kept up a good pace, with a growing number of international guarantees and tenders in which the Confederation has provided backing for savings banks in their international hedging.

CECA has developed new outsourcing services for tasks related with the handling of foreign trade transactions, 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 houses, 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 2010 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: representation of sector interests, promotion of foreign trade, advisory and counselling services and obtaining transactions on capital markets.

The funds from non-resident customers channelled through emigrant remittance circuits increased by 11% in 2010 and the flow of pensions from overseas increased by 17% year on year.

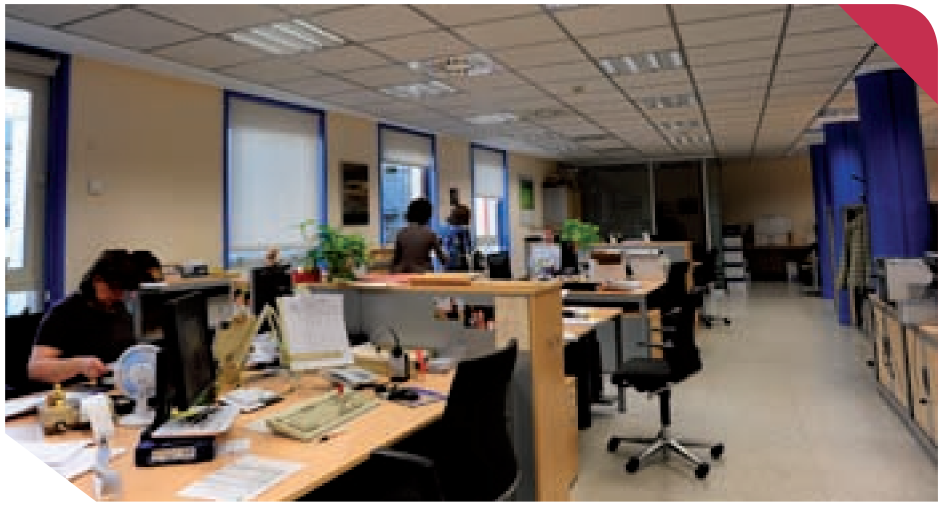
The funds from non-resident customers channelled through remittance circuits increased by 11%

CECA has participated as manager, underwriter, payment agent or liquidity counterparty of 113 government-backed issues and 177 other issues for an overall sum of EUR 63,752 million

Finally, CECA continues innovating to enhance quality, which is a constant priority for improving the services offered to savings banks, their customers and our correspondents.

Continuing the line of action begun in 2008 and maintained in 2009, CECA focused its **Capital Market** activity in 2010 on finding 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, underpinned by the measures approved in 2009 to support the financial sector and within the strategic policy of the department to collaborate with savings banks in optimising their liquidity, the Capital Market Department has participated as manager, underwriter, payment agent or liquidity counterparty of 113 government-backed issues and 177 other issues, in which 43 savings banks and 6 large enterprises participated, for an overall sum of EUR 63,752 million.



On an institutional level and with a view to explaining the new regulatory scenario and the consolidation processes affecting the sector, a Non Deal Road Show was presented to the main investors on savings bank paper (both real and potential) in the major European and American financial centres. The presentations were very successful, attended by 289 professionals representing more than 152 institutions and representatives of 34 major international media.

Through its **Products and Services** department and 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 renewed the collaboration agreement with the organising agencies, on behalf of the member savings banks.

Renewal of the agreement with the agencies organising the annual programme promoted by Imserso

Thanks to this agreement, more than sixty per cent of payments are channelled through savings banks, through the new counter automated payment system. 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.

Moreover, and within the collaboration agreements made with public authorities, on 31 March 2010, CECA, on behalf of the joint venture formed by twenty-five savings banks, set up to provide the treasury service for *Loterías y Apuestas del Estado* [National Lottery and Gambling Agency], extended that agreement for one year. During the year and under the same agreement, a new service has been started up to pay the major prizes of "active gambling" [i.e. lotteries other than the National Lottery, in which participants have to select numbers, etc.]through savings banks. This supplements the service that was already been provided of payment of major prizes of the National Lottery.

An agreement has also been reached with the Repsol Group (SOLRED) to centralise in CECA the management of guarantees furnished to customers using SOLRED cards, implemented through bilateral agreements between the savings banks and that company.

CECA, as service provider, has started offering its customers the Swift for Corporates channel, by signing SCORE agreements, offering the necessary technical cover to facilitate transactions with third parties through this messenger service.

Through the **London Branch**, portfolio management support was stepped up in 2010, collaborating in a selection of investments, which outperformed market benchmarks. It has also continued to support the business of savings banks by handling their sterling payments and access to the British clearing system.

Agreement with the Repsol Group to centralise the management of guarantees furnished to customers of Solred cards

9.6 TECHNOLOGICAL SERVICES

MEANS OF PAYMENT

CECA manages the EURO 6000 system processing centre, which allows the interchange of transactions effected by 13,840,000 cards issued by savings banks, 15,500 ATMs, or cashpoints, and 268,500 point-of-sale (POS) terminals using this system. In 2010, over 723 million transactions were processed, which is a year-on-year increase of 4.1%. The availability of the service during the year, weighted according to the actual traffic from time to time, was 99.99%.

The EURO 6000 system allows the interchange of transactions effected by 13.84 million cards, 15,500 ATMs, and 268,500 POS terminals

CECA worked intensely during 2010 on maintenance, enhancement and innovation in the area of services provided for savings banks in the EURO 6000 System. More than 99% of ATMs and 96% of POS terminals have now completed the technical infrastructure migration to adapt to the EMV standard. An even greater migration effort was made in the issuer segment, i.e. replacement of cards using magnetic strips to cards incorporating EMV chips. Owing to the determination of EURO 6000 savings banks 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, use of the chip having extended by the end of 2010 to 71% of the total cards issued, which means that the targets set within the European SEPA project have practically been met.

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 126 million transactions were processed in PECA and SAT in 2010.

Another key tool in payment systems during 2010 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, in particular 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.

The Espía system helps to fight against fraudulent use of cards

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 improved in 2010.

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 2010, seventeen savings banks were using this service.

One of the basic pillars of security in card transactions is the guarantee of continuity of the on-line authorisation service. The Escudo [lit.: "shield"] 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 used Escudo during 2010. At the end of the year, twenty-five savings banks were benefitting from it.

Once again, just as in previous years, VISA and MasterCard have acknowledged that CECA met all the security requirements established in the PCI DSS standard. 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.

Escudo *guarantees the uninterrupted functioning of the card transaction interchange services*

Card transaction acquirer services are proving to be strategically important, for which reason CECA continued in 2010 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 protocol and conversion between them; development of tools for monitoring and controlling the returns on acquirer activity; and the start-up at the disposal of savings banks of systems to facilitate innovating services, such as the use of mobile phones, including iPhones, acting as portable terminals, the possibility of accepting transactions in no contacts mode, regardless of whether they are made with specific cards, mobile phones or labels incorporating this capacity in other devices.

Association services and technical advice
Risk services
Training services
Financial and support services
Other wholesale services
▪ Technological services

It was made easier to choose the DDA security level when issuing EMV cards

CECA also supports savings banks in their issuer business. In 2010 it was made easier to choose the DDA security level when issuing EMV cards and the range of products for no contacts use available to savings banks has been extended. The third phase of the eMisión project was also carried out. Through the use of data-mining tools, this project offers participating savings banks a large quantity of important 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 to be able to generate specialised offers and efficient marketing campaigns.

The service provided to savings banks as a payments gateway for e-commerce was improved this year. This web tool simply and intuitively provides traders with real-time monitoring of transactions processed, so that they can at any time analyse their sales transactions, returns, cancellations, etc.

The mobile POS has also been developed. Initially supported for iPhones and iPads, this enables a trader to effect transactions by merely downloading an application to his mobile.

The main details of transactions processed by CECA are as follows:

Transactions in shops:	596,069,464
Transactions in branches and ATM:	127,650,891
TOTAL 2010	723,720,365
TOTAL 2009	695,388,762
Growth	4.1%

NEW CHANNELS

Through its New Channels infrastructure, CECA provides services related with virtual channels to savings banks, banks and credit cooperatives. These services aim to achieve economies of scale and scope to enable the institutions to distribute products and services efficiently through the remote channels, enabling them to be in the vanguard of technological development.

In 2010, the **multi-channel electronic banking platform** that New Channels provides for savings banks processed 898,524,135 important financial transactions effected by 1,457,200 users a month, with an availability of 99.98%, weighted by the actual traffic at any one time.

Development of the mobile POS, enabling traders to effect transactions by merely downloading an application to their mobiles

The multi-channel electronic banking platform processed 898.52 million important financial transactions effected by 1.45 million users

CECA continues to lead measures in savings banks to combat fraud in electronic banking. In 2010 it provided this service to 43 institutions under the master anti-fraud services agreement signed with S21Sec-Verisign. There was a significant increase in attacks on electronic banking services during the year, 796 cases being detected and solved in savings banks covered by the service. In this field, the Internet Activity Monitor, which is also used by entities that do not have their electronic banking with CECA, has become a fundamental tool for combating fraud. The combination of this tool with text messages to mobiles to make risk transactions more secure is achieving a considerable reduction in the effectiveness of attacks.

A total of 109,110 **securities trading** transactions were processed in 2010 using the CECA New Channels infrastructure, through internet banking, telephonic banking, mobile banking and branch terminal channels. Over this year, savings banks have gradually incorporating the Broker 2.0 application developed by CECA in its personalised environments and the application has been optimised for devices such as the iPad.

CECA has continued to offer new **Contact Centre** services, assisting savings banks in their call campaigns, whether for commercial purposes such as the sale of real estate or to recover funds. Some 576,233 calls were received on the CECA platform during 2010.

Mobile devices continued gaining ground in customer relations during 2010. The appearance of *smartphones* contributed to improving the usability of these devices, fostering the convergence between personal computers and mobile phones. Through CECA, savings banks have generated environments and specific applications for these new intelligent phones. Some 3,036,804 electronic banking transactions were made by mobile in 2010. The use of **text messages (SMS)** was still very intense, with 15,145,422 messages sent during the year by over thirty savings banks, with a prominent use of those related with security of remote transactions effected by customers.

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 120,849 remittances in 2010 to 21 correspondent banks, which is a slight upturn in respect of last year's levels.

Some 337,524 e-invoices were issued in 2010

The **e-invoice** project continued its positive evolution during the year with the participation of 27 savings banks and 337,524 invoices issued. Particularly notable efforts were made to increase its interoperability with other platforms on the market. In this regard, CECA was one of the first institutions to be certified by the Iberpay Electronic Invoices Interchange System (SIFE) and the necessary developments were made to connect to other platforms, such as the one in the Generalitat Valenciana. During 2010 efforts were made to extend the use of e-invoices among the different departments of CECA and to collaborate to include common providers of savings banks in the platform, developing the different extensions of the *facturae* format that have been published in due course to facilitate their inclusion.

