ceca
ANNUAL REPORT
2011

CONFEDERACIÓN ESPAÑOLA DE CAJAS DE AHORROS

CONTENTS

01 INTRODUCTION

LETTER FROM THE CHAIRMAN

2011 was marked by the deepening of the global economic and financial crisis. Moreover, the growth prospects for 2012 are also rather negative, as confirmed by the latest projections published by the IMF, which anticipates a decline in the world GDP to just over three per cent. These projections largely reflect the lower growth forecast in the eurozone, where a mild recession is expected in 2012, due to the persistence of the sovereign debt crisis, the effect of bank deleveraging on the economy and the impact of tax consolidation.

Unemployment is still the main cause of concern in Spain. If we look at the most recent indicators, of the 27 member states of the European Union, Spain is still the country with the highest unemployment rate, 22.8%, more than double the European rate. Other recent economic indicators also point to a sharp decline of the Spanish economy in the last few months: following the downturn in the third quarter, the INE (National Statistics Institute) has estimated a drop of 0.3% in the GDP for the fourth quarter of 2011. Along the same lines, the outlook for the Spanish economy in 2012 has been clearly downgraded: both the IMF and the Bank of Spain point to a decline of the order of 1.5% in the Spanish economy.

To a certain extent these forecasts take account of the tax adjustment that will have to be made to reduce the public deficit, estimated at €40,000 million, from 8% in 2011 to 4.4% of the GDP in 2012, which will necessarily require restrictive measures.

In the current context of restraint and weak growth of the Spanish economy, the application of supply-side policies to boost competitiveness and improve productivity become even more important in order to correct the imbalances still existing in the economy and lay the basis for sustained recovery.

Analysing the financial system, the weak domestic demand and current instability on the wholesale financing markets marked the decline of the banking business during 2011.

Private sector deposits dropped to around eight per cent of the overall system, falling faster than household and business financing, which was down by around three per cent.

The medium and long-term wholesale financing markets have remained practically closed, so Spanish companies were barely able to make issues last year and those that did, did so at a very high cost.

Within this slowdown, margins have been squeezed by rising costs on both the wholesale market and in retail banking, with continued pressure, albeit somewhat less fierce, to capture customers' funds. Meanwhile, December saw a considerable increase throughout the financial system in provisions against profit and loss, partly in response to circumstantial factors associated with the continued increase in non-performing loans and partly as financial institutions manoeuvred in anticipation of the new restructuring measures approved by the government. These losses have been partly cushioned by a reduction of operating expenses, especially in the savings banks sector, where the number of branches has fallen from 25,051 in the third quarter of 2008 (highest capacity on record) to 21,153 at 30 September 2011, with is a reduction of 15.56% (3,898 branches closed). The number of employees has been cut from 135,415 in 2008 (highest capacity on record) to 118,430 at 30 September 2011, down 12.54% over that period (16,985 jobs lost).

Faced with this gloomy outlook, implementation of the unconventional monetary policy measures approved by the ECB in early December have had a positive effect, particularly the auction with maturities at three years held at the end of December. The wholesale issue markets have also timidly reopened and the costs of financing have come down somewhat as pressure to capture funds eased off, curbing traders' margins, which show the gains on *carry trade*.

In short, the eurozone, and particularly Spain, faces a complicated situation, in which the economic authorities will have to combine the demands of bank recapitalisation and fiscal restraint -not only required by the markets, but also essential to steer the economy back towards a balanced situation- with certain incentives to prevent choking business and stimulate the flow of credit to the private sector.

These circumstances and the effects of the reform that commenced in 2010 have obviously made their mark on the savings bank sector, which has experienced an unprecedented consolidation process: from 45 savings banks having an average size of EUR 29,440 million in December 2009 to just 15 savings banks or groups with an average volume of assets of EUR 86,085 million in September 2011.

Moreover, the Sector is undertaking this restructuring process rapidly and diligently within the added uncertainty of a changing regulatory framework. In no other sector of the economy has such a far-reaching reform been carried out in such a short time. And CECA has been one of the key players in this process, achieving the necessary consensus within the sector to define the outlines of the savings banks regulatory reform.

As a result of this new situation, the Confederation had to adapt its Articles of Association to contemplate the new types of financial institutions, which unquestionably belong to the savings bank sector. Accordingly, the board of directors of the Confederation of Spanish Savings Banks set the wheels in motion to alter its Articles. This reform establishes a new composition of the Confederation's governing bodies to reflect the new operating and organisational situation in the savings sector.

This modification contemplates, firstly, the representation in the General Assembly of all the entities and institutions currently making up the Savings Sector, at the top level: savings banks; the central companies of the Institutional Protection Schemes (IPS) and the instrumental banks through which savings banks perform their financial business; and the credit institutions, separate from savings banks but whose financial business stems mainly from a prior transfer of assets and liabilities by a savings bank.

Secondly, representation on the board of directors shifts from territorial representation, through regional Federations, to a model based on representation of the savings banks and groups of savings banks, in view of the new situation of the sector, which opens the doors to incorporation of the representatives of new entities. Consequently, all savings banks and groups of savings banks will be represented on the Board of Directors or on the Control Committee. Under the new structure, the General Assembly, as the sovereign body, will decide on the composition of the Board of Directors and the Control Committee.

Thirdly, two new advisory committees are set up: the Federations Committee and the Foundations and Social Work Committee. En tercer lugar, se crean dos nuevas comisiones consultivas, la Comisión de Federaciones y la Comisión de Fundaciones y Obra Social.

All in all, this reform modernises and adapts the CECA Articles of Association to the current and future reality of the savings sector. We believe that this organisation will play a key role in the development of the immediate future of the financial sector in Spain. CECA will, just as it has done up to now, continue to represent and defend the interests of savings banks and their instrumental banks as far as necessary.

I have every confidence in the capacity of its teams, assisted by experts from the entire sector, to perform this work efficiently.

We face a year full of challenges: completion of the consolidation processes currently in progress, adaptation to the new capital and solvency requirements deriving from Basel III and the new financial reform.

And all this will be done in a difficult economic context, in which we will all have to make an enormous effort to help the Spanish economy to find the road to growth and employment as soon as possible.

But I am convinced that the savings bank sector will come out of this process renovated, stronger, more professional and more subject to market discipline, with streamlined balance sheets to perform their essential function of directing savings towards efficient investment projects that stimulate activity, growth, employment and collective well-being.

And the Savings Banks will undoubtedly remain true to their foundational principles, with a business model that promotes financial inclusion, continuation of social work and close relationships with customers. Social work is one of the savings bank sector's distinctive features, which must be strengthened and adapted to the new economic and social situation to continue to be a fundamental asset of the sector and the society that we serve.

Isidro Fainé Casas

LETTER FROM THE CHIEF EXECUTIVE OFFICER

2011 was a turning point in CECA's history. After altering its Articles of Association last summer, the "new savings banks", the instrumental banks through which savings banks perform their financial operations and entities whose business derives from a savings bank have all joined the CECA. The fact that all the entities created by the savings bank sector over the past two years have decided to join CECA is understood to be a sign of confidence in its management and, therefore, I should like to take this opportunity to express our heartfelt gratitude to all of them.

It was of the utmost importance for CECA to support the savings banks and other members in the restructuring processes. Each area has developed lines of action specialising in the new needs of its members. In the association and legal area, a great deal of counselling and representation of interests was required for the restructuring process. In the services and technology area, intensive efforts were made to help the consolidations to adapt different computing and data processing structures and shared *outsourcing* IT centres and branch coexistence platforms were offered.

Another of the principal concerns of the financial sector over the past year was the closing of the interbank market. In order to reduce the impact on savings banks, the CECA Operations Area has developed a line of work to facilitate liquidity, e.g. through guaranteed issues, the subscription of bonds from the issuer until they are admitted to listing and included in central counterparties.

The Consultancy Area has specialised in the management of consolidation. In fact, the Confederation has backed the vast majority of processes, heading the consolidation negotiating tables and providing counselling on the size and structure of central services.

However, as reflected in this Annual Report, we have not only been busy with the consolidation processes this year. The intensive regulatory agenda has forced us to focus on institutional representation. The current regulatory agenda is structured in four main chapters. The first covers all measures geared to guarantee stability of the Financial System. In this regard we highlight the creation of the new European supervisory authorities, which have furthered the shifting of regulatory decision-making centres from the national capitals to the new European headquarters. The second block addresses new aspects in prudential legislation. Basically, it transposes Basel II into European laws and regulations.

A third group of new regulatory aspects is concerned with designing what could be called a "new model for marketing" financial products, which seeks to enhance protection of retail customers. These new requirements entail greater costs for financial institutions and cause "commoditization", which hampers the designing of a differentiated offer. The solution to this "commoditization" will come from the fourth chapter, which contemplates proposals for corporate governance and social responsibility. Good environmental, social and internal governance *reporting,* the creation of products to combat exclusion or the adopting of sound corporate governance rules are instruments that could enhance the positioning of the brand image. For entities with a social focus, these areas offer a clear channel for differentiation.

Apart from supporting restructuring and regulatory agenda processes, another of CECA's strategic objectives is to improve efficiency. Just as last year, budgetary restraint is maintained for 2012, especially visible in two aspects: an ambitious reduction of operating expenses and a reduction of the confederation dues paid by members to finance the association services (which currently already accounts for less than ten per cent of CECA's total income). The rest of the Confederation's income comes from financial and technological products and services that it provides in free competition with other suppliers.

Finally, the Confederation is making an integral review of its catalogue of products and services to bring them in line with the new sector requirements. One of the new initiatives is *Foro Cajas* ("Savings Banks Forum"), a collaboration platform that aims to meet specific needs of savings banks that have opted for indirect exercise, design joint social work strategies and offer shared service platforms.

Institutions such as CECA are called to play a fundamental role in this complex context full of challenges. It is the institutions that make it possible to bring wills together and generate consensus on which to build the future. Aware of the major challenge we face as an institution, in CECA we have made decisions that pave the way for our own reinvention. This Annual Report is intended to reflect the efforts made to be able to offer savings banks and other member entities those financial, operating, technological and association services and any others considered necessary or appropriate. All these initiatives put CECA in an optimum position to play the role corresponding to it as an institution in the sector: to guarantee that our understanding of banking business maintains its leadership in the future Spanish financial system.

José María Méndez Álvarez-Cedrón

02 SELF-DEFINITION

- Vision
- Mission
- CECA's Principal Objectives
- History of CECA

CECA aims to strengthen the position of savings banks and other members among the most important institutions of the Spanish and international financial system

VISION

CECA's strategic goal is to strengthen the position of savings banks and other members 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.

Moreover, CECA is a credit institution, providing competitive technological, financial and consultancy products and services for savings banks and other members 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 other members 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 *Social Work,* in both instances linking the image with the attributes of efficiency, professionalism, innovation, soundness, modernity, competitiveness and corporate social responsibility.

CECA'S PRINCIPAL OBJECTIVES

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

- Promote, facilitate and boost the domestic and international operations of savings banks and other members of the Confederation, 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 savings banks and other members of the Confederation 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 or the other member institutions may decide to exercise directly or delegate to the corresponding Federations in matters specifically affecting the savings bank, member institution 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 and other members of the Confederation to fulfil the important role they must play in society.
- Work jointly with savings banks and other members of the Confederation 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.

CECA represents savings banks and other members individually or collectively before the public authorities

The Confederation provides economic and social assistance for Spanish emigrants, establishing such branches and agencies as may be necessary overseas

- Represent savings banks and other members of the Confederation internationally, particularly in the World Savings Banks Institute (WSBI), the European Savings Banks Group (ESBG) and any other international organisations.
- Offer savings banks and other members of the Confederation 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. In this area and in strict fulfilment of Spanish laws and regulations, its main functions will be to:
  - Grant loans and credit facilities of whatsoever nature to savings banks and other members of the Confederation.
  - Bid for any loans and other financial transactions of the government and other public and private entities at the request of and on behalf of the savings banks and other member institutions.
  - Facilitate and act as traders in the trading and administration of securities commissioned by the savings banks or other member institutions.
  - Act as agent of member institutions in deposits and withdrawals that their customers wish to make through the Confederation.
  - Provide economic and social assistance to Spanish emigrants, establishing such operating branches and agencies as may be necessary overseas and correspondent banks with credit institutions in the respective countries to facilitate remittances by emigrants and foreign trade and financing transactions.

- Assist savings banks and other member institutions overseas, offering all and any services that they may require.
- Issue registered "cuotas participativas de asociación" [≈ "shares"] with an indefinite duration and which can be counted as equity; the conditions will be agreed by the General Assembly, within the limits laid down by law. The "cuotas participativas de asociación" can only be subscribed by savings banks and other members of the Confederation and may only be transferred among them. Issue bonds and debentures, subordinated or otherwise, all equity-backed, within the limits and on the terms laid down by law.
- And, in general, perform such actions and transactions as may be required to fulfil its objects as a credit institution.

CECA prepares statistics on savings banks and other member institutions and analyses their management

- Provide operating, legal counselling and information, administrative, tax, technical and investment services, report on any changes in legislation that may affect savings in general or the savings banks or other members of the Confederation in particular; prepare statistics on savings banks and other member institutions and analyse their management, individually and collectively; provide counselling on organisation, promote saving and the savings banks and other member institutions and any other activity that may contribute towards achieving the interests of the Confederation and the interests and competitive capacity of savings banks and other members of the Confederation, doing whatever may be deemed fit to secure these goals.

- Collaborate with the financial authorities in the restructuring, management improvement and compliance of savings banks and other members of the Confederation.
- Act as a study and training centre for all kinds of issues affecting the financial markets, introducing such institutions, services or procedures as may be considered convenient to develop the competitive capacity and fulfilment of the general purposes of savings banks and other member institutions and any other players in the financial markets. It may also publish such technical and cultural publications as may be deemed fit.
- This notwithstanding, the Confederation may provide financial, technological, administrative and counselling services to government bodies and any other public or private entity.

The Confederation collaborates with financial authorities in the restructuring, management improvement and compliance of savings banks and other member institutions

CECA was founded in 1928 at the initiative of the Basque-Navarre Federation of Savings Banks

HISTORY OF CECA

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

In 1971, the Confederation took over 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.

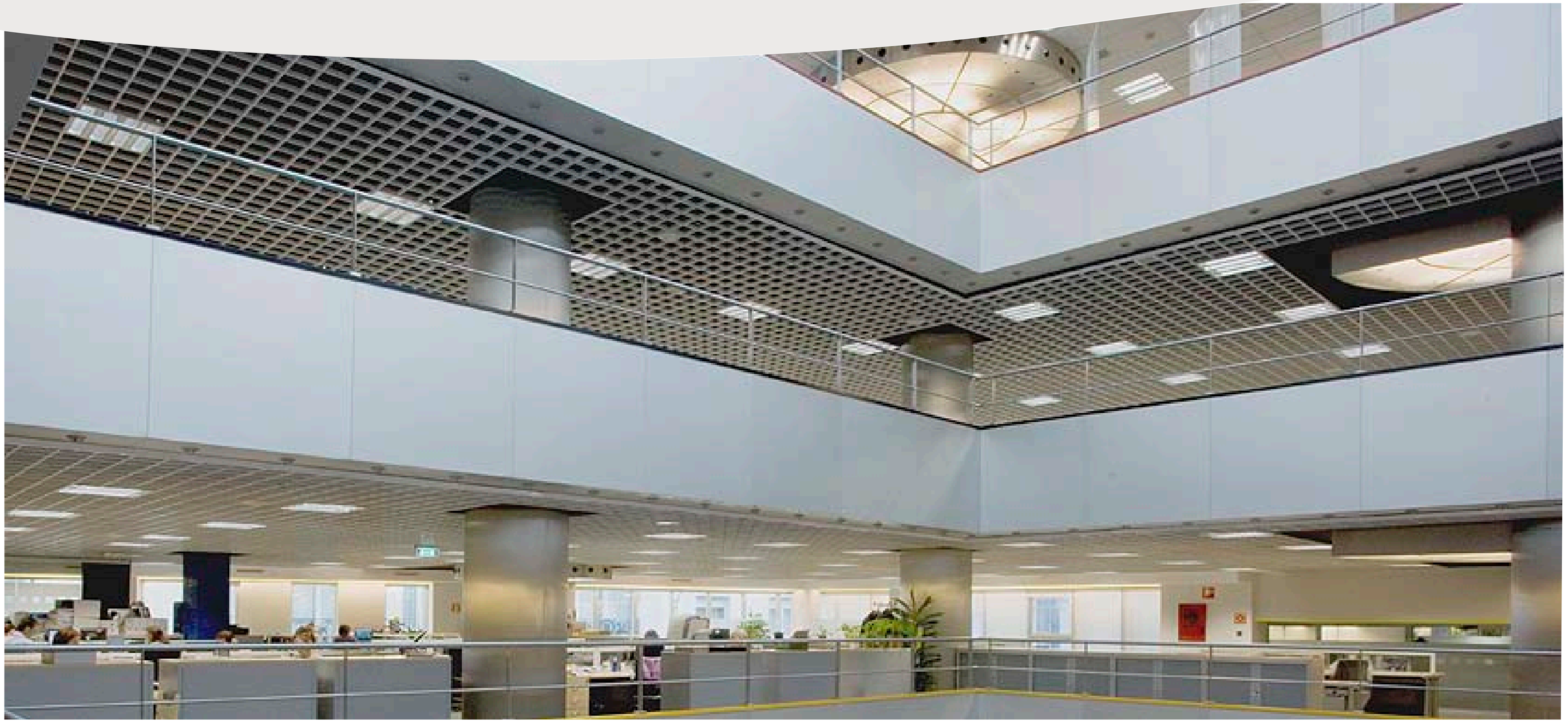
With the deregulation of the Spanish financial system in 1977, savings banks were put on an equal footing with banks

As a result, CECA no longer had a purely representative role. It embarked on a new venture, with financial services, operations and 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.

In 1971, CECA embarked on a new venture, taking on financial services, operations and duties typical of a credit institution



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.

Royal Decree 2290/1977 defined 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.

The General Assembly approved a change of strategy and organisation in 1990 to bring its services in line with the demands of savings banks on free market conditions

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.

The penultimate milestone in this evolution was the passing of the 2002 Finance Act and the 2003 Transparency Act. The purpose of the Finance Act was twofold: to make the management of savings banks even more professional and to facilitate their access to the capital market. The Transparency Act increased savings banks' disclosure requirements to the general government, 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 reform aims to promote the capitalisation of savings banks and enhance the professional competence of their governing bodies

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 brought a significant reform to Spanish law. The most characteristic feature of the reform was the acceptance of institutional diversity, as it was accepted in the late XIX century, through numerous strategic alternatives for these institutions, based on their business autonomy while maintaining their distinctive properties.

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 fully respected 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: 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.

The Confederation's Articles of Association had to be reformed to take account of the new composition of the sector

The statutory reform of July 2011

Following the reform made by Royal Decree-Law 11/2010, of 9 July on Governing Bodies and other aspects of the Legal Framework of Savings Banks, the process of restructuring and concentration of the savings banks sector has led to the creation of new corporate structures and new types of institution, whose financial business derives from the financial business of one or several savings banks. These new institutions are the central companies of the Institutional Protection Schemes (IPS) and the instrumental banks through which savings banks perform their financial business; and the credit institutions, separate from savings banks but whose financial business stems mainly from a prior transfer of assets and liabilities by a savings bank.

All the savings banks and groups of savings banks will be represented on the Board and/or Control Committee

As a result of the new composition of the Sector, the Confederation had to adapt its Articles of Association to contemplate the new types of financial institutions, which unquestionably belong to the savings bank sector, as can be deduced from their recent regulation.

The board of directors of the Confederation set the wheels in motion to alter its articles and the Articles of Association of the Confederation of Spanish Savings Banks were altered by virtue of a resolution adopted at an Extraordinary General Assembly on 20 July 2011, duly authorised by the Ministry of Economy and Finance and entered in the Madrid Trade Register.

This reform establishes a new composition of the Confederation's governing bodies to reflect the new operating and organisational situation in the savings sector. Firstly, all the entities currently comprising the savings sector are to be represented at top level in the General Assembly.

Secondly, representation on the board of directors shifts from territorial representation, through regional Federations, to a model based on representation of the savings banks and groups of savings banks, in view of the new situation of the sector, permitting the inclusion of representatives of the new entities directing the group. Consequently, all savings banks and groups of savings banks will be represented on the Board of Directors or on the Control Committee. Under the new structure the General Assembly, as the sovereign body, will decide on the composition of the Board of Directors and the Control Committee.

Thirdly, two new advisory committees are set up: the Federations Committee, renovating the participation by Federations, and the Foundations and Social Work Committee, to boost social work in the savings sector, as the distinctive feature of savings banks.

Finally, the rules for transferring "cuotas participativas de asociación" are altered to extend the system to all member institutions of the Confederation.

All in all, this reform modernises and adapts the CECA Articles of Association to the current and future reality of the savings sector.

Two new advisory committees are set up: the Federations Committee and the Foundations and Social Work Committee

03 CORPORATE GOVERNANCE: GOVERNING BODIES

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.*

All the details on coporate governance can be found on the CECA web site

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 and other members of the Confederation, is the highest governing and decision-making body of CECA. Its members, known as Consejeros Generales, represent the general interests of savings and savers.

Each of the savings banks is represented on the General Assembly by its Chairman and CEO; and each of the other member institutions is represented by its Chairman and Managing Director or CEO.