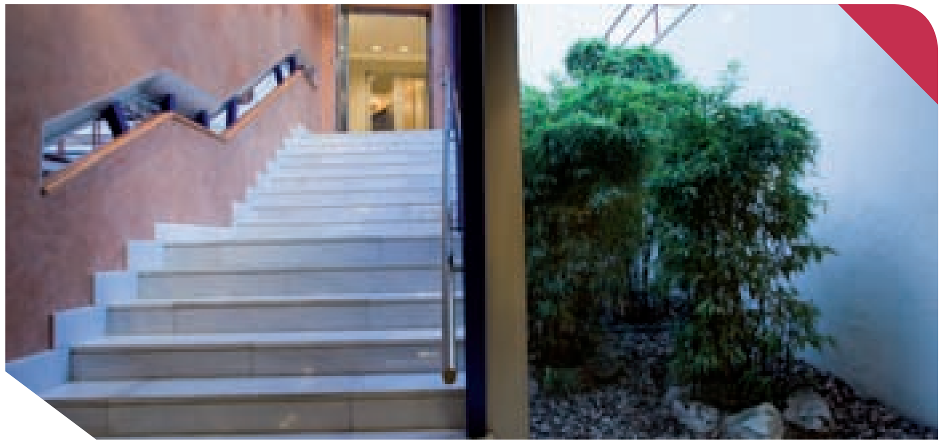
CECA improved its online trading support tools during 2010. Under the name **e-marketing 2.0** new applications have been developed for campaign management by the Confederation. With this campaign manager, which can be integrated with CECA's CRM, it is possible to manage all promotion and sale actions aimed at customers in non-presential channels, controlling the degree of success and the response by customers. A total of 43,919 new contracts were signed in 2010.

Strong growth in the processing of personal loans through the e-notario project

Some major changes were made this year in the use of e-commerce applications, enabling the generation of virtual cards as an additional operation in e-banking. Significant improvements were made in the **virtual POS terminal**, many of them in the trade administration part and savings bank part to enhance management. A total of 3,925,333 transactions were effected in 2010, 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 sent debits in 2010 to Germany, Italy, France and Portugal for EUR 96,133,165.

Some 56,097 personal loans were processed in 2010 through the **e-notario** project, which represents a strong year-on-year growth.



Adapting to the new circumstances on the market, the New Channels department developed new versions of its **property portal** application, which is being used by both Ahorro Corporación Servicios Inmobiliarios and several savings banks. Similarly, within the collaboration with the integration processes of savings banks, the infrastructure of the existing SOA platform in New Channels is being used to develop, within a website environment, **integration branch terminals**, which will enable the transparent integration of data from different back-ends, keeping them separate from the PC platform used in the branch.

MANAGEMENT SUPPORT SERVICES

These include services provided by CECA for savings banks to assist Accounting, Management Control, Administration and General Services, and particularly to facilitate the tasks of budget planning and management, property and fixed assets management, invoicing and follow-up, purchases management and control. The service aims to favour increased efficiency in administrative processes and, in short, considerably reduce costs.

The platform is likely to be very useful for the needs of the new entities that have recently appeared in the sector. In fact it has already been acquired and is at an advanced phase of implementation in the first of those entities, Banca Cívica.

Considerable progress in the migration of multi-currency accounting in CECA

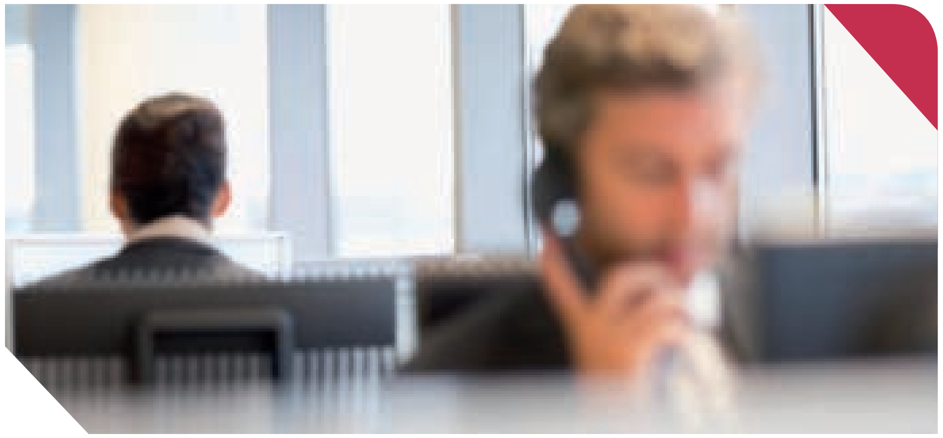
The focus in 2010 was on strengthening the services that streamline expense by means of specific developments in the area of purchases management.

Considerable progress has been made in the migration of CECA's multi-currency accounting. This is the first step for full installation of the accounting processes in the same technological environment as the Expenditure Control platform, shared with our customers, which will also bring economies of scale.

In Monitoring and Control, considerable development work was directed at obtaining information on management and returns at a customer level, such as calculation of operating cost and assessment of financial transactions, to supplement the analytical results already supplied to the management Intranet Ágora for presentation to CECA management.

A project has also been carried out with the aim of completing the information on transactions which is supplied, among other destinations, to the MIR system for calculating capital consumption, incorporating the corresponding guarantees for transactions. Along the same lines, the Confederation has worked on the mechanisation and enhancement of the preparation of official reporting.

In the area of Human Resources, progress continued in 2010 in the mechanisation of several processes, using the HR portal as the basic tool. Specific procedures have been developed for performance, aptitude and training assessments, management of disciplinary proceedings, preparation of census for union elections and calculation of manpower, among other functions. Special attention has also been paid to enhancing the efficiency, aesthetics and ease of use of the processes.



The project to implement a management tool associated with occupational hazard prevention and health & safety was completed during the year. This project was developed with the cooperation of five savings banks, enabling them to cover, with significantly lower-than-market costs, the need to have specific applications to meet the growing demands in this area.

The installation has also been promoted of a tool to obtain quality data in test environments, thereby meeting the requirements stipulated in the laws and regulations on personal data protection.

Finally, we should mention the successful completion of projects such as the implementation of Manpower Management in Banca Cívica or the extension of the function implemented in Cajasol to employees of Caja Guadalajara following the merger of these two savings banks.

BUSINESS INTELLIGENCE

The ***Pulso*** service maintains its line of innovation and this year it started up a daily alerts service. Savings banks using this service can programme in any extraordinary situations of which they wish to be advised. It was presented at the annual workshop and welcomed by the 22 savings banks registered with the service.

A platform called ***eMailing*** has been developed to increase the financial marketing support services. This platform provides savings banks with the composition, sending, control and monitoring of e-mail campaigns aimed at specific groups. This service takes advantage of the vast experience built up by CECA in the support it provides for EURO 6000 with its programme of Privileges, in which mass e-mail shots are sent out; some 500,000 e-mails have been sent.

A platform especially dedicated to International Business in coordination with External Development has been incorporated in the *BIT* platform.

In addition to the consolidated *Pulso* service, CECA has continued supporting savings banks and EURO 6000 in the ***eMisión*** project. In its third edition, it incorporated a web tool to enable savings banks to make a global analysis of the card business, facilitating its evolution over time and comparison with all participating savings banks and best practice.

eMailing permits the composition, sending, control and monitoring of e-mail campaigns aimed at specific groups

It also facilitates ad-hoc analysis of business performance by customer segments, detecting significant and important groups. It can even define specific groups to be targeted in direct campaigns of efficient type-specific offers.

In the support line to EURO 6000, CECA collaborated in the definition of the Espejo [lit.: "mirror"] project, which will gradually take over from the eMisión project, receiving Means of Payment transactions from savings banks every day and thereby obtaining more up-to-date management information.

TECHNOLOGICAL AND SERVICES INFRASTRUCTURE

Two improvements were made in infrastructure, in respect of accessibility and security level for access to the CECA Intranet applications (Hidra/Melania), after integrating the identification of the Intranet with the Corporate Management of CECA, thereby avoiding dual identification systems.

The service monitoring tool, Activity Monitor, further increased the number of services it controls with the incorporation of those related with the Electronic Signature, Contents Manager, Property Offer and many other Outsourcing services provided for savings banks.

Within the information facilitating control and monitoring, use of the scheduled processes monitoring module increased, especially the one corresponding to the SAP service. New types of alerts have also been incorporated, and have proved very useful, based on the behaviour of traffic associated with each service, which will help to improve the availability levels of the CECA applications.

Some eighty services were made available to 44 savings banks and a further 39 new credit institutions and service enterprises through the Hidra network in 2010. Twenty-two savings banks have been incorporated in the new MPLS infrastructure, which increases capacity and reduces costs for bandwidth. From the point of view of services, the Editran file transfer gateway services and Means of Payment gateways were incorporated.

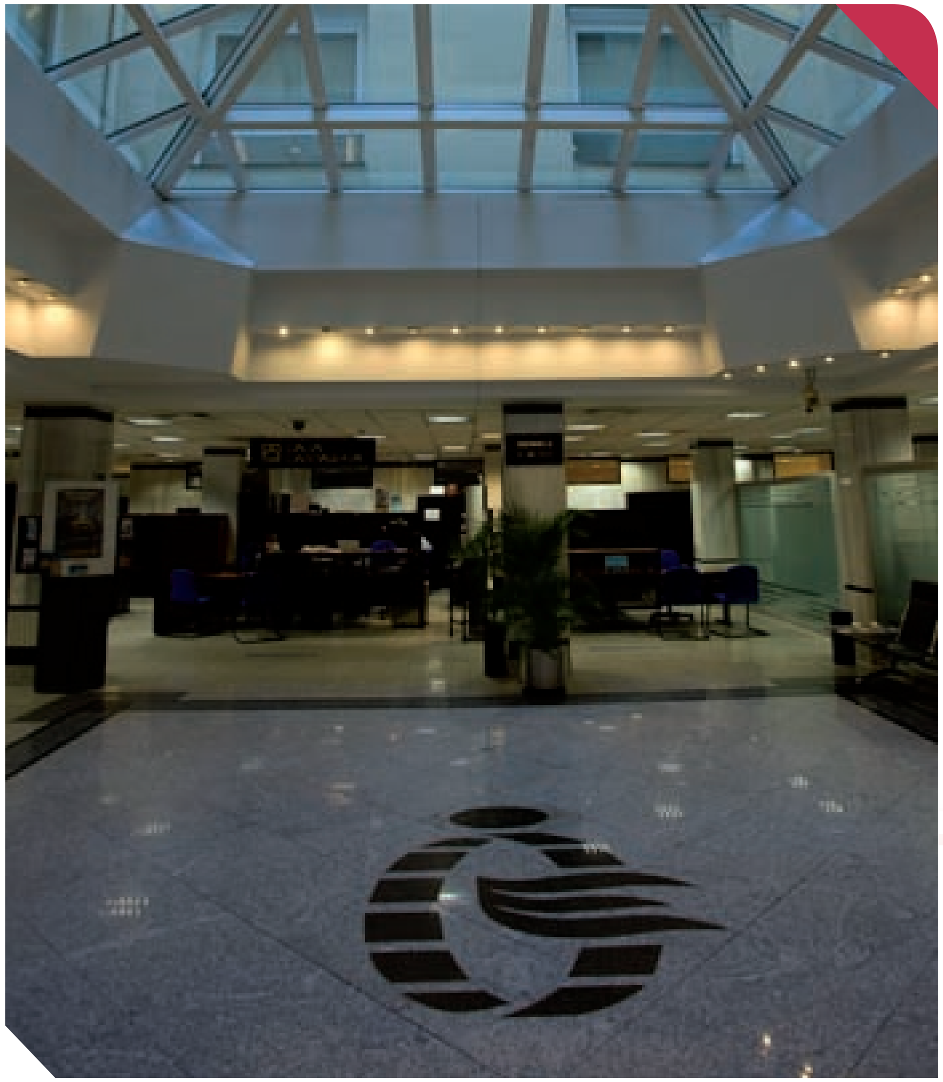
As part of the efforts to enhance the efficiency of the services provided by CECA, the backup infrastructure for Distributed Systems environments is now fully implemented. This will enable any services that so require to improve their response times to possible contingencies. Contingency tests were run on this new infrastructure in 2010 for the main services offered by CECA.