The General Assembly, made up of representatives of all the savings banks and other members of the Confederation, is the highest governing and decision-making body of CECA

The composition of the General Assembly of CECA at 31 December 2011 is as follows:

- José Luis Aguirre Loaso
- Jorge Albajar Barrón
- Fernando Alzamora Carbonell
- Matías Amat Roca
- Enrique Manuel Ambrosio Orizaola
- Álvaro Arvelo Hernández
- José Antonio Asiaín Ayala
- Natalia Aznarez Gómez
- Manuel Azuaga Moreno
- Ricard Banquells Bernad
- Rafael Barbero Martín
- Miguel Ángel Barra Quesada
- Joseba Barrena Llorente
- Gorka Barrondo Agudín
- Gabriel Bauza Manresa
- Víctor Manuel Bravo Cañadas
- Joaquín Cánovas Páez
- Luis Miguel Carrasco Miguel
- José María Castellano Ríos
- Lázaro Cepas Martínez
- Francisco Javier Chico Avilés
- Josep Cifre Rodríguez
- José María de La Vega Carnicero
- Rodrigo de Rato Figaredo
- Evaristo del Canto Canto
- Pablo Miguel Dols Bover
- Carlos Egea Krauel
- Víctor Javier Eraso Maeso
- José Manuel Espinosa Herrero
- Isidro Fainé Casas
- Juan Antonio Fernández-Velilla Hernández
- Felipe Fernández Fernández
- Julio Fernández Gayoso
- Mario Fernández Pelaz
- Amado Franco Lahoz
- Juan Manuel García Falcón
- Francisco Manuel García Peña
- Enrique Goñi Beltrán De Garizurieta
- César González-Bueno Mayer Wittgenstein
- Agustín González González
- José Ibern I Gallart
- Fernando Irigoyen Zuazola
- Xabier Iturbe Otaegui
- Antonio Jara Andreu
- Albert Juncà Guash
- Marta Lacambra Puig
- Manuel Lagares Gómez-Abascal
- José María Leal Villalba
- Ramón Martín López
- Fernando Martínez-Jorcano Eguiluz
- Jaume Masana Ribalta
- Braulio Medel Cámara
- Manuel Menéndez Menéndez
- Jordi Mestre González
- José Ignacio Mijangos Linaza
- Juan María Nin Génova
- José Luis Olivas Martínez
- Alberto Pascual Sanz
- Juan María Pemán Gavín
- Vicente Penadés Torró
- José Carlos Plá Royo
- Antonio Pulido Gutiérrez
- Jaume Ribera Segura
- Manel Rosell Martí
- Vicente Eduardo Ruíz de Mencía
- Juan María Saenz de Buruaga Renobales
- Ignacio Sánchez-Asiaín Sanz
- Ildefonso Sánchez Barcój
- Miguel Ángel Sánchez Plaza
- Rafael Soriano Cairols
- Atilano Soto Rábanos
- Juan Manuel Suárez Del Toro Rivero
- Carlos Tamayo Salaberría
- Adolf Todó Rovira
- Albert Vancells Noguer
- Mauro Varela Pérez
- Francisco Verdú Pons
- Alicia Vivanco González
- Carlos Vicente Zapatero Berdonces
- Juan Zurita Marqués

The CECA General Assembly approves the annual accounts and allocation of earnings

Among other duties contemplated in its Articles of Association, the CECA General Assembly 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 accounts and 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, the Consejeros Generales appointed by the savings banks and other member institutions representing at least one-tenth of the votes corresponding to all the savings banks and other member institutions or at the request of the Control Committee.

Two ordinary meetings of the CECA General Assembly were held in 2011, on 16 February and 21 December, and one extraordinary meeting, on 20 July.

All the savings banks belonging to CECA were represented at the two Assemblies held in February and July and all the savings banks and other members of CECA were represented at the meeting held in December.

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 2010, together with the balance sheet, income statement and proposal for the allocation of earnings.

The appointment of the new CEO was confirmed at the General Assembly held on 16 February

During 2011, the General Assembly adopted the following resolutions, among others:

16 February 2011

- 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 2010.
- Charitable and social work budget outturn for 2010 and maintenance budget for 2011.
- Ratification and appointment of members of the Board.
- Confirmation of the appointment of the new CEO.
- Study of and decision on issued submitted by the Board.
- Appointment of scrutineers to approve the minutes of the General Assembly.

20 July 2011

- Approval of alteration of the Articles of Association.
- Approval of the consolidation of the Articles of Association.
- Amendment of the resolution to issue *"cuotas participativas de asociación"* of 15 June 1988, as regards constraints on transferability.
- Ratification and appointment of members of the Board.

The alteration of the Articles of Association was approved at the Extraordinary General Assembly held on 20 July

21 December 2011

- Definition of the Confederation's strategic lines of action for 2012.
- Approval of the annual budget and amount of membership fee for 2012.
- Appointment of external auditor for CECA's 2012 accounts.
- Approval of the Regulations of the General Assembly.
- Appointment of scrutineers to approve the minutes of the General Assembly.

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 members of the CECA Board of Directors are appointed by the General Assembly, in a number decided by the same body, which shall be no fewer than five nor more than fifteen.

No savings bank or group may be simultaneously represented on the Board of Directors and the Control Committee

Nominations for Board members shall be submitted by the savings banks and savings bank groups and nominees shall necessarily be Consejeros Generales of the Confederation. No savings bank or group may be simultaneously represented on the Board of Directors and the Control Committee, or be represented on the Board by more than one person.

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; oversee 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.

Eleven Board meetings were held during the year

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.

Eleven board meetings were held in 2011, called by the Chairman at his own initiative.

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.

The Board of Directors is chaired by Isidro Fainé and has three vice-chairmen: Amado Franco, Rodrigo de Rato and Braulio Medel

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

SECRETARY:
- Carlos Egea Krauel

MEMBERS:
- Manuel Menéndez Menéndez
- José Luis Olivas Martínez
- Enrique Manuel Ambrosio Orizaola
- Juan Antonio Fernández-Velilla Hernández
- Antonio Pulido Gutiérrez
- Adolf Todó Rovira
- Jordi Mestre González
- Fernando Alzamora Carbonell
- Xabier Iturbe Otaegui
- Julio Fernández Gayoso
- Evaristo Del Canto Canto
- Enrique Goñi Beltrán
- Víctor Manuel Bravo Cañadas
- Álvaro Arvelo Hernández

The Remuneration and Nomination Committee reports on the general remuneration and incentives policy

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, unless it is expressly authorised to do so. Seventeen Executive Committee meetings were held in 2011.

The members of this Committee are the Chairman, Vice-Chairmen and Secretary of the Board. At 31 December 2011, the members of the Executive Committee were:

- Isidro Fainé Casas
- Amado Franco Lahoz
- Rodrígo De Rato Figaredo
- Braulio Medel Cámara
- Carlos Egea Krauel

3.2.4. Remuneration and Nomination Committee

Among other duties, the Remuneration and Nomination Committee of CECA reports on the general remuneration and incentives policy for members of the Board of Directors and Control Committee and for senior executives and ensures observance of that policy.

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 and Nomination Committee held three meetings in 2011 and submitted reports to the Board of Directors on the following matters:

- Appointment of CEO
- Remuneration policy of the Confederation

The members of the CECA Remuneration and Nomination Committee at 31 December 2011 were as follows:

Amado Franco Lahoz	Chairman
Fernando Alzamora Carbonell	Member
Adolf Todó Rovira	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 Confederation, directly or through group companies, and on the financial viability of those investments and whether they fit in with the Confederation's strategic plans and budgets.

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

The CECA Investment Committee reports on strategic and stable investments and divestments

The Investment Committee has analysed the activity of the Assets and Liabilities Committee, the sale of shares in an investee and the sale of a real-estate property

Four Investment Committee meetings were held in 2011, at which it analysed, inter alia, the activity of the Assets and Liabilities Committee, the sale of shares in an investee and the sale of a real-estate property. 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 2011 were:

Manuel Menéndez Menéndez	Chairman
Xavier Iturbe Otaegui	Secretary

The Control Committee performs the duties of the Audit Committee established in the Securities Market Act

3.2.6. Control Committee

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

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

- Analyse the Confederation's economic and financial management, submitting six-monthly reports to the Bank of Spain and the General Assembly.
- Examine the account audit summarising the activities of the year and lay before the General Assembly a report on the review made.
- Report to the General Assembly on the budgets and funding of social work, and ensure that the planned investments and expenditure are made.
- 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 of the savings banks and other 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.
- Oversee the procedures for nominating and appointing members of the governing bodies.

The CECA Control Committee has a minimum of three and a maximum of six members elected by the General Assembly from among the Consejeros Generales.

The external auditor, internal auditor and the Head of Regulatory Compliance appeared before this committee

Members of this Committee are appointed for terms of six years. The members of the Control Committee at 31 December 2011 were:

CHAIRMAN:
- Rafael Soriano Cairols

VICE-CHAIRMAN:
- Joseba Barrena Llorente

SECRETARY:
- Antonio Jara Andreu

MEMBERS:
- Atilano Soto Rábanos
- Josep Ibern Gallart
- Josep Cifre Rodríguez

The Control Committee meets whenever called by its Chairman, or at least once a quarter. During 2011 the Control Committee held eleven meetings, receiving reports from the following persons, among others:

- 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 2010.
- The internal auditor 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 Compliance to present the annual report on regulatory compliance.

On 13 April 2011, the Control Committee checked the information set down in the *Key Information Document.*

3.3. CORPORATE SHAREHOLDINGS

CECA's corporate shareholdings are intended to assist it in meeting its strategic objectives. Its principal interests at 31 December 2011 are set out below:

14.44% — **AHORRO CORPORACIÓN, S.A.**
Financial services holding company

50.00% — **AHORRO Y TITULIZACIÓN, SOCIEDAD GESTORA DE FONDOS DE TITULIZACIÓN, S.A.**
Securitisation fund manager

18.75% — **SOCIEDAD ESPAÑOLA DE SISTEMAS DE PAGOS (IBERPAY)**
Interchange, clearing and settlement of transfer orders

99.99% — **CAJA ACTIVA, S.A.**
Internet and other network links

1.60% — **CASER, GRUPO ASEGURADOR**
Insurance

10.00% — **EURO 6000, S.A.**
Administration of credit and debit card programmes

0.61% — **MASTERCAJAS, S.A.**
Means of payment

8.85% — **LICO CORPORACIÓN, S.A.**
Leasing and banking services

0.113% — **SWIFT**
International electronic payments

100% — **CEA TRADE SERVICE, TSL**
Documentary credit management

11.25% — **TRIONIS DATA**
Development, management and maintenance of financial services, especially means of payment

20.00% — **TEVEA INTERNATIONAL S.A**
Support for international operations of savings banks and their customers

22.49% — **EUFISERV PAYMENTS SCRL**
Means of payment

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; the Executive Committee, to which the most significant duties of the Management committee have been delegated; 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.

All the information on these Committees is available on the CECA website, www.ceca.es, in the section *Key Information Document,* within *Corporate Information.*

(The Management Committee assists the CEO)

04 MANAGEMENT REPORT

Confederación Española de Cajas de Ahorros (CECA) is the Parent of the Confederación Española de Cajas de Ahorros Group. The companies composing the Group are detailed in Note 1 to the consolidated financial statements for the year ended 31 December 2011.