Improved accessibility and security level of CECA Internet applications

OUTSOURCING SERVICES

The principal activities of the technological operation outsourcing service in 2010 were:

- Production service for transactions in Z/OS environments and Windows platforms for ten institutions in total, of which seven are savings banks and two are banks set up by their respective IPS.
- 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.
- Infrastructure services such as the hosting of web sites, hosting of savings bank servers, supplying of corporate access to internet, mail servers, etc.
- Provision of Distributed Services hardware and software in the form of 'Cloud Computing'.
- 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 other providers they have contracted.



- Savings Banks Foundation (FUNCAS)

▪ Savings Banks Foundation (FUNCAS)

10.1 Savings Banks Foundation (FUNCAS)

The contracting of FUNCAS research work into economic and social issues maintained its usual pace in 2010. Eighteen research projects are in progress, covering tax, history, public sector economy, social and particularly financial issues affecting savings banks. The results of the work in the economic and social area were expressed in eleven basic research projects, which were included in the different publications of the Foundation.

Apart from this research, mostly done by external researchers, the ordinary work of other departments operating within FUNCAS should be mentioned. This year, the Outlook and Statistics Department developed an ample programme of activities focusing on analysis of the economic situation and making short-term forecasts of the outlook of the Spanish economy. Several working meetings were also held with the Economic Situation Analyst Group, institutions and press to publicise the results of its activities.

Following another traditional line of concern of the Foundation, special attention has been paid to analysing the economic situation in the different Autonomous Communities. The information published every year on the GDP growth by autonomous communities and provinces is always awaited with interest by some experts and members of the economic press, who widely publish the results of this work.

Broad programmes of activities, focusing on analysis of the economic situation and making forecasts

The Financial Analysis Department continued its work preparing different issues of the journals *Papeles de Economía Española* [Papers on the Spanish Economy] and *Perspectivas del Sistema Financiero* [Prospects of the Financial System] and participated in several scientific meetings.

▪ Savings Banks Foundation (FUNCAS)

Finally, the Social Studies Department focuses its activity on the preparation of the corresponding issues of the journal Panorama Social [Social Panorama]. It also informs on the contents of research projects concerning social affairs. One of the important actions of this department in 2010 was the meeting organised with the EMES European Research Network on Innovation and entrepreneurship in social service.

The Foundation publishes four journals *(Papeles de Economía Española, Perspectivas del Sistema Financiero, Cuadernos de Información Económica* [Economic Review] and Panorama Social). During 2010 *Papeles de Economía Española* addressed the following issues: structural funds and regional convergence, reform of the labour market and the double issue on the current keys to taxation in the future. *Perspectivas del Sistema Financiero* followed its line of specialisation, addressing matters relating to payment cards, the MiFID and the Spanish financial instruments market, the size of the banking sector and the extraordinary issue *Treinta años de análisis financiero* [Thirty years of financial analysis], published to coincide with number 100 of the journal. *Cuadernos de Información Económica* reached its issue number 219 this year, which means that it has been offering rigorous information on the most topical economic problems in Spain for twenty-three years. Finally, Panorama Social, the last of the FUNCAS journals, published articles on basic matters: *Envejecimiento, adaptación y cambio* social [Aging, adaptation and social change]; and *Pobreza, empleo y desempleo* [Poverty, employment and unemployment]. The *Estudios de la Fundación* [Foundation Studies] collection published six works, including three theses selected for the Enrique Fuentes Quintana Prize; and the series *Documentos de Trabajo* [Working Papers] put a total of 82 documents on the Foundation's web site. Three books were also published in 2010: *Basilea II, alerta y desconfiada* [Basel II, alert and wary]; *Un estudio empírico de la sociedad española ante la crisis económica* [An empirical study of the Spanish society in the economic recession]; and *Las Cajas de Ahorros de las provincias de ultramar, 1840-1898. Cuba y Puerto Rico* [Overseas Savings Banks, 1840-1898. Cuba and Puerto Rico].

Apart from its publishing activities, the Foundation also organises and participates in numerous public events, forty-three in 2010. These events are attended by Foundation researchers, along with important scientific and public figures. Some of the most events during the year were the Debates in the Foundation on current issues affecting the Financial System, which were closed by the Secretary of State for Economy, José Manuel Campa, and those held on *Environment, economy and society.*

▪ **Savings Banks Foundation (FUNCAS)**

In the area of teaching, the Foundation directs the contents of the Course of Experts in Managing Financial Institutions, sponsored by CECA within the collaboration arranged with the Carolina Foundation. It also prepares the material used in this course.

In the cultural area, the prizes were awarded in the XXXVI *Concurso Hucha de Oro* [Golden Piggy Bank Short Stories Competition]. This year more than 4,000 short stores were entered. The panel of judges, consisting of Luis Mateo Díez, José María Merino, Luis Landero, Javier Goñi and Eugenia Rico, awarded first prize to José Manuel de la Huerga for *Un pájaro de invierno* [A winter bird].

FUNCAS also finances the Prize European Day of Parks and grants for students of the Master in Protected Natural Spaces, awarded by Europarc-Spain.

11 ANNEXES

- Principal regulations approved and drafts pending approval in 2010
- CECA publications
- FUNCAS publications
- Glossary
- Chronology
- Head offices, branches and representative offices

11.1. PRINCIPAL REGULATIONS APPROVED AND DRAFTS REPORTED ON AND PENDING APPROVAL IN 2010

This annex of the annual report lists the State, regional and international financial regulations passed in 201009 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.

I. STATE LEGISLATION:

1. Principal laws and regulations passed

a) Agents of credit institutions:

Bank of Spain Circular 4/2010 of 30 July to credit institutions on agents of credit institutions and agreements made for the regular provision of financial services.

b) Auditing:

Resolution passed by the Accounting and Audit Institute on 7 July 2010, 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.

Act 12/2010 of 30 June amending the Audit Act 19/1988 of 12 July, the Securities Market Act 24/1988 of 28 July and the recast of the Corporations Act approved by Legislative Royal Decree 1564/1989 of 22 December, to adapt it to EU legislation.

c) Private equity:

CNMV Circular 3/2010 of 14 October on administrative procedures for authorising private equity firms and their managers, authorising modifications to their regulations and articles and reporting of changes in directors and executives.

d) Savings banks:

Royal Decree-Law 11/2010 of 9 July on governing bodies and other legal aspects of savings banks.

Development Promotion Fund Act 36/2010 of 22 October (Final Provisions Three and Four amending Act 31/1985 and Royal Decree-Law 11/2010, respectively).

e) Accounting:

Bank of Spain Circular 2/2010 of 27 January, to credit institutions, on amendment of Circular 4/2004 of 22 December on public and supervisory financial reporting standards and model financial statements.

Bank of Spain Circular 3/2010 of 29 June, to credit institutions, on amendment of Circular 4/2004 of 22 December on public and supervisory financial reporting standards and model financial statements.

Royal Decree 1159/2010 of 17 September approving the Rules for Drawing Up Consolidated Annual Accounts and amending the National Chart of Accounts approved by Royal Decree 1514/2007 of 16 November and the National Chart of Accounts for Small and Medium-Sized Enterprises, approved by Royal Decree 1515/2007 of 16 November.

CNMV Circular 4/2010 of 14 October, amending Circular 2/2009 of 25 March on accounting policies, annual accounts, public financial statements and supervisory statements of statistical information on Securitisation Funds.

f) Company law:

Legislative Royal Decree 1/2010 of 2 July approving the recast Capital Companies Act.

g) Statistics:

Bank of Spain Circular 1/2010 of 27 January, to credit institutions, on statistics of interest rates applied to deposits and loans vis-à-vis households and non-financial corporations.

Royal Decree 764/2010 of 11 June developing the Private Insurance and Reinsurance (Brokering) Act 26/2006 of 17 July on statistical and accounting information on business and professional competence.

h) Deposit guarantee funds:

Royal Decree 628/2010 of 14 May amending Royal Decree 2606/1996 of 20 December on deposit guarantee funds in credit institutions and Royal Decree 948/2001 of 3 August on investor indemnity systems.

i) Collective Investment Undertakings:

Royal Decree 749/2010 of 7 June amending the Regulations of the Collective Investment Undertakings Act 35/2003 of 4 November, approved by Royal Decree 1309/2005 of 4 November and other tax regulations.

j) Measures to combat the financial crisis:

Resolution adopted by the Steering Committee of the Fund for Orderly Bank Restructuring on 1 February 2010, defining the criteria and conditions according to which the Fund for Orderly Bank Restructuring will act in the credit institution consolidation processes contemplated in Article 9 of Royal Decree-Law 9/2009 of 26 June on bank restructuring and boosting of equity in credit institutions.

Resolution of the Directorate General for the Treasury and Financial Policy of 9 March 2010, publishing the resolution adopted by the Management Council of the Financial Assets Acquisition Fund on 8 March 2010 on partial amendment of the investment guidelines of the Fund.

Royal Decree-Law 5/2010 of 31 March extending the validity of certain temporary economic measures.

Royal Decree-Law 6/2010 of 9 April on measures to stimulate economic and employment recovery.