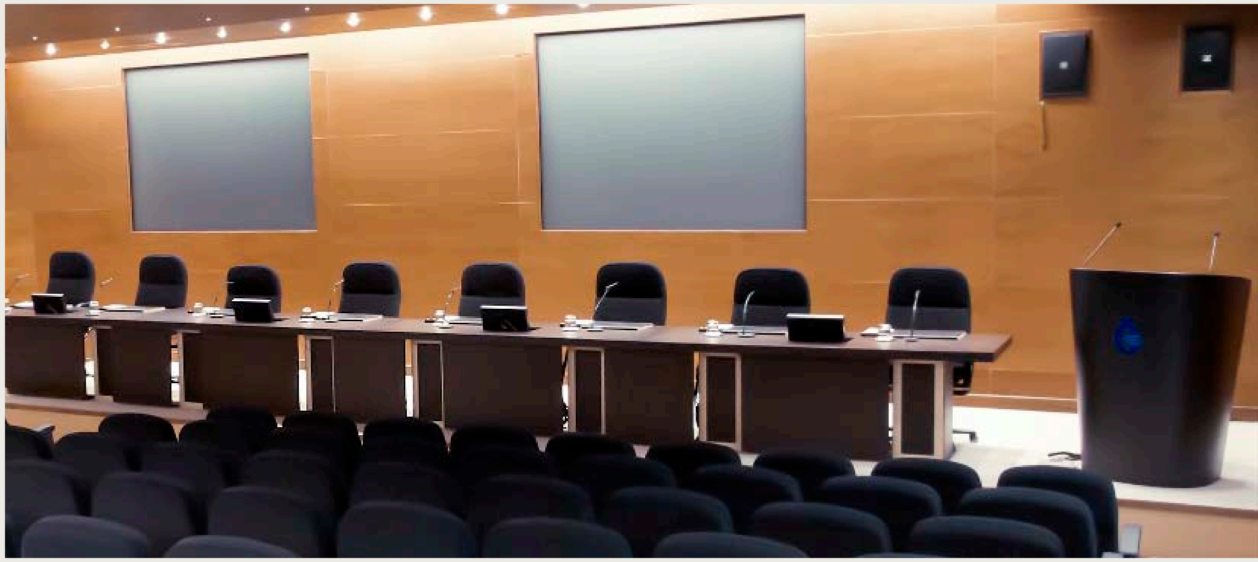
The essential purpose of this report is to inform on the activities performed during 2011, present the results and define the strategic lines for 2012

The main aim of this Directors' report is to provide information on the most significant initiatives developed by CECA in 2011, 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 2012. Since CECA represents approximately 99.97% of the Group's assets and 99.73% of the equity of the Group at 31 December 2011, the data and comments herein relate only to CECA, since they are applicable to and representative of the Group of which the Confederación is head.

The overall goals for 2011 were established at the CII General Assembly held on 15 December 2010

1. BUSINESS PERFORMANCE AND ACHIEVEMENT OF TARGETS IN 2011

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 CII General Assembly on 15 December 2010, 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.



The basic aim within the area of cooperation was to continue the projects geared towards improving efficiency and effectiveness

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:

1.1. Institutional representation and development

In defence of the interests of savings banks and their groups, CECA has monitored the regulatory matters relating to the implementation of Basil III, the amendments to the Spanish Law on the Basic Regulation for Savings Banks' Governing Bodies (LORCA), the regulation of the mortgage market, the review of MiFID and market abuse regulations, and the latest publications on international financial regulatory policies. In order to boost this strategic focus, it participated in various Spanish and international working groups such as: the European Commission's group of experts working to design a new EU framework for international crisis management; the development of the European Target 2-Securities project as member of the technical work groups created by the European Central Bank and the Bank of Spain; the CNMV's projects for the creation of a central clearing house for the Spanish fixed-income securities market; and the reform of the system for the settlement, clearing and registration of securities in the Spanish equities market. It also continued to develop the social corporate responsibility model for savings banks by redefining the scope and focus of the industry-wide annual report.

With regards to cooperation, the main objective has been to continue the projects aimed at improving the efficiency and effectiveness of the savings banks and their groups by developing projects in the area of CECA's Organisation, Automation and Service Committee (COAS). In this connection, mention should be made of the development of SOA (Service Oriented Architecture) focused on the business strategy, the development of the Bank of Spain's new financial reporting application, the promotion of the digital signature, the analysis of the main models for externalisation and the functional area of the entities' central services.

Documents and guidelines have been published to boost, promulgate and inform on the Confederation's Social Work

In the midst of the complex transformation of the industry, the savings banks and their groups have continued to be able to rely on the firm support of CECA's human and technical resources applied to the analysis and adaptation of legal, tax, solvency and accounting competencies, inter alia. Special mention should be made of the cooperative work in optimising the integration processes through consulting services. The profound change in the savings banks has required CECA to rewrite its own bylaws to adapt them to the new regulations governing its federated member entities.

With regard to welfare projects, the social network strategy was expanded and guidelines and documentation were developed to strengthen and improve the visibility and distribution of the welfare project brand.

1.2. Efficiency

As part of the efficiency project, aimed at detecting possibilities for obtaining a better and more efficient use of available resources through an analysis of the cost processes, procedures and cost components of the activities carried out in the various business and support lines, six units from the areas of Resources, Services for Federated Savings Banks and Risks were reviewed, and proposals were put forth for the improvement of qualitative matters a functional, organisational and process rationalisation nature and of quantitative matters with the aim of reducing costs by 16.93%.

(The workforce was cut by 19.91% in 2011)

In order to complete the adjustment and adaptation of production factors to the competitive demands arising from the changes in the financial sector, an Early Retirement Plan was implemented in 2011, foreseeably for 155 employees. At 31 December 2011, 147 employees (95%) had availed themselves of this plan. The total year-on-year reduction in the workforce was 19.91%.

1.3. Growth

Within the strategic growth area, the objectives were focused on increasing activity levels in operating and financial services, having achieved the projected increases in the volume of pensions, pan-European direct debit transactions, payments between the UK and Spain and transactions channelled through the dealing room. Also, in order to have access to alternative sources of liquidity, CECA has achieved direct membership of the central clearing houses LCH LTD London, LCH Paris and Eurex Repo in Frankfurt. It is also at a very advanced stage of the project to offer services for the externalisation of the compliance function.

With regard to the expansion and consolidation of cooperation with public and private agents, the scope of the Welfare Project Committee was extended, which will strengthen the involvement of the savings banks and their groups in the establishment of agreements with public and private bodies.

1.4. Efficiency

The perception of the quality of the services provided to customers of CECA and of the functional, technological and structural support services is subject to annual internal and external evaluation with the aim of ascertaining the degree of satisfaction obtained. This degree of satisfaction, together with the indicators of service availability and response times, is submitted for critical analysis in order to extract the conclusions that will serve as the basis for establishing targets for improving service quality and development. In this connection, the satisfaction levels forecasts for 2011 were achieved in full.

CECA customers expressed a high level of satisfaction with the services received

The new technologies enable the streamlining of internal processes, such as the digitalization of historic documentation

1.5. Innovation

The search for new formulas offering more flexible balance sheet liquidity led to the introduction of repo transactions in central clearing houses in currencies other than the euro and three-party repos. Also, in order to provide the savings banks and their groups with other avenues of financing, new structured dealing room products were designed and, in the area of capital adequacy requirements, a framework was established for the performance of capital stress tests for CECA and the application of the Internal Capital Adequacy Assessment Report (ICAAR).

In the area of technological innovation, there has been an ongoing modernisation of e-learning communication and training through ESCA and HR and there have been improvements to the Welfare Fund portal in the area of online auctions and publications. Also, the use of new technologies has allowed for the streamlining of internal processes such as the digitalisation of historic documentation and the inclusion of the Bank of Spain Risk Information Centre (CIRBE) in the New Financial Information System (NSIF).

With regard to technological services, the acquiring project was developed and the functionality of terminal (POS terminals and ATMs) management was increased in order to improve fraud prevention, raising the security standards of payment systems and maintaining compliance with PCI/DSS of Visa and MasterCard. With respect to new channels, e-banking security has been improved and interactive services have been advanced, improving access management for their use in other services and the Organisation, Automation and Services Committee (COAS). In the area of IT and Management Development, internal technologies have been adapted through the renewal of applications and the development of new modules, and CECA has furthered the development of platforms and services supporting expense management, HR and business intelligence applied to savings banks and their groups and customers, thereby expanding the offering of operational and technological services.

Optimisation of data processing management for job assessment

1.6. Capacity development

In relation to management and control information systems, improvements continue to be made to the transaction accounting information system (GEOS), which allows for comprehensive handling of operations in the accounting system, and advances continue to be made in planning the migration of financial accounting towards a multicurrency system in SAP. Also, there were improvements in the availability of the analytical accounting data in the management information systems (Agora application), the obtainment of scorecards was automated, indicators on improvement plans were implemented, and the secondary controls were adapted to the Committee of European Banking Supervisors (CEBS) guidelines on market activities.

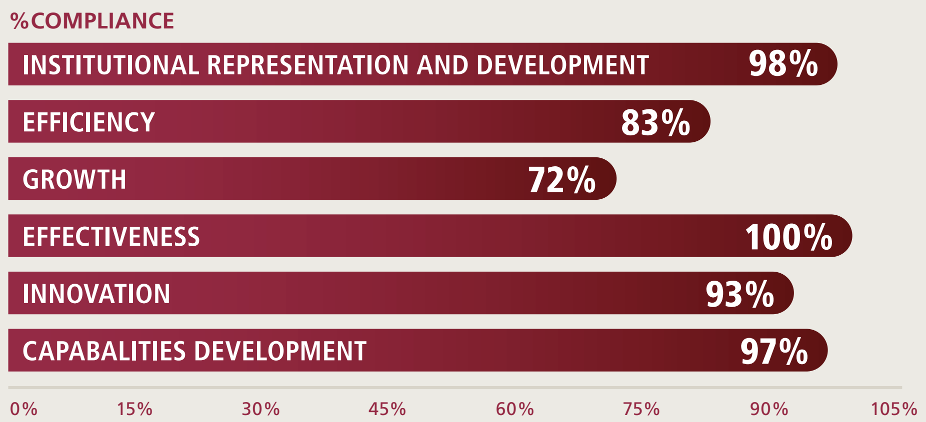
Enhancement of the GEOS transaction reporting system to permit integral treatment of operating events in the accounts system

With respect to its internal legal context, CECA has successfully amended its legal and contractual framework to current scenario in which the savings banks are adapting to the LORCA reforms. Regarding taxes, the tax website databases on tax obligation controls were updated and the services accessible to the savings banks and their groups were improved. In relation to organisational development, CECA optimised IT management systems for evaluating job posts and continued with the implementation of the performance management system.

In connection with its risk control and reporting systems, CECA optimised applications and carried out the developments required to support the saving banks and their groups in concentration processes. New methodologies have been defined and calculations performed for the adaptation to the liquidity requirements of Basel III.