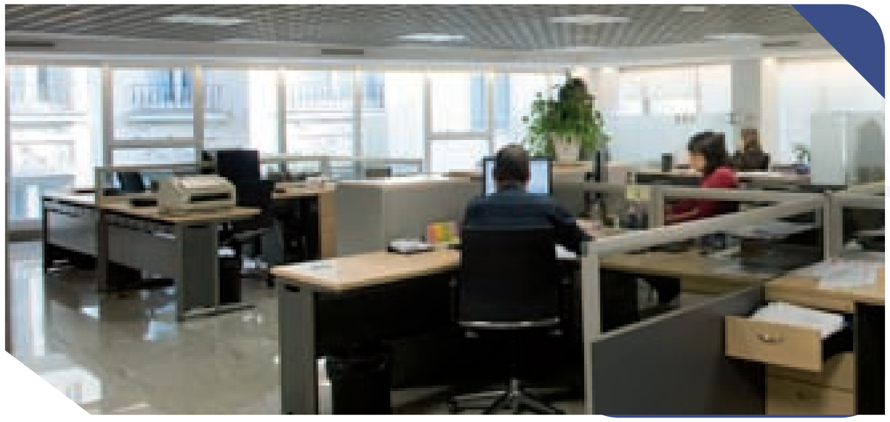
Royal Decree-Law 9/2010 of 28 May authorising the state administration to furnish guarantees for certain financing transactions within the framework of the European Financial Stabilisation Mechanism of the Eurozone Member States.

Resolution adopted by the Steering Committee of the Fund for Orderly Bank Restructuring on 27 July 2010, defining the criteria and conditions according to which the Fund for Orderly Bank Restructuring will act in the credit institution consolidation or recapitalisation processes contemplated in Article 9 of Royal Decree-Law 9/2009 of 26 June on bank restructuring and boosting of equity in credit institutions.

k) Securities Market:

Ministry of Finance and Economy Order EHA/2054/2010 of 26 May approving the amendment of the Regulations of the Management Company of the Securities Settlement, Clearing and Recording Systems approved by the Ministry of Economy Order ECO/689/2003 of 27 March on the Prevention of Money Laundering and Monetary Offences.

Ministry of Finance and Economy Order EHA/1665/2010 of 11 June developing Articles 71 and 76 of Royal Decree 217/2008 of 15 February regulating investment firms and other entities providing investment services, regarding prices and standard-form contracts.



CNMV Circular 1/2010 of 28 July on confidential information of investment firms.

Resolution adopted by the Board of the National Securities Market Commission on 7 July de 2010 amending the Internal Regulations of the National Securities Market Commission.

CNMV Circular 2/2010 of 28 July on securities and other financial instruments subject to encoding and encoding procedures.

Royal Decree 1282/2010 of 15 October regulating official secondary markets for futures, options and other derivatives.

CNMV Guidelines of 17 October 2010 for analysing convenience and suitability.

CNMV Criteria of 25 October 2010 on good practices for giving liquidity to fixed-income issues for retail investors.

l) Significant shareholdings:

Bank of Spain Circular 5/2010 of 28 September, to credit institutions, on information to be sent by the potential acquirer in the notice contemplated in section 57.1 of the Credit Institutions (Discipline and Intervention) Ley 26/1988 of 29 July.

m) Financial advertising:

Ministry of Finance and Economy Order EHA/1718/2010 of 11 June on regulation and control of the advertising of banking products and services.

Ministry of Finance and Economy Order EHA/1717/2010 of 11 June on regulation and control of the advertising of investment products and services.

Bank of Spain Circular 6/2010 of 28 September, to credit institutions and payment entities, on advertising of banking products and services.

o) Claims:

Communication of the Bank of Spain and the National Securities Market Commission, published on 20/4/2010: Definition of powers of the CNMV and the Bank of Spain in respect of the oversight and solving of claims affecting financial products or instruments deriving from hedging.

p) Payment services:

Royal Decree 712/2010 of 28 May regulating payment services and payment entities.

Ministry of Finance and Economy Order EHA/1608/2010 of 14 June on transparency of the reporting conditions and requirements applicable to payment services.

q) TARGET2:

Bank of Spain Resolution de 6 October 2010, amending the Resolution of 20 July 2007, approving the general clauses on the uniform conditions for participation in TARGET2-Bank of Spain (TARGET2-BE).

r) Securitisation:

Royal Decree 437/2010 of 9 April developing the regulations for securitisation of the electricity system debt.

Ministry of the Presidency Order PRE/2037/2010 of 26 July creating the Monitoring Committee for securitisation of the electricity system debt.

s) Government-Sponsored Housing Schemes:

Ministry of Housing Order VIV/3698/2009 of 30 November establishing the maximum volume of loans arranged to be granted in 2010 by credit institutions collaborating in the financing of the State Housing and Restoration Plan 2009-2012.

Resolution passed by the Sub-Secretariat on 15 March 2010 publishing the Resolution adopted by the Council of Ministers on 12 March 2010, revising and modifying the annual effective interest rates in place for eligible or arranged loans granted under the 1995 Programme (Housing Plan 1992-1995), 1998 Programme (Housing Plan 1996-1999), Housing Plan 1998-2001, Housing Plan 2002-2005 and Housing Plan 2005-2008.

Ministry of Housing Order VIV/1996/2010 of 12 July amending the Order VIV/1971/2009 of 15 July, publishing the list of credit institutions selected as collaborators and those qualified as preferential for financing of the State Housing and Restoration Plan 2009-2012.

2. Draft regulations reported on and pending approval

Draft Bank of Spain Circular on the development of certain aspects of the mortgage market.

Draft bill amending the Payment Systems and Securities Settlement Act 41/1999 of 12 November and Royal Decree-Law 5/2005 of 11 March on urgent reforms to boost productivity and enhance public contracting.

Draft bill amending the Financial Intermediaries (Investment Ratios, Equity and Reporting Obligations) Act 13/1985 of 25 May, the Securities Market Act 24/1988 of 28 July and Legislative Royal Decree 1298/1986 of 28 June on Adaptation of current laws on Credit Institutions to EU legislation.

Draft bill on electronic money.

Draft Bill .../2010 amending certain financial provisions in application of Regulation (EC) No 1060/2009 of 16 September 2009 on credit rating agencies.

Draft Consumer Credit Bill.

Draft Royal Decree amending Royal Decree 2066/2008 of 12 December regulating the State Housing and Restoration Plan 2009-2012.

Draft Royal Decree approving the Land Law Regulations.

II. INTERNATIONAL LEGISLATION:

Principal community regulations approved

a) Accounting:

Commission Regulation (EU) No 243/2010 of 23 March 2010 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 (EU) No 244/2010 of 23 March 2010 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) 2.

Commission Regulation (EU) No 550/2010 of 23 June 2010 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 (EU) No 574/2010 of 30 June 2010 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 and IFRS 7.

Commission Regulation (EU) No 633/2010 of 19 July 2010 amending Regulation (EC) N° 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) N° 1606/2002 of the European Parliament and of the Council as regards International Financial Reporting Interpretations Committee's (IFRIC) Interpretation 14.

Commission Regulation (EU) No 632/2010 of 19 July 2010 amending Regulation (EC) N° 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) N° 1606/2002 of the European Parliament and of the Council as regards International Accounting Standard (IAS) 24 and Inter_ national Financial Reporting Standard (IFRS) 8.

Commission Regulation (EU) No 662/2010 of 23 July 2010 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 19 and International Financial Reporting Standard (IFRS) 1.

b) Statistics:

Guideline of the European Central Bank of 4 December 2009 amending Guideline BCE/2007/9 on monetary, financial institutions and markets statistics.

Decision of the European Central Bank of 19 August 2010 on non-compliance with statistical reporting requirements.

Regulation (EU) No 674/2010 of the European Central Bank of 23 July 2010 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.

c) Euro:

Decision of the European Central Bank of 10 December de 2009 on the approval of the volume of coin issuance in 2010.

Commission Recommendation of 22 March 2010 on the scope and effects of legal tender of euro banknotes and coins.

Council Regulation (EU) No 671/2010 of 13 July 2010 mending Regulation (EC) No 2866/98 as regards the conversion rate to the euro for Estonia.

Council Regulation (EU) No 670/2010 of 13 July 2010 amending Regulation (EC) No 974/98 as regards the introduction of the euro in Estonia.

Council Decision of 13 July 2010 in accordance with Article 140(2) of the Treaty on the adoption by Estonia of the euro on 1 January 2011.

Decision of the European Central Bank of 16 September 2010 on the authenticity and fitness checking and recirculation of euro banknotes.

d) Risk Management:

Implementing Regulation of the Council (EU) N° 210/2010 of 25 February 2010 amending the lists of insolvency proceedings, winding-up proceedings and liquidators in Annexes A, B and C to Regulation (EC) No 1346/2000 on insolvency proceedings and codifying Annexes A, B and C to that Regulation.

Commission Directive 2010/43/EU of 1 July 2010 implementing Directive 2009/65/EC of the European Parliament and of the Council as regards organisational requirements, conflicts of interest, conduct of business, risk management and content of the agreement between a depositary and a management company.

e) Collective Investment Undertakings:

Commission Directive 2010/44/EU of 1 July 2010 implementing Directive 2009/65/EC of the European Parliament and of the Council as regards certain provisions concerning fund mergers, master-feeder structures and notification procedure.

Commission Regulation (EU) No 583/2010 of 1 July 2010 implementing Directive 2009/65/EC of the European Parliament and of the Council as regards key investor information and conditions to be met when providing key investor information or the prospectus in a durable medium other than paper or by means of a website.

f) Combating terrorism

Council Decision 2010/386/CFSP of 12 July 2010 updating the list of persons, groups and entities subject to Articles 2, 3 and 4 of Common Position 2001/931/CFSP on the application of specific measures to combat terrorism

g) Measures to combat the financial crisis:

Council Regulation (EU) No 407/2010 of 11 May 2010 establishing a European financial stabilisation mechanism.

Decision of the European Central Bank of 14 October 2010 concerning the administration of the borrowing and lending operations concluded by the Union under the European financial stabilisation mechanism.

h) Securities Market:

Decision of the European Central Bank of 14 May 2010 establishing a securities markets programme.

i) Monetary Policy:

Guideline of the European Central Bank of 4 March 2010 amending Guideline ECB/2000/7 on monetary policy instruments and procedures of the Eurosystem.

Guideline of the European Central Bank of 16 September 2010 amending Guideline ECB/2000/7 on monetary policy instruments and procedures of the Eurosystem.

j) Data Protection:

Council Decision 2010/16/CFSP/JHI of 30 November 2009 on the signing, on behalf of the European Union, of the Agreement between the European Union and the United States of America on the processing and transfer of Financial Messaging Data from the European Union to the United States for purposes of the Terrorist Finance Tracking Program.

Council Decision of 28 June 2010 on the signing, on behalf of the Union, of the Agreement between the European Union and the United States of America on the processing and transfer of financial messaging data from the European Union to the United States for the purposes of the Terrorist Finance Tracking Program.

Council Decision of 13 July 2010 on the conclusion of the Agreement between the European Union and the United States of America on the processing and transfer of Financial Messaging Data from the European Union to the United States for the purposes of the Terrorist Finance Tracking Program.

k) Protection of consumers and users:

Commission Recommendation of 12 May 2010 on the use of a harmonised methodology for classifying and reporting consumer complaints and enquiries.

Commission Decision of 20 July 2010 setting up a Financial Services User Group.

Commission Decision of 18 August 2010 concerning the adoption of a financing decision on a pilot project to promote consumer empowerment, efficiency and stability of European financial markets through training of consumer associations and similar organisations.

l) TARGET2:

Guideline of the European Central Bank of 21 April 2010 on TARGET2-Securities.

Decision of the European Central Bank of 29 July 2010 on access to and use of certain TARGET2 data.

Guideline of the European Central Bank of 15 September 2010 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 21 September 2010 concerning the administration of EFSF loans to Member States whose currency is the euro.

Decision of the European Central Bank of 2 November 2010 amending Decision ECB/2007/7 concerning the terms and conditions of TARGET2-ECB.

III. REGIONAL LEGISLATION:

Principal rules approved concerning savings banks

Galicia Law 10/2009 of 30 December amending Legislative Decree 1/2005 of 10 March approving the consolidated text of Galicia Savings Banks Laws 7/1985 of 17 July and 4/1996 of 31 May.

Asturias Law 3/2010 of 26 March, third amendment of the Asturias Savings Banks Law 2/2000 of 23 June.

Castile-La Mancha Savings Banks Law 3/2010 of 13 May amending Castile-La Mancha Law 4/1997 of 10 July.

Castile-Leon Law of 28 May amending the recast Castile-Leon Savings Banks Law approved by Legislative Decree 1/2005 of 21 July.

Catalonia Decree Law 5/2010 of 3 August amending the recast Catalonia Savings Banks Law approved by Legislative Decree 1/2008 of 11 March.

Castile-Leon Decree-Law 2/2010 of 2 September amending the recast Castile-Leon Savings Banks Law approved by Legislative Decree 1/2005 of 21 July.

Law 6/2010 of 29 September including a transitory provision six in Law 10/2009 of 30 December amending Legislative Decree 1/2005 of 10 March approving the consolidated text of Galicia Savings Banks Laws 7/1985 of 17 July and 4/1996 of 31 May.

Asturias Decree 130/2010 of 20 October establishing the documents to be submitted by savings banks domiciled in the Principality of Asturias concerning their governing bodies and management.

11.2 PUBLICATIONS (CECA)

Publication	Frequency
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	

Publication	Frequency
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 aggregate 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 (en fichero electrónico)	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 aggregate statistical information available for the savings banks sector. Breakdown by provinces of the basic data and number of branches	

(*) Restricted publication, available exclusively for savings banks.

Digital publications (for savings banks only)

Publication	Frequency
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 2010 (460-470).	

Digital publications (*for savings banks only*)	Frequency
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 Auditoría	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	Two-monthly
News on company management, training and leadership	

Digital publications (*for savings banks only*)	Frequency
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

March 2010: **Fondos estructurales y convergencia regional;** (2010), no. 123.

July 2010: **La reforma del mercado de trabajo;** (2010), no. 124.

November 2010: **Claves actuales de la fiscalidad del futuro;** (2010), no. 125/126.

PROSPECTS OF THE FINANCIAL SYSTEM

April 2010: **La MiFID y el mercado español de instrumentos financieros;** (2010), no. 98.

September 2010: **La dimensión en el sector bancario;** (2010), no. 99.

January 2011: **Treinta años de análisis financiero;** (2010), no. 100.

ECONOMIC REVIEW

March 2010: **Autonomías 2009: Un retroceso desigual;** (2010), no. 214.

April 2010: **¿Recuperación en primavera?;** (2010), no. 215.

June 2010: **Previsiones a la carta;** (2010), no. 216.

July 2010: **Endeudamiento, calificación y solvencia;** (2010), no. 217.

November 2010: **Del ahorro del miedo al consumo extemporáneo;** (2010), no. 218.

December 2010: **Economía pública en coyuntura baja;** (2010), no. 219.

SOCIAL PANORAMA

July 2010 **Envejecimiento, adaptación y cambio social;** (2010), no. 11.

December 2010 **Empleo, desempleo y pobreza;** (2010), no. 12.

STUDIES CONDUCTED BY THE FOUNDATION

February 2010 **Financiación de la enseñanza obligatoria: Los bonos escolares en la teoría y en la práctica;** (Serie Economía y Sociedad) *Javier Díaz Malledo;* (2010), no. 46.

March 2010 **Servicios y regiones en España** (Serie Economía y Sociedad); *Juan Ramón Cuadrado y Andrés Maroto;* (2010), no. 47.

June 2010 **Las empresas del sector de la construcción e inmobiliario en España: del *boom* a la recesión económica** (Serie Economía y Sociedad); *Belén Gill de Albornoz (Dir.), Juan Fernández de Guevara, Begoña Giner y Luis Martínez;* (2010), no. 48.

September 2010 **Instrumentos para mejorar la equidad, transparencia y sostenibilidad de los sistemas de pensiones de reparto** (Serie Tesis); *M.ª del Carmen Boado-Penas;* (2010), no. 49.

September 2010 **El Impuesto de Flujos de Caja Empresarial: Una alternativa al Impuesto sobre la Renta de Sociedades** (Serie Tesis); *Lourdes Jerez Barroso;* (2010), no. 50.

September 2010 La subcontratación de servicios de I+D: Evidencia de empresas europeas y de EE.UU. (Serie Tesis); *Andrea Martínez Noya* (2010), no. 51.

OTHER PUBLICATIONS

April 2010 Basilea II; *Raimundo Poveda Anadón;* (2010).

December 2010 Las Cajas de Ahorros de las provincias de ultramar, 1840-1898. Cuba y Puerto Rico; *Francisco Comín Comín, Ángel Pascual Martínez Soto e Inés Roldán de Montaud;* (2010).

December 2010 Alerta y desconfiada. La sociedad española ante la crisis; *Víctor Pérez- Díaz y Juan Carlos Rodríguez;* (2010).

January 2011 Balance Económico Regional (autonomías y provincias). Años 2000 a 2009; *Pablo Alcaide Guindo;* (2010).

January 2011 XXXVI Concurso de Cuentos "Hucha de Oro", Un pájaro de invierno y otros cuentos; (2010).

January 2011 El Premio de Cuentos "Hucha de Oro", Una breve historia; *Aurelio Loureiro;* (2010).

DIGITAL PUBLICATIONS

WORKING DOCUMENTS

February 2010 Determinantes de la estructura de los consejos de administración en España; *Isabel Acero Fraile y Nuria Alcalde Fradejas;* (2010), no. 493.

February 2010 Performance and completeness in repeated interfirm relationships: The case of franchising; *Vanesa Solís-Rodríguez y Manuel González-Díaz;* (2010), no. 494.

February 2010 A revenue-based frontier measure of banking competition; *Santiago Carbó, David Humphrey y Francisco Rodríguez;* (2010), no. 495.

February 2010 Categorical segregation in social networks; *Antoni Rubí-Barceló;* (2010), no. 496.

February 2010 Beneficios ambientales no comerciales de la Directiva Marco del Agua en condiciones de escasez: Análisis económico para el Guadalquivir; *Julia Martín-Ortega, Giacomo Giannoccaro y Julio Berbel Vecino;* (2010), no. 497.

February 2010 Monetary integration and risk diversification in EU-15 sovereign debt markets; *Juncal Cuñado y Marta Gómez Puig* (2010), no. 498.

February 2010 The Marshall Plan and the Spanish autarky: A welfare loss analysis; *José Antonio Carrasco Gallego;* (2010), no. 499.

February 2010 The role of learning in firm R&D persistence; *Juan A. Mañez, María E. Rochina-Barrachina, Amparo Sanchís-Llopis y Juan A. Sanchís-Llopis;* (2010), no. 500.

February 2010 Is venture capital more than just money?; *Marina Balboa, José Martí y Nina Zieling;* (2010), no. 501.

March 2010 On the effects of supply strategy on business performance: Do the relationships among generic competitive objectives matter?; *Javier González-Benito;* (2010), no. 502.

March 2010 Corporate cash holding and firm value; *Cristina Martínez-Sola, Pedro J. García-Teruel y Pedro Martínez-Solano;* (2010), no. 503.

March 2010 El Impuesto de Flujos de Caja de Sociedades: Una propuesta de base imponible y su aproximación contable en España; *Lourdes Jerez Barroso y Joaquín Texeira Quirós;* (2010), no. 504.

March 2010 The effect of technological, commercial and human resources on the use of new technology; *Jaime Gómez y Pilar Vargas;* (2010), no. 505.

March 2010 ¿Cómo ha afectado la fiscalidad a la rentabilidad de la inversión en vivienda en España? Un análisis para el periodo 1996 y 2007; *Jorge Onrubia Fernández y María del Carmen Rodado Ruiz;* (2010), no. 506.

March 2010 Modelización de flujos en el análisis input-output a partir de la teoría de redes; *Ana Salomé García Muñiz;* (2010), no. 507.

March 2010 Export-led-growth hypothesis revisited. A balance of payments approach for Argentina, Brazil, Chile and Mexico; *David Matesanz Gómez y Guadalupe Fugarolas Álvarez-Ude;* (2010), no. 508.

March 2010 Realised hedge ratio properties, performance and implications for risk management: Evidence from the Spanish Ibex 35 spot and futures markets?; *David G. McMillan y Raquel Quiroga García;* (2010), no. 509.

March 2010 Do we sack the manager… or is it better not to? Evidence from Spanish professional football; *Francisco González-Gómez, Andrés J. Picazo-Tadeo y Miguel A. García-Rubio;* (2010), no. 510.

May 2010 Have Spanish port sector reforms during the last two decades been successful? A cost frontier approach; *Ana Rodríguez-Álvarez y Beatriz Tovar;* (2010), no. 511.

May 2010 Size & Regional Distribution of Financial Behavior Patterns in Spain; *Juan Antonio Maroto Acín, Pablo García Estévez y Salvador Roji Ferrari;* (2010), no. 512.

May 2010 The impact of public reforms on the productivity of the Spanish ports: A parametric distance function approach; *Ramón Núñez-Sánchez y Pablo Coto-Millán;* (2010), no. 513.

May 2010 Trade policy versus institutional trade barriers: An application using "good old" ols; *Laura Márquez-Ramos, Inmaculada Martínez-Zarzoso y Celestino Suárez-Burguet;* (2010), no. 514.

May 2010 The "Double Market" approach in venture capital and private equity activity: The case of Europe; *Marina Balboa y José Martí;* (2010), no. 515.

May 2010 International accounting differences and earnings smoothing in the banking industry; *Marina Balboa, Germán López-Espinosa y Antonio Rubia;* (2010), no. 516.

May 2010 Convergence in car prices among European countries; *Simón Sosvilla-Rivero y Salvador Gil-Pareja;* (2010), no. 517.

May 2010 Effects of process and product-oriented innovations on employee downsizing; *José David Vicente-Lorente y José Ángel Zúñiga-Vicente;* (2010), no. 518.

May 2010 Inequality, the politics of redistribution and the tax-mix; *Jenny De Freitas;* (2010), no. 519.