Also, new technologies continue to be implemented to offer support to information systems and applications, adapting and tailoring the architecture and components of the internal and external network and implementing an activity monitor change management system for the ongoing improvement of technological capabilities.

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



Management system for changes in the activity monitor to achieve ongoing improvement of technological capacities

(Profit before tax totalled €49 million)

2. INCOME STATEMENT

	THOUSANDS OF EUROS			
	2011	**BUDGET**	**VARIANCE**	**%**
Financial margin (*)	205,894	94,412	111,482	118.08
Net fee and commission income	71,144	61,742	9,402	15.23
Other operating income and expenses (net)	71,227	71,900	(673)	(0.94)
Gross income	348,265	228,054	120,211	52.71
Operating expenses	(300,203)	(183,873)	(116,330)	(63.27)
Profit from operations	48,062	44,181	3,881	8.78
Other losses (net)	938	0	938	----
Profit before tax	49,000	44,181	4,819	10.91
Income tax	(10,244)	(11,930)	1,686	14.13
Profit for the year	38,756	32,251	6,505	20.17

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

Profit before tax for 2011 exceeded the budget by 10.91% and aftertax profit for the year by 20.17%.

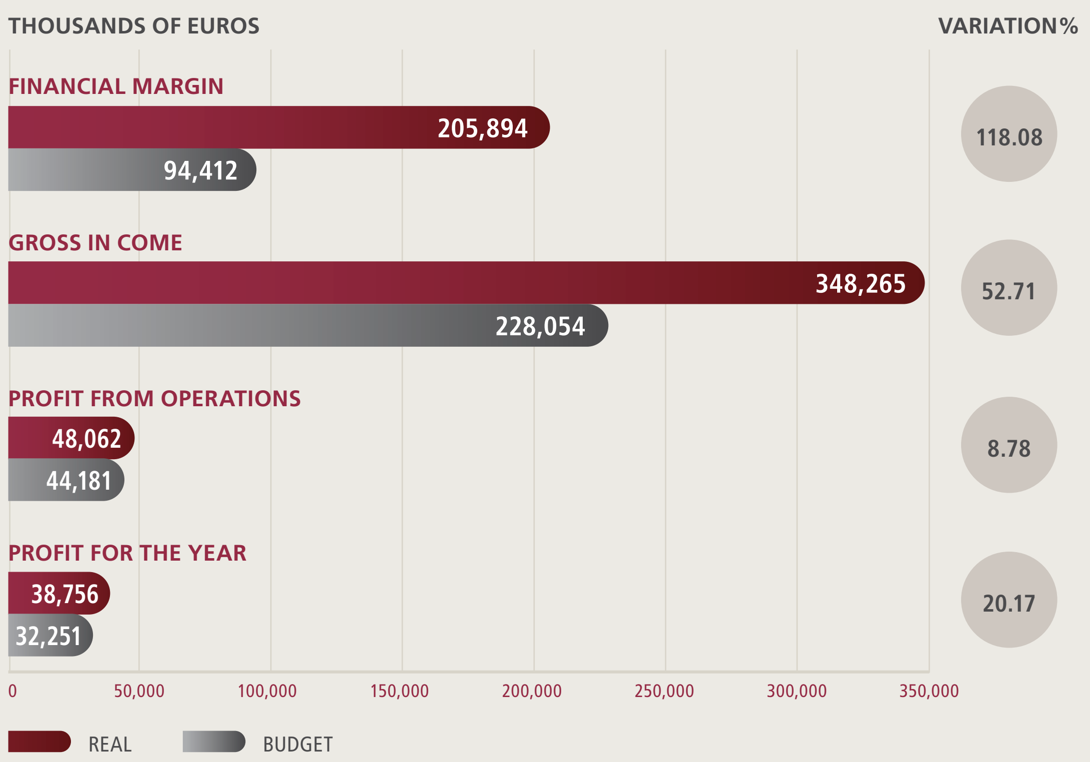
If the income statement is analysed with regard to the various margins composing it, the net interest margin exceeded the forecast by EUR 111.5 million, of which EUR 100.9 million were obtained from dealing room activity and EUR 10.6 million of gains were obtained from equity investments.The extraordinary income from dealing room activities is the result of an adequate management of the products offered, the diversification of its activities and the liquidity position maintained in financial assets and liabilities.

Gross income, which reflects in full the net income obtained from operating activities, reached EUR 348.3 million, exceeding the forecast by EUR 120.2 million of which, the most significant amount arises from net interest margin, as mentioned before. It is also remarkable the EUR 9.4 million increase obtained from fees and commissions mainly arising from operations performed in technical, operational and dealing room services.

The result of the income statement before tax was 10.91% up on the budget

An extraordinary provision of €63 million was made to meet obligations under the agreement for early retirement of some 155 employees

The total increase in operating expenses beyond the budgeted amount was EUR 116.3 million and is comprised of an extraordinary provision of EUR 63 million to meet the obligations for the early retirement agreements for a total of 155 employees; an increase of EUR 63.3 million in provisions which, using conservative criteria, were used to increase specific and general allowances for credit, market and operational risk arising from dealing room activities; a positive variance of EUR 9.7 million resulting from a decrease in staff costs and general administrative expenses due to the implementation of programmes and initiatives which improved cost efficiency; and EUR 0.3 million related to other items.



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

3. PROPOSED DISTRIBUTION OF PROFIT

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

	THOUSANDS OF EUROS
Return on participation certificates	1,667
To Welfare Fund	3,715
Fundación de las Cajas de Ahorros (FUNCAS)	3,715
To reserves	33,374
Profit for the year (profit after tax)	38,756

A total of €3.7 million has been attributed to the Savings Banks Foundation

4. EXTERNAL CREDIT RATINGS

The ratings assigned to the Confederación at 31 December 2011 by the international agencies Fitch Ratings, Moody's and Standard & Poor's are the followings:

FITCH RATINGS

Short term	Long term
F1	A

MOODYS

Short term	Long term
P -1	A2

STANDAR & POOR´S

Short term	Long term
A -2	A -

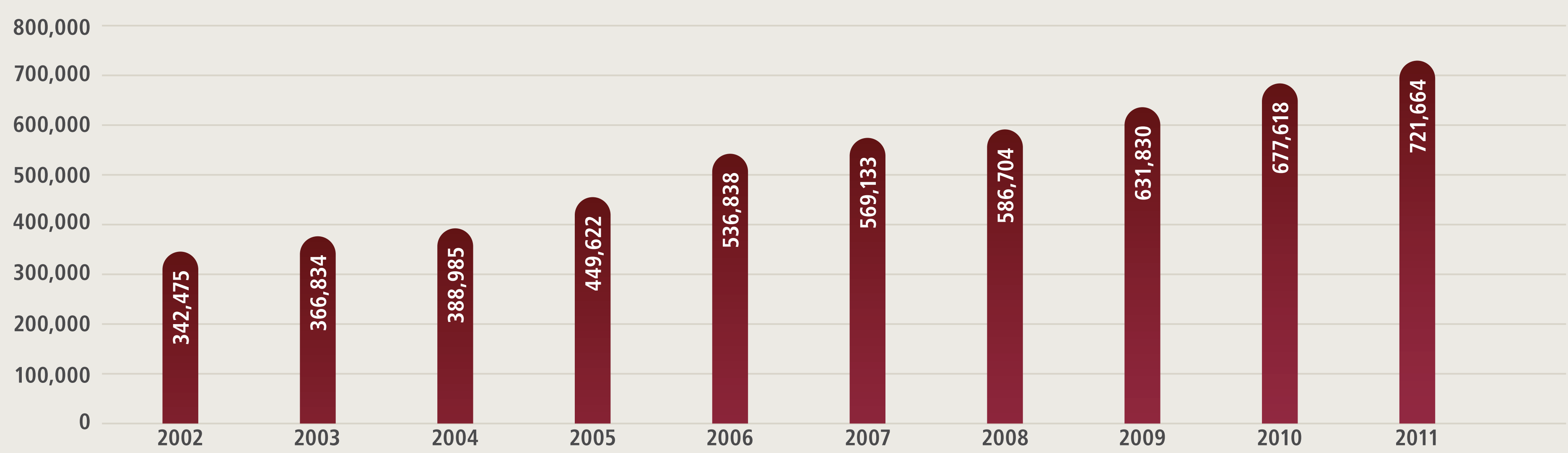
The Confederation's equity grew by 6.50% year on year

5. CAPITAL

Eligible capital amounted to EUR 721,664 thousand at 31 December 2011, a 6.50% on 2010. The variations in the last ten years were as follows:

The information on the Group's capital for 2011 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 2012 once the related application has been approved. This same system has been implemented for all the years included in the chart.

CAPITAL **THOUSANDS OF EUROS**



The main target of risk management is to maintain the Entity's solvency and liquidity levels

6. RISK MANAGEMENT

The turbulence which has plagued markets in recent years has highlighted the importance of having adequate risk policies in place. In this connection, CECA maintained the solid principles which it has traditionally applied to ensure a prudent management of risk. This is based on the use of advanced management techniques for monitoring risk and guaranteeing that the risks are contained within the limits of the profile established by the Board of Directors, thereby supporting the Entity's profits.

In the current economic climate, the main aims of risk management have been to maintain the Entity's solvency and liquidity levels. The risk policies and controls have proven to be effective in the context of the intense turbulence affecting the markets.

The main principles for proper risk management are established by the Board of Directors. They are included in the policies and procedures manual which sets out the processes for the analysis, authorisation, monitoring and control of all the financial risks. The factors which form the basis of CECA's corporate risk culture and which characterise its risk management are as follows:

- **Decision-making structured** into collective bodies in which senior executives participate directly.
- **Clear and efficient organisation** in which the responsibilities of each level of the organisation involved in risk management and the information channels are defined. In addition, basic structural policies and principles are transparent throughout the whole organisation.
- **Independence** of the risk function.
- **Ongoing review of processes, methodologies and tools** order to determine their suitability and adaptation to best market practices. Also, these matters are subject to review by internal control units.
- **Aggregated treatment of all risks.**
- **Structuring of limits** for the exposure to each major type of risk in order to define risk levels in a quantitative manner. The use of risk measurement and control methodologies, supported by efficient tools and information systems, enable CECA to ensure an adequate control of the risks managed.
- **Ongoing review** of the risk function.

(Clear, efficient organisation defining the responsibilities of each level involved in risk management)

The Asset- Liability Committee and the Risk Committee are fundamental in risk management

Corporate Governance of Risk

The Board of Directors defines the levels of tolerance to financial risk to which CECA is exposed. Senior management is responsible for maintaining the desired risk profile and for ensuring that the defined and approved risk appetite is consistent with the business strategy implemented.