May 2010 Efectos del desajuste educativo sobre el rendimiento privado de la educación: Un análisis para el caso español (1995-2006); *Inés P. Murillo, Marta Rahona y M.ª del Mar Salinas;* (2010), no. 520.

May 2010 Structural breaks and real convergence in OPEC countries; *Juncal Cuñado;* (2010), no. 521.

May 2010 Human Capital, Geographical location and Policy Implications: The case of Romania; *Jesús López-Rodríguez, Andrés Faiña y Bolea Cosmin-Gabriel;* (2010), no. 522.

May 2010 Organizational unlearning context fostering learning for customer capital through time: Lessons from SMEs in the telecommunications industry; *Anthony K. P. Wensley, Antonio Leal-Millán, Gabriel Cepeda-Carrión y Juan Gabriel Cegarra-Navarro;* (2010), no. 523.

May 2010 The governance threshold in international trade flows; *Marta Felis-Rota;* (2010), no. 524.

May 2010 The intensive and extensive margins of trade decomposing exports growth differences across Spanish regions; *Asier Minondo Uribe-Etxeberria y Francisco Requena Silvente;* (2010), no. 525.

May 2010 Why do firms locate R&D outsourcing agreeements offshore? The role of ownership, location, and externalization advantages; *Andrea Martínez-Noya, Esteban García-Canal y Mauro F. Guillén;* (2010), no. 526.

June 2010 Corporate Taxation and the Productivity and Investment Performance of Heterogeneous Firms: Evidence from OECD Firm-Level Data; *Norman Gemmell, Richard Kneller, Ismael Sanz y José Félix Sanz-Sanz;* (2010), no. 527.

June 2010 Modelling Personal Income Taxation in Spain: Revenue Elasticities and Regional Comparisons; *John Creedy y José Félix Sanz-Sanz;* (2010), no. 528.

July 2010 Mind the Remoteness! Income disparities across Japanese Prefectures; *Jesús López-Rodríguez, Daisuke Nakamura;* (2010), no. 529.

July 2010 El nuevo sistema de financiación autonómica: Descripción, estimación empírica y evaluación; *Antoni Zabalza y Julio López Laborda;* (2010), no. 530.

July 2010 Markups, bargaining power and offshoring: An empirical assessment; *Lourdes Moreno y Diego Rodríguez;* (2010), no. 531.

July 2010 The SNP-DCC model: a new methodology for risk management and forecasting; *Esther B. del Brio, Trino-Manuel Ñíguez y Javier Perote;* (2010), no. 532.

July 2010 El uso del cuadro de mando integral y del presupuesto en la gestión estratégica de los hospitales públicos; *David Naranjo Gil;* (2010), no. 533.

July 2010 Análisis de la efectividad de las prácticas de trabajo de alta implicación en las fábricas españolas; *Daniel Vázquez-Bustelo y Lucía Avella Camarero;* (2010), no. 534.

July 2010 Energía, innovación y transporte: La electrificación de los tranvías en España, 1896-1935; *Alberte Martínez López;* (2010), no. 535.

July 2010 La ciudad como negocio: Gas y empresa en una región española, Galicia 1850-1936; *Alberte Martínez López y Jesús Mirás Araujo;* (2010), no. 536.

July 2010 To anticipate or not to anticipate? A comparative analysis of opportunistic early elections and in-cumbents' economic performance; *Pedro Riera Sagrera;* (2010), no. 537.

July 2010 The impact of oil shocks on the Spanish economy; *Ana Gómez-Loscos, Antonio Montañés y María Dolores Gadea;* (2010), no. 538.

July 2010 The efficiency of public and publicly-subsidized high schools in Spain. Evidence from PISA-2006; *María Jesús Mancebón, Jorge Calero, Álvaro Choi y Domingo P. Ximénez-de-Embún;* (2010), no. 539.

July 2010 Regulation as a way to force innovation: The biodiesel case; *Jordi Perdiguero y Juan Luis Jiménez;* (2010), no. 540.

July 2010 Pricing strategies of Spanish network carrier; *Xavier Fageda, Juan Luis Jiménez y Jordi Perdiguero;* (2010), no. 541.

July 2010 Papel del posicionamiento del distribuidor en la relación entre la marca de distribuidor y lealtad al establecimiento comercial; *Oscar González-Benito y Mercedes Martos-Partal;* (2010), no. 542.

July 2010 How Bank Market Concentration, Regulation and Institutions Shape the Real Effects of Banking Crises; *Ana I. Fernández, Francisco González y Nuria Suárez;* (2010), no. 543.

July 2010 Una estimación del comercio interregional trimestral de bienes en España mediante técnicas de interpolación temporal; *Nuria Gallego López, Carlos Llano Verduras y Julián Pérez García;* (2010), no. 544.

July 2010 Puerto, empresas y ciudad: Una aproximación histórica al caso de Las Palmas de Gran Canaria; *Miguel Suárez, Juan Luis Jiménez y Daniel Castillo;* (2010), no. 545.

July 2010 Multinationals in the motor vehicles industry: A general equilibrium analysis for a transition economy; *Concepción Latorre y Antonio G. Gómez-Plana;* (2010), no. 546.

July 2010 Core/periphery scientific collaboration networks among very similar researchers; *Antoni Rubí-Barceló;* (2010), no. 547.

July 2010 Basic R&D in vertical markets; *Miguel González-Maestre y Luis M. Granero;* (2010), no. 548.

July 2010 Factores condicionantes de la presión fiscal de las entidades de crédito españolas, ¿existen diferencias entre bancos y cajas de ahorros?; *Ana Rosa Fonseca Díaz, Elena Fernández Rodríguez y Antonio Martínez Arias;* (2010), no. 549.

July 2010 Analyzing an absorptive capacity: Unlearning context and Information System Capabilities as catalysts for innovativeness; *Gabriel Cepeda-Carrión, Juan Gabriel Cegarra-Navarro y Daniel Jiménez-Jiménez;* (2010), no. 550.

July 2010 The resolution of banking crises and market discipline: International evidence; *Elena Cubillas, Ana Rosa Fonseca y Francisco González;* (2010), no. 551.

July 2010 A strategic approach to network value in information markets; *Lucio Fuentelsaz, Elisabet Garrido y Juan Pablo Maicas;* (2010), no. 552.

July 2010 Accounting for the time pattern of remittances in the Spanish context; *Alfonso Echazarra;* (2010), no. 553.

July 2010 How to design franchise contracts: The role of contractual hazards and experience; *Vanesa Solís-Rodríguez y Manuel González-Díaz;* (2010), no. 554.

July 2010 Una teoría integradora de la función de producción al rendimiento empresarial; *Javier González Benito;* (2010), no. 555.

July 2010 Height and economic development in Spain, 1850-1958; *Ramón María-Dolores y José Miguel Martínez-Carrión*; (2010), no. 556.

August 2010 Why do entrepreneurs use franchising as a financial tool? An agency explanation; *Manuel González-Díaz y Vanesa Solís-Rodríguez;* (2010), no. 557.

September 2010 Explanatory factors of urban water leakage rates in Southern Spain; *Francisco González-Gómez, Roberto Martínez-Espiñeira, María A. García-Valiñas y Miguel Á. García Rubio;* (2010), no. 558.

September 2010 Los rankings internacionales de las instituciones de educación superior y las clasificaciones universitarias en España: Visión panorámica y prospectiva de futuro; *Carmen Pérez-Esparrells y José M.ª Gómez-Sancho;* (2010), no. 559.

September 2010 Análisis de los determinantes de la transparencia fiscal: Evidencia empírica para los municipios catalanes; *Alejandro Esteller Moré y José Polo Otero;* (2010), no. 560.

September 2010 Diversidad lingüística e inversión exterior: El papel de las barreras lingüísticas en los procesos de adquisición internacional; *Cristina López Duarte y Marta M. ª Vidal Suárez;* (2010), no. 561.

September 2010 Costes y beneficios de la competencia fiscal en la Unión Europea y en la España de las autonomías; *José M.ª Cantos, Agustín García Rico, M.ª Gabriela Lagos Rodríguez y Raquel Álamo Cerrillo;* (2010), no. 562.

September 2010 Customer base management and profitability in information technology industries; *Juan Pablo Maicas y Francisco Javier Sese;* (2010), no. 563.

September 2010 Expansión internacional y distancia cultural: Distintas aproximaciones - Hofstede, Schwartz, Globe; *Cristina López Duarte y Marta M.ª Vidal Suárez;* (2010), no. 564.

October 2010 Economies of scale and scope in service firms with demand uncertainty: An application to a Spanish port; *Beatriz Tovar y Alan Wall;* (2010), no. 565.

October 2010 Fiscalidad y elección entre renta vitalicia y capital único por los inversores en planes de pensiones: El caso de España; *Félix Domínguez Barrero y Julio López Laborda;* (2010), no. 566.

October 2010 Did the cooperative start life as a joint-stock company? Business law and cooperatives in Spain, 1869-1931; *Timothy W. Guinnane y Susana Martínez-Rodríguez;* (2010), no. 567.

October 2010 Predicting bankruptcy using neural networks in the current financial crisis: A study for US commercial banks; *Félix J. López-Iturriaga, Óscar López-de-Foronda e Iván Pastor Sanz;* (2010), no. 568.

November 2010 Financiación de los cuidados de larga duración en España; *Raúl del Pozo Rubio y Francisco Escribano Sotos;* (2010), no. 569.

November 2010 Is the Border Effect an Artefact of Geographic Aggregation?; *Carlos Llano-Verduras, Asier Minondo-Uribe y Francisco Requena-Silvente;* (2010), no. 570.

November 2010 Notes on using the hidden asset or the contribution asset to compile the actuarial balance for pay-as-you-go pension systems; *Carlos Vidal-Meliá y María del Carmen Boado-Penas;* (2010), no. 571.

November 2010 The real effects of banking crises: Finance or asset allocation effects? Some international evidence; *Ana I. Fernández, Francisco González y Nuria Suárez Carlos;* (2010), no. 572.

November 2010 Endogenous mergers of complements with mixed bundling; *Ricardo Flores-Fillol y Rafael Moner-Colonques;* (2010), no. 573.

December 2010 Redistributive conflicts and preferences for tax schemes in Europe; *Antonio M. Jaime-Castillo y José L. Sáez-Lozano;* (2010), no. 574.

December 2010 Spanish emigration and the setting-up of a great company in Mexico: Bimbo, 1903-2008; *Javier Moreno Lázaro;* (2010), no. 575.

December 2010 Mantenimiento temporal de la equidad horizontal en el sistema de financiación autonómica; *Julio López Laborda y Antoni Zabalza;* (2010), no. 576.

December 2010 Sobreeducación, educación no formal y salarios: Evidencia para España; *Sandra Nieto y Raúl Ramos;* (2010), no. 577.

December 2010 Dependencia y empleo: Un análisis empírico con la Encuesta de Discapacidades y Atención a la Dependencia (edad) 2008; *David Cantarero-Prieto y Patricia Moreno-Mencía;* (2010), no. 578.

11.4 GLOSSARY

A

ADEPO	Depositaries Association
AEAT	Spanish Inland Revenue Service
AEB	Association of Spanish Private Banks
AECA	Spanish Business Administration and Accounting Association
AENOR	Spanish Standardisation and Certification Association
AHE	Spanish Mortgage Association
AIAF	Association of Brokers and Securities Dealers
AJD	Spanish Stamp Duty
AMAEF	Association of Insurance Intermediaries of Financial Institutions
ASOFOM	Association of Multiple Object Financial Enterprises
AUTELsi	Spanish Association of Users of Telecommunications and IT Systems

B

BDI	Profit after tax
BE	Bank of Spain
BPM	Business Process Management

C

CABEI	Central American Bank for Economic Integration (BCIE)
CARD	Active Troubleshooting Centre
CCI	Interbank Cooperation Centre
CCP	Central Counterparty Clearing House
CEA TSL	Spanish Savings Banks (Trade Services Limited)
CEBS	Committee of European Banking Supervisors
CECA	Spanish Confederation of Savings Banks
CECON	Spanish Consortium of Business Continuity
CEN	European Committee for Standardization
CEOE	Spanish Confederation of Business Organisations
CERSE	State Social Responsibility Council
CES	Social and Economic Council
CFSP	Common Foreign and Security Policy
CGPJ	General Council of the Judiciary
CIRO	Operational Risk Identification Committee
CMOF	Master Financial Transactions Agreement
CNMV	National Securities Market Commission
COAP	Assets and Liabilities Committee
COAS	Organisation, Automation and Service Committee
CRD	Capital Requirements Directive
CRU	Central Risk Unit
CSR	Corporate Social Responsibility

D

DGT	Directorate General for Taxation

E

EBA	Euro Banking Association
EC	European Commission
ECB	European Central Bank
ECO	Spanish Ministry of Economy
EDPYME	Micro and Small Enterprise Development Entity
EHA	Spanish Ministry of Economy and Finance
EMA	European Master Agreement
EMU	European Monetary Union
EMV	Europay Mastercard Visa
EPC	Euro Payments Council
ESBG	European Savings Banks Group
ESCA	Savings Banks College
EU	European Union

F

FATF	Financial Action Task Force (GAFI)
FROB	Fund for Orderly Bank Restructuring
FST	Financial Services Technology
FTA	Asset Securitisation Fund
FTFE	Tripartite On-the-Job Training Foundation
FUNCAS	Savings Banks Foundation

G

GDP	Gross Domestic Product
GMRA	Global Master Repurchase Agreement
GMSLA	Global Master Securities Lending Agreement
GREF	Group of Financial Institutions Training Managers
GRI	Global Reporting Initiative

H

HR	Human Resources

I

IAC	Capital Self-Assessment Report
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IBERPAY	Spanish Payment Systems Company
ICCA	Savings Banks Credit Institute
ICMA	International Capital Market Association
IDB	Inter-American Development Bank *(BID)*
IEA	International Energy Agency
IFRIC	IFRS Interpretations Committee *(CINIIF)*

I

IFRS	International Financial Reporting Standards
INE	National Statistics Institute
IMF	International Monetary Fund
IMSERSO	Institute for the Elderly and Social Services
IPS	Institutional Protection Schemes
IRPF	Personal Income Tax
ISDA	International Swaps and Derivatives Association
ISSE	Information Security Solutions Europe
ITP	Transfer Tax

J

JAI	Justice and Internal Affairs
JV	Joint Venture

L

LAE	Lotería y Apuestas del Estado (Spanish State Lottery Company)
LIDAAPI	Dominican League of Savings and Lending Associations
LMP	Weighted Maximum Limits
LORCA	Savings Banks Governing Bodies Act

M

MiFID	Markets in Financial Instruments Directive

N

NPV	Net Present Value
NSIF	New Financial Information System

O

OBS	Charitable and Social Work
OECD	Organisation for Economic Cooperation and Development
OHP	Occupational Hazard Prevention
OTC	Over The Counter

P

PCI-DSS	Payment Card Industry Data Security Standard
PECA	Savings Banks Electronic Payment
PERM	Mortality and Survival Tables
PF	Pension Funds
PRE	Order of the Presidency of the Government
POS	Point of Sale
PSMG	Professional Services Marketing Group
PYMES	*Pequeñas y Medianas Empresas* (SMEs)

R

RAI	Register of Unpaid Acceptances
RCM	Reliability Centred Maintenance
REGINA	International and National Regulations

S

SAM	Swift Alliance Messenger
SAT	Card Authorisation Service
SDA	Auxiliary Cash Deposit System
SEPA	Single Euro Payment Area
SEPBLAC	Executive Service of the Anti-Money Laundering and Monetary Offences Commission
SERBE	Bank of Spain Claims Service
SICE	Centralised Credit Interchange System
SIFE	Electronic Invoices Interchange System
SLBE	Bank of Spain Settlement System
SMEs	Small and Medium-Sized Enterprises
SNCE	Spanish Electronic Clearing Service
SOA	Service Oriented Architecture
SOCIMIS	Property Market Investment Companies
SRI	Socially Responsible Investment
STR	Suspicious Transaction Reporting
SWIFT	Society for Worldwide Interbank Financial Telecommunication

T

TARGET	Trans-European Automated Real-time Gross Settlement Express Transfer System
TINSA	Tasaciones Inmobiliarias, S.A.

U

UCI	Undertaking for Collective Investment
UIMP	International University Menéndez Pelayo
UN / UNO	United Nations (Organization)
UNACC	Spanish National Union of Credit Cooperatives
UNAM	Autonomous University of Mexico
UTE	Unión Temporal de Empresas (Joint Venture)

V

VaR	Value at Risk
VAT	Value Added Tax
VIV	Spanish Ministry of Housing

W

WSBI	World Savings Banks Institute

X

XBLR	Extensible Business Reporting Language

11.5 CHRONOLOGY

11 January
Presentation Issue no. 8 of the FUNCAS journal *Panorama Social (Families in transformation)*

12 January
Presentation Issue no. 213 of the FUNCAS journal *Cuadernos de Información Económica (Crossing the desert)*

13 January
AECA/ESGB Banking Technology Committee meeting, Brussels (Belgium)

20 January
Board meeting

21 January
COAS meeting

22 January
Seminar on *Crisis and Financial Regulation*, at presentation of Issue no. 122 of the FUNCAS journal *Papeles de Economía Española (Crisis and financial regulation)*

26 January
Euro Payments Operations Committee meeting

27 January
Control Committee meeting

28 January
Presentation of pawnbrokers' online auction portal

2 February
Presentation Issue no. 97 of the FUNCAS journal *Perspectivas del Sistema Financiero (Payment cards)*

3 February
Internal Reporting Seminar

17 February
FUNCAS Board of Trustees meeting

17 February
Board meeting

17 February
2009 earnings presentation

18 February
COAS meeting

22 February
EPC Payments Committee meeting, Brussels (Belgium)

23 February
Plenary Session of CECON Committee (Spanish Business Continuity Consortium)

24 February
EPC Scheme Management Committee, Brussels (Belgium)

24 February
Presentation of SpainSIF Strategic Plan 2010-2012, at the Madrid Stock Exchange

24 February
Control Committee meeting

25 February
Final workshop of European Workshops on Disclosure of Environmental, Social and Governance Information, Brussels (Belgium)

25 February
Seminar on Management of Assets Held by Financial Institutions. Legal Analysis of Property Market Investment Companies and Property Investment Funds and Other Alternatives

25 February
Seminar on Evolution of the EMV Issue: Impacts DDA Issue

25 February
Seminar on Social Networking: *Cajas de Ahorros.es*

2 March
EPC Cards Working Group, Brussels (Belgium)

4 March
Seminar on the Financing of Renewable Energy Projects

4 March
Seminar on International Contracting and the New Regulation (EC) 593/2008 on the law applicable to contractual obligations (Rome I)

4 March
Awarding of *Investment Awards* for the best financial products

4 March
EPC Cash W.G. meeting, Brussels (Belgium)

4 March
Visit from the OECD delegation

5 March
Technical Workshop on appraisal of Art Nouveau Jewellery

9 March
Presentation Issue no. 214 of *Cuadernos de Información Económica (Autonomous Communities 2009: An uneven recession)*, organised by FUNCAS and Sa Nostra, Palma de Mallorca

11 March
Awarding of diplomas to Spanish winners of the Stock *Market Game*, in the Trading Room of the Madrid Stock Exchange

13 March
Awarding of diplomas to European winners of the Stock *Market Game*, Trento (Italy)

16 March
Conference on Anti-Money Laundering and Counter-Terrorism Financing Bill

17 March
I Cost Management Workshop

17 March
COAS meeting

17 March
Board meeting, Seville

17 March
Control Committee meeting, Seville

17 March
ISR Seminar: sustainable, responsible investment; market concept, trends and prospects

18-20 March
Meeting of the International Association of Pledging and Social Establishments en Lima (Peru)

23 March
II Conference on Financial Education

23 March
PSMG EC, Brussels (Belgium)

23 March
FUNCAS organises *Debates in the Foundation: The Economy in crisis: present situation and future prospects*

24 March
Seminar on Service Level Agreements (SLA) and their Management Indicators

26 March
FST (Financial Services Technology) FST Awards Prize for the COAS Digitalized Signature, London (UK)

30 March
SDA / Protected deposits

8 April
Meeting of Panel of Judges for the *Enrique Fuentes Quintana Awards to Doctoral Theses. Academic Year 2008-2009*

8 April
Workshop CECA Data Warehouse for Invoicing of Means of Payment

9 April
Corporate visit by Banco Intensa San Paolo – COAS Digitalized Signature

13 April
EPC Cash W.G. meeting, Brussels (Belgium)

14-15 April
Seminar on Derivatives in the Management of Financial Institutions

15 April
Seminar on Effective Management of Own Prevention Service

16 April
International Bank Forum –Digital File (COAS), Dubai

20 April
Board meeting

21 April
Board meeting

21 April
Control Committee meeting

21 April
101st CECA General Assembly. Awarding of *Order of Merit for Savings* to Juan Ramón Quintás Seoane, former CECA chairman

21 April
Workshop on Interaction with Customers and Card Fraud

22 April
VII Workshop of General Secretaries

22 April
1st Seminar on Evolution of *Captura (attracting of custom/funds)*

22 April
COAS meeting

26 April
Visit by the Executive Committee to the Governor and Deputy Governor of the Bank of Spain, at the Bank of Spain headquarters, Madrid

28 April
Meeting of the Association of Retired Managers

28 April
Seminar on Selection, Management and Assessment of FM Service Providers

29 April
Signing with Ministry of Development of agreement for private-public collaboration, at headquarters of Ministry of Development, Madrid

29 April
Seminar on Labour Relations in Savings Banks deriving from the Changes in the Sector

29-30 April
ESBG Financial Regulation Committee meeting, Berlin (Germany)