The Asset-Liability Committee (ALCO) and the Risk Committee play an important role in risk management processes. The ALCO is a collective body which is responsible for decision making and for monitoring the Entity's risk. The senior executives participate directly in the ALCO and both its general action guidelines and its powers are defined by the Board of Directors. In order to streamline its functioning, the ALCO is supported by the Risk Committee, the New Financial Products Committee and the Liquidity Contingency Committee. The aforementioned committee structure ensures an adequate measurement of all the financial risks and guarantees that all the products with which transactions are performed are subject to adequate risk measurement and control systems.

The Risk Area is responsible for managing, transmitting and implementing the risk policies and ensuring compliance therewith. It is also responsible for ensuring that all risks fall within the limits approved by the Board of Directors and senior executives and it supports the governing bodies in risk management.

The Confederation's risk tolerance is now within an adequate, satisfactory profile level

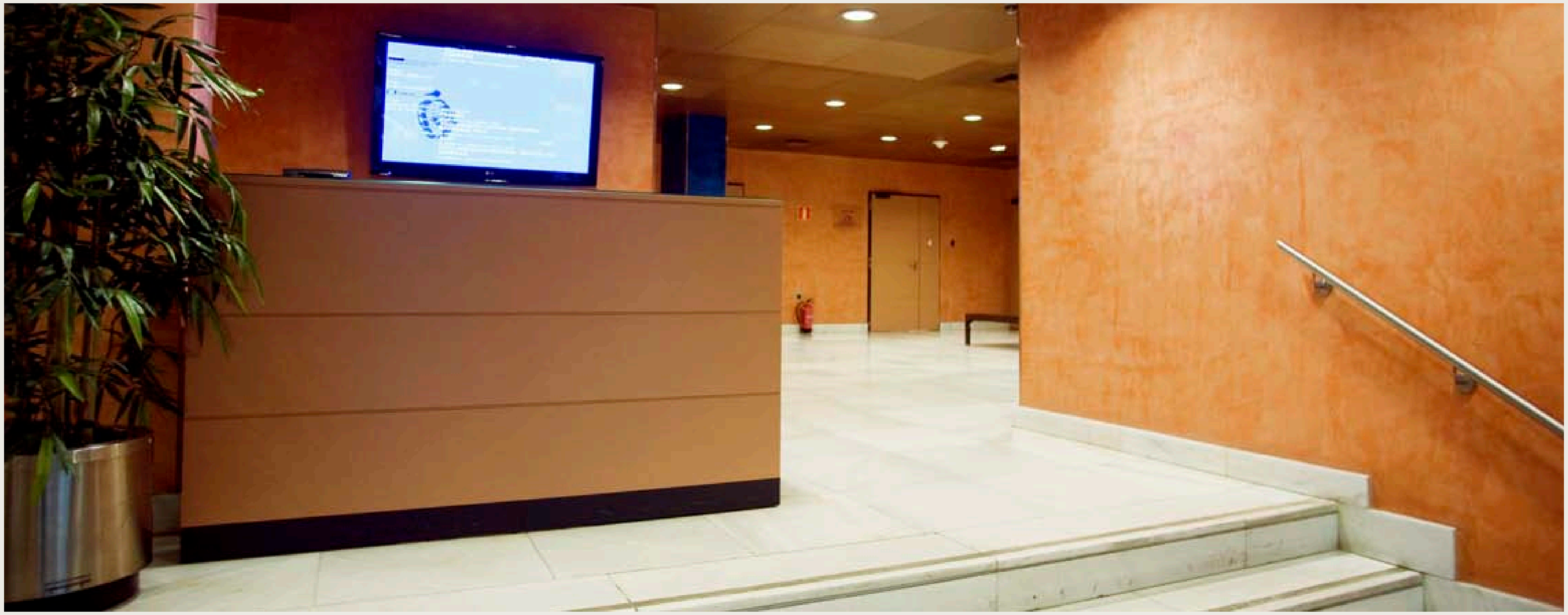
7. OPERATIONAL RISK

Among the functions assigned to the Operational Risk Committee, within the framework of control, is the monitoring of risk management. In 2011 the Committee met on two occasions. These meetings served to inform of the most salient matters relating to operational risk management, and involved the approval of the risk tolerance threshold, setting tolerance levels at both global and organisational level, and of the actions required as a result of the level of the Entity's risk exposure. Of the three levels of risk defined -adequate, satisfactory and unsatisfactory- the Entity's risk tolerance fell within levels considered adequate and satisfactory.

The internal audit team reviewed the operational risk management and evaluation system and prepared the specific mandatory annual report required by the Bank of Spain, without disclosing any salient matters that might affect the efficiency of the operational risk management model.

Mention should be made of the following initiatives carried out in the management of operational risk:

- The refining of the operational risk management system through the implementation of the risk event identification plan with the aim of including risk events in monitoring processes, and processes in which special attention has been paid to the identification of risks related to market activities.
- In the evaluation of the operational risk profile carried out in the second quarter of 2011, CECA obtained a rating at global level of "adequate" for all types of operational risks defined by regulations.
- The establishment of a procedure for monitoring operational risk indicators that verifies their ability to predict changes in the level of risk exposure and the appropriateness of established risk thresholds.



8. SIGNIFICANT EVENTS SUBSEQUENT TO YEAR-END

No significant events have occurred subsequent to year-end.

Development of Mosaico IT environment based on the principles of free software development for the sharing of documents, designs and software components

9. RESEARCH AND DEVELOPMENT

9.1. Cost saving as a result of the implementation of the digital signature

2011 saw a consolidation of the economic benefits of implementing the digital signature system. A group of experts from the savings banks and their groups and the vice chairman of technology of the ALCO performed an extensive analysis of the savings arising from the implementation of this system.

A model and a tool for calculating cost savings associated with improving processes was created. For a typical savings bank that is representative of the industry average, cost savings have been estimated at over EUR 4 million, which includes direct and indirect costs and an 800 tonne reduction in paper use (more than 24,000 trees per year).

9.2. Service Oriented Architecture (SOA) platform

In 2011, the Mosaico initiative created for the joint development of financial applications continued to evolve, with a focus on the practical use of the platform through the creation of applications through collaborative endeavours. To this end, Mosaico consists of a technical environment based on the principles of open source software for sharing documentation, designs and software components.

All the activities required to develop the application have been standardised to ensure that all the applications created in Mosaico are standardised and may be run by any entity which has the platform installed. The functional areas focused on operational compatibility with the public authorities and the new management requirements of the recently created groups of savings banks.

The initiative was given an award by The Banker (Financial Times) for innovation in world banking in the category of best channel technology and as project of the year in retail banking.

Mosaico was awarded the Prize for Innovation in World Banking by The Banker

Development of the WEB tool supporting the Comprehensive Management Model for Savings Banks and their Groups

9.3. Emerging technologies and their application in banking

As part of the work carried out by COAS in keeping up with technology, it carried out an analysis of the main current technological trends, including certain well-known developments such as virtualisation, others with extensive media coverage and great potential for use such as Cloud Computing, NFC, Augmented Reality and Media Tablets and finally the most innovative, that will set the offering of certain suppliers apart and will have a significant impact in the coming years: Internet of Things, Big Data and Predictive Analysis.

9.4. Comprehensive management model (CMM) web tool

The web tool on which the comprehensive management model (CMM) of the savings banks and their groups is based was developed in 2011 and allows users, among other functions:

- To perform a wide range of search queries on the information contained in the model, of different formats (tables, personalised graphics, summaries, ad-hoc reports, rankings, etc.), and to verify the quality and validity of the information using online controls.
- To create data simulations which they can use to measure and evaluate the impact of certain measures and strategic decisions.

Two interfaces with other applications have been developed at the same time from which the CMM tool obtains information: CECA's own Captura program and a database in the SAS (Statistical Analysis System) environment, which includes quantitative information on the branches.

Each institution receives individual information on the customers with the greatest likelihood of total flight or flight of their deposits

9.5. Customer loyalty building: customer management scorecard

Liquidity requirements and the need to sustain margins are the two pillars which will define strategic lines in regard to customers in the coming years. To this end, an online customer management scorecard was developed with a 100% analysis of the customers for each participating entity which defines two main types of customers:

- **Flow:** customers which join or leave the Entity, allowing net growth to be measured by comparing attraction and abandonment rates. This group accounts for 20% of customers.
- **Stock:** the remaining 80% which remained with the Entity throughout the year.

The Online Customer Management Scorecard analyses all the customers of the institutions participating in the project

A robust industry-wide application methodology has been defined with standards that calculate the net growth of customers = attraction - abandonment (each item with its measurement components and variables). The analysis covers the following segments: customer, product, channel, commercial structure and economic impact (business volume and margin).

This project has served as more than just a diagnostic tool and a commercial road map and also has the following applications: implementation of a decentralised, monthly online scorecard at office level (establishing incentives), loyalty plans, specific analysis of customers of entities involved in mergers and Institutional Protection Schemes (SIPs) or the creation of Loyalty Units (“Unidades de Retención”). Three months in advance and on the basis of the particular strategy chosen, each entity receives a list of the customers with the highest probability of terminating their relationship with the bank or of withdrawing their liabilities, and the ad-hoc commercial actions required for the optimal management thereof.

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 organization. In order to meet these targets, CECA defined a series of action plans which were approved by the CIV General Assembly on 21 December 2011. The content of these plans can be outlined as follows:

In the area of **institutional representation and development,** sparticular attention will be paid to the regulatory matters which might affect savings banks and their groups. To this end, CECA will monitor new developments in international regulatory policy, the implementation of CRD4 and the progress of the proposed EU directive on credit agreements relating to residential property. It will also take part in the reform of the Securities Clearing, Settlement and Registration system, as well as in the Target 2-Securities project. CECA also intends to assist the Bank of Spain in developing new taxonomies for its Risk Information Centre (CIRBE) . In the field of corporate social responsibility, it will launch an industry-wide plan and coordinate the participation of savings banks and their groups in international debates on non-financial reporting, as well as assessing and renewing financial education and social investment initiatives. In the sphere of services for federated savings banks, CECA will implement the new COAS structure, in addition to fostering cooperation within the industry in the conduct of efficiency and effectiveness projects, and it will carry out a plan to improve knowledge management and adapt information to the new industry map, thus enhancing the use of statistical data, in order to perfect the institutional information systems.

Sector reputation and communication plan to inform the public opinion on sector interests

Furthermore, CECA will help adapt the industry to the new regulatory framework. It will advise savings banks and their groups on integration processes, with regard to tax matters, legislative reform and the related implementing regulations, and it will adapt the contracts of the new entities that have joined the Confederación and propose initiatives to reduce the costs arising from application of the registration fee for mortgage transactions in the integration processes.

Lastly, an industry-wide communication and reputation plan will be implemented with a view to safeguarding the industry's interests in light of current public opinion.