30 April
Presentation Issue no. 123 of the journal *Papeles de Economía Española (Structural Funds and Regional Convergence)*, within the conference on *The impact of EU structural funds on the Spanish economy*, organised by FUNCAS and UIMP in collaboration with Caja Canarias, Santa Cruz de Tenerife

3 May
Meeting of Chairman of CECA with President of the Government at La Moncloa (Madrid)

6 May
Seminar on Handling of Corporate Debtors: Refinancing vs Insolvency Proceedings

7 May
Lecture by CEO of CECA, *Boosting microfinance in Europe*, organised by Microbank, Barcelona

11 May
EPC Cards Working Group meeting, Brussels (Belgium)

11 May
EPC Scheme Management Committee meeting, Brussels (Belgium)

13 May
IMF visit

13-14 May
XXIII Management Control, Planning and Studies Workshop, Murcia

17 May
ESGB Payments Committee meting, Brussels (Belgium)

18 May
EPC Cash W.G. meeting, Brussels (Belgium)

19 May
Board meeting

19 May
Control Committee meeting

20 May
COAS meeting

21 May
Portfolio and Interchange Managers Workshop, Barcelona

24 May
Signing of agreement between CECA and Sociedad Pública de Alquiler

25 May
Workshop on Current Issues on the Fixed Rate Market

26 May
Awarding of prizes granted on the *European Day of the Parks*, sponsored by FUNCAS

27 May
Symposium on Means of Payment and Bank Guarantees for International Contracting

27 May
Meeting of COAS Coordinators

27-28 May
LXX Convention of Legal Advisers, Seville

27-28 May
12th Advertising Convention

28 May
Meeting of the European Savings Banks Group with the European Central Bank at the ECB headquarters, Frankfurt (Germany)

31 May
Awards by Judges of the XXXVI edition of the *Hucha de Oro* Short Stories Competition

31 May – 1 June
Executive Convention, Ávila

3-4 June
XXVIII Convention of HR Managers, Logroño (La Rioja)

7-8 June
12th Customer Services Convention, Malaga

8 June
Awarding of *Investment Prizes* for the Social Work of Savings Banks, at the Royal Mint, Madrid

10 June
Bicentenary commemoration of the first European savings bank, attended by the CEO of CECA and the Chairman of WSBI, Edinburgh (UK)

10-11 June
Treasury Managers and Capital Market Managers Workshop, Brussels (Belgium)

11 June
ESBG Management Council meeting, Edinburgh (UK)

11 June
ESBG and WSBI Assembly, Edinburgh (UK)

15 June
Monitoring Meeting with Housing Minister on *State Housing and Restoration Plan 2009-2012*, at Ministry of Housing, Madrid

16 June
SIGAB workshop

16 June
Speech by CECA CEO at the Seminar *Three decades of Spanish economy. From consolidation of democracy to the current recession. Evolution and prospects*, organised by the Association of Economic Information Journalists (APIE) at the International University Menéndez Pelayo, Santander (Cantabria)

17 June
COAS meeting

18 June
Board meeting

18 June
Control Committee meeting

18 June
FUNCAS Board of Trustees meeting

22 June
EPC Cash W.G. meeting, Brussels (Belgium)

24 June
Conference on Practical Approach to Compliance with the PCI-DSS Data Security Standard

1-2 July
LXIII Meeting of Tax Experts, Oporto (Portugal)

6 July
Conference on New Payment Services Legislation

8 July
President of the Government received the Executive Committee at La Moncloa

9 July
Royal Decree-Law 11/2010 on Savings Banks (Governing Bodies and other legal aspects)

16 July
FUNCAS organises *Debates in the Foundation: Current Issues of the Financial System*

21 July
FUNCAS Board of Trustees meeting

21 July
Board meeting

22 July
COAS meeting

23 July
Publication of results of stress tests directed by the Committee of European Banking Supervisors (CEBS), in coordination with the European Central Bank (ECB) and conducted through the Bank of Spain

26-29 July
International Road Show in London (UK), Paris (France), Brussels (Belgium) and Frankfurt and Munich (Germany), for investors and press

27 July
Presentation of accession to the *National Financial Education Plan*, promoted by the CNMV and the Bank of Spain

28 July
Seminar on Reform of Savings Banks Laws and Regulations

28 July
Control Committee meeting

24 August
EPC Payments Committee meeting, Brussels (Belgium)

8 September
EPC Scheme Management Committee meeting, Brussels (Belgium)

10 September
EPC Cards Working Group meeting, Brussels (Belgium)

15 September
FUNCAS Board of Trustees meeting

15 September
Board meeting

15 September
Presentation of 1H10 earnings to the press

16 September
COAS meeting

16-17 September
VIII Accounting Convention, Bilbao (Vizcaya)

17 September
Visit-Seminar Swiss Savings Banks

20 September
Meeting of the Sarkozy/Charles Milhaud Euro Mediterranean Commission, attended by the CECA CEO, Paris (France)

21 September
EPC Cash W.G. meeting, Brussels (Belgium)

22 September
Control Committee meeting

23-24 September
12th Communication Convention, Valencia

23-24 September
ESGB Economic Committee meeting

28 September
Committee on Banking Supervision and Capital Requirements meeting, Brussels (Belgium)

30 September
Forética Marketplace at the Railway Museum, Madrid

30 September – 1 October
XXXV Convention of Training and Development Managers, San Sebastian (Guipúzcoa)

30 September – 1 October
XX General Assembly of Pawnbrokers, Seville

30 September – 1 October
XXXV Convention of Auditors, Zaragoza

4 October
Presentation in FUNCAS of publication of prize-winning doctoral theses in the 2008-2009 edition of the *Enrique Fuentes Quintana Award for Doctoral Theses*

5 October
Lecture by CECA CEO on *The Savings Banks Reform, at the Business Breakfast & Executive Forum Spain*, at the head offices of Aguirre Newman, Madrid

6 October
International Information Security Conference – ISSE 2010, Berlin (Germany)

6 October
FUNCAS organises *Debates in the Foundation: Environment, Economy and Society*

6-8 October
National Social Work Convention 2010, Santiago de Compostela (A Coruña)

6-8 October
XXIX National Convention of Security Managers, Oviedo (Asturias)

8-10 October
Annual Meetings of the IMF and World Bank Group, Washington (USA)

8-10 October
International Road Show in Washington (USA) for investors and press

9 October
WSBI Management Council meeting, Washington (USA)

14 October
VI Technical Workshop on Market Risk and Operational Risk

14 October
VII edition *Awards for the Best Social Work of Savings Banks* (Actualidad Económica), Madrid Casino

18 October
SERVINFORM

19 October
Seminar on Basel III: impact for financial institutions

20 October
Board meeting

21 October
COAS meeting, Tenerife

21 October
EPC Cards Working Group, Brussels (Belgium)

22 October
Control Committee meeting, Ontinyent (Valencia)

21-22 October
VI Convention on Regulatory Compliance, El Paular (Madrid)

21-22 October
XXX Convention of Heads of Technical Areas of Organisation, Data Processing and New Services *COAS Workshops 2010*, Tenerife

26 October
Workshop on Tax Issues in the Awarding of Real Estate

26-29 October
International Road Show in Boston and New York (USA) for investors and press

28 October
V Workshop for Exchanging Experience among Internal Audit Working Groups

28 October
XVI Regional Assembly of the Latin America and Caribbean Group (GRULAC), attended by the CECA CEO and Chairman of the WSBI, Cartagena de Indias (Colombia)

28-29 October
V EURO 6000 System Convention, Seville

3 November
EPC Cash W.G. meeting, Brussels (Belgium)

4-5 November
XXII International Department Managers Convention, Oviedo (Asturias)

6 November
Closing day of the *IX Financial Institutions Management Experts Course 2010*, held within the framework of the collaboration between FUNCAS and the Carolina Foundation

10 November
EPC Payments Committee meeting, Brussels (Belgium)

10 November
Visit by M. Philippe Gudin de Vallerin, from the French Treasury

11 November
VIII Workshop of General Secretaries

11 November
Speech by the CECA CEO at *Basel III Workshop* organised by the Publishing Unit

11 November
Speech by the CECA CEO at the *Business Forum 2010* organised by the Government of Aragon

11-12 November
III Workshop on Corporate Social Responsibility

16 November
Presentation Issue no. 218 of *Cuadernos de Información Económica (From saving out of fear to untimely consumption)*, organised by FUNCAS and Caja de Ahorros de Extremadura, Caceres

17 November
Board meeting

17 November
EPC Scheme Management Committee meeting, Brussels (Belgium)

17 November
FUNCAS Board of Trustees meeting

18 November
Seminar on Upgrading for Handling of Card Incidents

18 November
COAS meeting

18-19 November
XXII Marketing Convention

19 November
Technical Workshop on High-End Watches and Counterfeits

23 November
II Cost Management Workshop

24 November
Control Committee meeting

25 November
VII Quality Convention

26 November
Speech by CECA CEO at the *V Workshop for Members of the Financial Professionals* (Borsadiner), Barcelona

1 December
ESBG Financial Regulation Committee meeting, Brussels (Belgium)

1 December
Speech by CECA CEO at the *Desayunos ADEA* (Association of Managers and Executives of Aragon), Zaragoza

2 December
ESGB Retail Banking Conference, Brussels (Belgium)

2 December
Meeting of COAS Coordinators

2 December
Attendance of Housing Plan Financial Monitoring Committee, presided by the Minister of Development

10 December
ESBG Management Council meeting, Paris

14 December
II Workshop on Agreements with the Government

14 December
Presentation double issue 125-126 of the FUNCAS journal *Papeles de Economía Española (Current keys to future taxation)*

15 December
Board meeting

15 December
Control Committee meeting

15 December
102nd CECA General Assembly. Awarding of *Order of Merit for Savings* to Antonio María Claret, former chairman of Caja Granada; Pere Batle, former CEO of Sa Nostra; and José Luis Méndez, former CEO of Caixa Galicia

16 December
LXIV Meeting of Savings Banks Tax Experts

16 December
COAS meeting

21 December
Presentation of the study Impact of *Savings Banks' Social Work in Equal Opportunities in Spain*

21 December
Appearance by CECA before the International Cooperation Commission of the Senate

29-30 December
European Multistakeholder Forum on CSR, Brussels (Belgium)

* 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

CONFEDERACIÓN ESPAÑOLA DE CAJAS DE AHORROS.

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

Tax registration number: G-28206936
Entered in the Madrid Trade Register, 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 the following branches and offices:

OVERSEAS OPERATING OFFICE

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

REPRESENTATIVE OFFICES ABROAD

GERMANY
Schaumainkai, 69
60596 FRANKFURT am Main

BENELUX
Avenue des Arts, 3-4-5.
1210 BRUXELLES (BÉLGICA)

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

SWITZERLAND
Rue du Grand-Pré, 64
1210 GENEVA

HONG-KONG
9 a/F, Two Harbourfront 22 Tak Fung Street
Hunghom, Kowloon Hong-Kong (CHINA)

ceca

CONFEDERACIÓN ESPAÑOLA DE CAJAS DE AHORROS