The Treasure platform is going to be presented to all new entities created within the restructuring of the Sector

The targets for **efficiency improvement** focus on reducing the costs of services for federated savings banks through the computerisation of compliance function processes and the digitalisation, modernisation and enhancement of the distribution of publications. They also centre on the continuation of CECA's efficiency project, monitoring the achievement of projections with regard to the streamlining of the costs, processes and procedures reviewed, as well as on the reduction of the workforce based on the headcount at 2011 year-end. Furthermore, energy consumption and space and property management will be optimised, and internal regulations will be reviewed in order to bring procedures into line with the Confederación's new organisational structure. Similarly, with a view to achieving cost efficiency, agreements with suppliers will be rationalised, analysing the services provided in order to obtain a price reduction/freeze. Lastly, an overhaul of procedures will be undertaken through the automation of Central Counterparty Clearing House (CCP) and margin call processes, and the analysis and planning of actions to adapt the Interchange and Settlement Centre (CIL) applications to the migration of collections and payments to SEPA , as well as to the new regulations governing foreign economic transactions, and to adapt processes and applications to the new requirements of European legislation on the disclosures to be made regarding collective investment undertakings.

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 channeled through the dealing room in structured operations, securities lending, derivatives and purchases and sales of banknotes.

Actions designed to enhance the quality level perceived by customers are to continue

In addition, the Treasury platform will be presented to all the newlycreated entities that have arisen as a result of the restructuring of the industry.

As regards the increase of activities and services in the Federated Savings Banks Area, a new policy will be implemented to enable the marketing of tools such as Vigía, for social network monitoring, and Regina, for regulatory monitoring and automation of the regulatory compliance function. Furthermore, the design and implementation of business plans will be boosted to ensure improved coordination in the sale of products and services, as well as in International Consulting projects.

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.

The aims in **innovation** focus on the ongoing support provided by the Dealing Room, through the marketing of the derivatives service on the network and its integration in the Treasury platform, on the introduction of equities market correlation trading and automated trading, as well as on the installation of the MTS business platform. In addition, the Consulting and Quality Unit will provide methodologies to enable entities to streamline and right-size their central services, to manage their foreclosed assets and to prepare business continuity plans, while the Resources Area will develop training programmes tailored for use by non-financial institution groups.

Adaptation of the reform of the Regulations of the Legal Committee to the new CECA Articles of Association

As regards new technologies and procedures, particular attention will be paid to increasing functionalities that are capable of enhancing fraud prevention, by stepping up security standards in payment systems and innovating in terms of new payment and management information methods. Also, CECA will continue to improve the New Channels architecture, consolidate the interactive and e-commerce services, renew applications and develop new modules to enable it to broaden the range of operating services, and develop support services and platforms for the management of expenses, human resources and business intelligence. Similarly, applications will be integrated and new modules will be designed to facilitate financial reporting to the Bank of Spain. Risk analysis procedures will be applied to the transactions channelled through central counterparties and a set of parameters will be introduced to facilitate the calculation of risks associated with the remuneration policy.

Capability development lactivities will be geared towards the adaptation of the reform of the Legal Committee Regulations to CECA's new bylaws; the analysis of the impact on the Confederación of the tax reforms and Ministry of Economy and Finance Order EHA/2899/2011, of 28 October, on transparency and customer protection in banking services, and of the steps to be taken to comply therewith; the renewal of the governing bodies pursuant to the bylaws; and the development and implementation of the regulations of the General Assembly, the Board of Directors, the Control Committee, the Investment Committee, the Nomination and Remuneration Committee, the Federations Committee and the Foundations and Welfare Projects Committee. Lastly, the goal has been set to bring derivatives operations into line with the new regulations, vis-à-vis applications supporting the Treasury Rooms and those used for managing credit and counterparty risk.

11. FINANCIAL STATEMENT AUDIT

ceca CONFEDERACION ESPAÑOLA DE CAJAS DE AHORROS

FINANCIAL STATEMENT AUDIT

The Control Committee of the Spanish Confederation of Savings Banks, being familiar with the Entity's financial statements as of December 31, 2011 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.

January 25, 2012

The Secretary,

Signed: Antonio Jara Andreu

Approved

The Chairman,

Signed: Rafael Soriano Cairols

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 2011 AND 2010

	(THOUSANDS OF EUROS)	
ASSETS	**2011**	2010 (*)
1. Cash and balances with central banks (Note 7)	492,394	127,007
2. Financial assets held for trading (Note 8.1)	5,781,782	5,608,751
2.1. Loans and advances to credit institutions	-	-
2.2. Loans and advances to customers	-	-
2.3. Debt instruments	664,492	1,560,241
2.4. Equity instruments	39,284	57,403
2.5. Trading derivatives	5,078,006	3.991,107
Memorandum item: Loaned or advanced as collateral	328,709	1,213,991
3. Other financial assets at fair value through profit or loss (Note 8.2)	999,877	4,723,151
3.1. Loans and advances to credit institutions	493,590	3,253,755
3.2. Loans and advances to customers	506,287	1,469,396
3.3. Debt instruments	-	-
3.4. Equity instruments	-	-
Memorandum item: Loaned or advanced as collateral	169,324	3,137,554
4. Available-for-sale financial assets (Note 9)	3,608,306	3,804,933
4.1. Debt instruments	3,488,733	3,687,433
4.2. Equity instruments	119,573	117,500
Memorandum item: Loaned or advanced as collateral	1,928,145	2,943,799
5. Loans and receivables (Note 10)	5,310,632	5,929,438
5.1. Loans and advances to credit institutions	2,403,461	2,621,869
5.2. Loans and advances to customers	464,531	441,215
5.3. Debt instruments	2,442,640	2,866,354
Memorandum item: Loaned or advanced as collateral	611,190	1,910,833

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

CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER 2011 AND 2010

	(THOUSANDS OF EUROS)	
ASSETS	**2011**	2010 (*)
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)	10	298
9. Non-current assets held for sale (Note 12)	84	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)	98,529	103,812
13.1. Property, plant and equipment	97,397	102,644
13.1.1. For own use	97,397	102,644
13.1.2. Leased out under an operating lease	-	-
13.1.3. Assigned to welfare projects	-	-
13.2. Investment property	1,132	1,168
Memorandum item: Acquired under a finance lease	-	-
14. Intangible assets (Note 15)	2,518	2,874
14.1. Goodwill	-	-
14.2. Other intangible assets	2,518	2,874

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

CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER 2011 AND 2010

(THOUSANDS OF EUROS)

ASSETS	2011	2010 (*)
15. Tax assets	**128,998**	**89,196**
15.1. Current	656	693
15.2. Deferred (Note 22)	128,342	88,503
16. Other assets (Note 16)	**42,080**	**58,930**
16.1. Inventories	-	-
16.2. Other	42,080	58,930
TOTAL ASSETS	**16,465,210**	**20,448,551**

MEMORANDUM ITEMS		
1. Contingent liabilities (Note 30.1)	177,594	117,754
2. Contingent commitments (Note 30.3)	2,297,670	2,109,900

(*) 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 2011.

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.

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

CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER 2011 AND 2010

	(THOUSANDS OF EUROS)	
LIABILITIES AND EQUITY	**2011**	2010 (*)
LIABILITIES		
1. Financial liabilities held for trading (Note 8.1)	5,360,647	4,258,983
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	5,017,293	3,977,193
1.6. Short positions	343,354	281,790
1.7. Other financial liabilities	-	-
2. Other financial liabilities at fair value through profit or loss (Note 8.2)	2,324,724	8,722,874
2.1. Deposits from central banks	930,840	-
2.2. Deposits from credit institutions	352,750	987,755
2.3. Customer deposits	1,041,134	7,735,119
2.4. Marketable debt securities	-	-
2.5. Subordinated liabilities	-	-
2.6. Other financial liabilities	-	
3. Financial liabilities at amortised cost (Note 17)	7,001,837	6,529,931
3.1. Deposits from central banks	344,845	22,455
3.2. Deposits from credit institutions	2,917,015	3,276,282
3.3. Customer deposits	3,446,337	2,691,435
3.4. Marketable debt securities	-	-
3.5. Subordinated liabilities	-	-
3.6. Other financial liabilities	293,640	539,759

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

CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER 2011 AND 2010

	(THOUSANDS OF EUROS)	
LIABILITIES AND EQUITY	**2011**	2010 (*)
LIABILITIES		
4. Changes in the fair value of hedged items in portfolio hedges of interest rate risk	-	-
5. Hedging derivatives (Note 11)	25,759	38,736
6. Liabilities associated with non-current assets held for sale	-	-
7. Liabilities under insurance contracts	-	-
8. Provisions (Note 18)	206,302	76,026
8.1. Provisions for pensions and similar obligations	65,467	9,453
8.2. Provisions for taxes and other legal contingencies	-	-
8.3. Provisions for contingent liabilities and commitments	17	14
8.4. Other provisions	140,818	66,559
9. Tax liabilities (Note 22)	45,128	42,910
9.1. Current	8.645	9,274
9.2. Deferred	36.483	33,636
10. Welfare fund (Note 29)	215	266
11. Other liabilities (Note 16)	765,123	75,349
TOTAL LIABILITIES	**15,729,735**	**19,745,075**

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

CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER 2011 AND 2010

	(THOUSANDS OF EUROS)	
LIABILITIES AND EQUITY	**2011**	2010 (*)
EQUITY		
1. Own funds	740,298	708,648
1.1. Endowment fund	-	-
1.1.1. Registered capital	-	-
1.1.2. *Less: Uncalled capital*	-	-
1.2. Share premium	-	-
1.3. Reserves	672,194	625,627
1.3.1. Accumulated reserves (losses) (Note 21)	672,194	625,627
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	38,053	52,970
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 2011 AND 2010

(THOUSANDS OF EUROS)

LIABILITIES AND EQUITY	2011	2010 (*)
EQUITY		
2. Valuation adjustments	(4,823)	(5,172)
2.1. Available-for-sale financial assets (Note 19)	(4,823)	(5,172)
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	**735,475**	**703,476**
TOTAL LIABILITIES AND EQUITY	**16,465,210**	**20,448,551**

(*) 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 2011.

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.

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 2011 AND 2010

	(THOUSANDS OF EUROS)	
	INCOME / (EXPENSE)	
	2011	2010 (*)
1. Interest and similar income (Note 31)	323,130	343,772
2. Interest expense and similar charges (Note 32)	(208,463)	(322,571)
A. NET INTEREST INCOME	**114,667**	**21,201**
4. Income from equity instruments (Note 33)	112,755	141,042
5. Share of results of entities accounted for using the equity method	-	-
6. Fee and commission income (Note 34)	104,509	102,685
7. Fee and commission expense (Note 35)	(33,306)	(28,608)
8. Gains/losses on financial assets and liabilities (net) (Note 36)	(50,724)	(60,161)
8.1. Held for trading	(35,004)	(74,183)
8.2. Other financial instruments at fair value through profit or loss	(10,577)	8,617
8.3. Financial instruments not measured at fair value through profit or loss	(924)	5,613
8.4. Other	(4,219)	(208)
9. Exchange differences (net)	27,021	34,343
10. Other operating income (Note 37)	82,618	87,143
10.1. Income from insurance and reinsurance contracts issued	-	-
10.2. Sales and income from the provision of non-financial services	860	890
10.3. Other operating income	81,758	86,253

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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 2011 AND 2010

	(THOUSANDS OF EUROS)	
	INCOME / (EXPENSE)	
	2011	2010 (*)
11. Other operating expenses (Note 40)	(3,142)	(1,577)
11.1. Insurance and reinsurance contract expenses	-	-
11.2. Changes in inventories	(401)	(430)
11.3. Other operating expenses	(2.741)	(1.,147)
B. GROSS INCOME	**354,398**	**296,068**
12. Administrative expenses	(170,804)	(183,425)
12.1. Staff costs (Note 38)	(82,981)	(96,674)
12.2. Other general administrative expenses (Note 39)	(87,823)	(86,751)
13. Depreciation and amortisation (Note 42)	(7,636)	(7,701)
14. Provisions (net) (Note 18)	(132,775)	(1,322)
15. Impairment losses on financial assets (net) (Notes 24 and 41)	4,806	(48,040)
15.1. Loans and receivables	9,743	(43.369)
15.2. Other financial instruments not measured at fair value through profit or loss	(4,937)	(4,671)
C. PROFIT FROM OPERATIONS	**47,989**	**55,580**
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	(7)	11,918

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 2011 AND 2010

	(THOUSANDS OF EUROS)	
	INCOME / (EXPENSE)	
	2011	2010 (*)
18. Negative goodwill on business combinations	-	-
19. Gains (losses) on non-current assets held for sale not classified as discontinued operations (Note 12)	945	-
D. PROFIT BEFORE TAX	**48,927**	**67,498**
20. Income tax (Note 22)	(10,874)	(14,528)
21. Mandatory transfer to welfare projects and funds	-	-
E. PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS	**38,053**	**52,970**
22. Profit/Loss from discontinued operations (net)	-	-
F. CONSOLIDATED PROFIT FOR THE YEAR	**38,053**	**52,970**
F.1. Profit attributable to the Parent	38,053	52,970
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 2011.

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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 2011 AND 2010

(THOUSANDS OF EUROS)	INCOME / (EXPENSE)	
	2011	2010 (*)
A. CONSOLIDATED PROFIT FOR THE YEAR	**38,053**	**52,970**
B. OTHER RECOGNISED INCOME AND EXPENSE	**349**	**(39,936)**
1. Available-for-sale financial assets	499	(57,051)
1.1. Revaluation gains (losses)	(1,389)	(54,258)
1.2. Amounts transferred to income statement (Note 36)	1,888	(2,793)
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	-	-
4. Exchange differences	-	-
4.1. Revaluation gains (losses)	-	-
4.2. Amounts transferred to income statement	-	-
4.3. Other reclassifications	-	-

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

CONSOLIDATED STATEMENTS OF RECOGNISED INCOME AND EXPENSE FOR THE YEARS ENDED 31 DECEMBER 2011 AND 2010

	(THOUSANDS OF EUROS)	
	INCOME / (EXPENSE)	
	2011	2010 (*)
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	**(150)**	**17,115**
C. TOTAL RECOGNISED INCOME AND EXPENSE (A+B)	**38,402**	**13,034**
C.1. Attributable to the Parent	38,402	13,034
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 2011.

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.

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 2011 AND 2010

(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 31/12/10	-	-	625,627	-	30,051	-	52,970	-	708,648	(5,172)	703,476	-	703,476
1.1. Adjustments due to changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-
1.2. Adjustments made to correct errors	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Adjusted beginning balance	-	-	625,627	-	30,051	-	52,970	-	708,648	(5,172)	703,476	-	703,476
3. Total recognised income and expense	-	-	-	-	-	-	38,053	-	38,053	349	38,402	-	38,402
4. Other changes in equity	-	-	46,567	-	-	-	(52,970)	-	(6,403)	-	(6,403)	-	(6,403)
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	-	-	-	-	-	-	2,408	-	2,408	-	2,408	-	2,408
4.8. Transactions involving own equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-
4.9. Transfers between equity items	-	-	46,567	-	-	-	(46,567)	-	-	-	-	-	-
4.10. Increases (decreases) due to business combinations	-	-	-	-	-	-	-	-	-	-	-	-	-
4.11. Discretionary transfer to welfare projects and funds	-	-	-	-	-	-	3,995	-	3,995	-	3,995	-	3,995
4.12. Equity-instrument-based payments	-	-	-	-	-	-	-	-	-	-	-	-	-
4.13. Other increases (decreases) in equity	-	-	-	-	-	-	-	-	-	-	-	-	-
5. Ending balance at 31/12/11	**-**	**-**	**672,194**	**-**	**30,051**	**-**	**38,053**	**-**	**740,298**	**(4,823)**	**735,475**	**-**	**735,475**

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.

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 2011 AND 2010

(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 31/12/09	-	-	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**

(*) 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 2011.

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 2011 AND 2010

(THOUSANDS OF EUROS)

	2011	2010 (*)
A. CASH FLOWS FROM OPERATING ACTIVITIES	**368,744**	**(484,777)**
1. Consolidated profit for the year	38,053	52,970
2. Adjustments made to obtain the cash flows from operating activities	52,863	133,071
2.1. Depreciation and amortisation	7,636	7,701
2.3. Other adjustments	45,227	125,370
3. Net (increase)/decrease in operating assets	4,360,435	1,035,984
3.1. Financial assets held for trading	(149,798)	6,605,610
3.2. Other financial assets at fair value through profit or loss	3,712,697	(167,430)
3.3. Available-for-sale financial assets	199,317	(3,145,231)
3.4. Loans and receivables	638,543	(2,217,830)
3.5. Other operating assets	(40,324)	(39,135)
4. Net (increase)/decrease in operating liabilities	(4,033,963)	(1,675,857)
4.1. Financial liabilities held for trading	1,101,664	(90,662)
4.2. Other financial liabilities at fair value through profit or loss	(6,398,150)	1,103,350
4.3. Financial liabilities at amortised cost	471,906	(2,705,845)
4.4. Other operating liabilities	790,617	17,300
5. Collections/(Payments) of income tax	(48,644)	(30,945)

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 2011 AND 2010

(THOUSANDS OF EUROS)	2011	2010 (*)
B. CASH FLOWS FROM INVESTING ACTIVITIES	**(949)**	**(4,140)**
6. Payments	(1,999)	(4,140)
6.1. Tangible assets	(1,528)	(2,705)
6.2. Intangible assets	(471)	(1,435)
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	1,050	-
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	1,050	-
7.6. Held-to-maturity investments	-	-
7.7. Other payments related to investing activities	-	-

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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 2011 AND 2010

	(THOUSANDS OF EUROS)	
	2011	2010 (*)
C. CASH FLOWS FROM FINANCING ACTIVITIES	**(2,408)**	**9,641**
8. Payments	(2,408)	(2,277)
8.1. Dividends	(2,408)	(2,277)
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)	**365,387**	**(479,276)**

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 2011 AND 2010

	(THOUSANDS OF EUROS)	
	2011	2010 (*)
F. CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**127,007**	**606,283**
G. CASH AND CASH EQUIVALENTS AT END OF YEAR	**492,394**	**127,007**

MEMORANDUM ITEMS

COMPONENTS OF CASH AND CASH EQUIVALENTS AT END OF YEAR		
1.1. Cash	56,438	52,226
1.2. Cash equivalents at central banks	435,956	74,781
1.3. Other financial assets	-	-
1.4. Less: Bank overdrafts refundable on demand	-	-
Total cash and cash equivalents at end of year (Note 7)	**492,394**	**127,007**
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 2011.

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.

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, 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 laws.

Membership of the Confederación, with the same rights and obligations, is also open to entities which, in accordance with current legislation, carry on the financial activity of one or several savings banks and, in particular, to those for which certain circumstances prevail, including:

a. The central entities of Institutional Protection Schemes that include savings banks, as provided for by Article 8.3 d) of Law 13/1985, of 25 May, on the investment ratios, capital and reporting requirements of financial intermediaries.

b. The instrumental financial institutions through which one or several savings banks carry on their business activity indirectly, as provided for by Article 5 of Royal Decree-Law 11/2010, of 9 July, on governing bodies and other aspects of the legal regime of savings banks.

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 2011:

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 2011, 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 2011, including comparative information for 2010, and details the percentage that its assets and profit represent in relation to those of the Group.

The Group's consolidated financial statements for 2010 were approved at the Confederación's Annual General Assembly on 16 February 2011. The 2011 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 2011 were authorised for issue by the Confederación's directors at the Board of Directors meeting held on 24 February 2012.

The Group's consolidated financial statements are presented in accordance with International Financial Reporting Standards as adopted by the European Union at 31 December 2011 ("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 2011 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 2011, 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, in accordance with the financial information's regulatory framework to be applied in this case, particularly with the accounting policies and measurement bases contained in the document mentioned in the previous paragraph.

The principal accounting policies and measurement bases applied in preparing the Group´s consolidated financial statements for 2011 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 2011 may differ from those used by certain Group entities, the required adjustments and reclassifications were made on consolidation to unify such policies and bases and to make them compliant with the EU-IFRSs used by the Confederación in the preparation of its consolidated financial statements.

1.3. Responsibility for the information and use of estimates

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

In the preparation of the Group's consolidated financial statements for 2011 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 2011 and at the date on which these consolidated financial statements were authorised for issue 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 2010

As required by IAS 1, the information relating to 2010 contained in these notes to the consolidated financial statements is presented with the information relating to 2011 for comparison purposes only and, accordingly, it does not constitute the Group's statutory consolidated financial statements for 2010.

1.5. Agency agreements

Neither at 2011 nor 2010 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 2011 and 2010, the Group did not hold any ownership interests of 5% or more in the share capital or voting power of any Spanish or foreign credit institutions.

1.7. Environmental impact

In view of the main business activities carried on by the Group, it does not have a significant impact on the environment. Therefore, the Group's consolidated financial statements for 2011 do not contain any disclosures on environmental issues.

1.8. Capital management objectives, policies and processes

Bank of Spain Circular 3/2008 ("Circular 3/2008"), of 22th of 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 the entities should have in place and the information they should disclose to the market in this connection.

Bank of Spain Circular 3/2008 adapts Spanish legislation on capital requirements to the Community Directives, which in turn stem from the Basel Capital Accord (Basel II), structured around three core pillars: minimum capital requirements (Pillar I), the internal capital adequacy assessment process (Pillar II) and market disclosures (Pillar III).

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

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

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

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

Circular 3/2008, 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 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 Circular 3/2008. In this connection, the Group considers eligible capital to be that specified in Rule Eight of 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 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 2011 and 2010 calculated in accordance with Circular 3/2008:

	THOUSANDS OF EUROS	
	2011	2010
Tier 1 capital	694,007	658,940
Tier 2 capital	61,031	64,612
Total eligible capital	755,038	723,552
Minimum Tier capital	399,696	382,981

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 2011 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 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 2011 and 2010 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 2011 and 2010, and throughout 2011 and 2010, 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 2011 and 2010 the Group's cash balance with Bank of Spain for these purposes amounted to EUR 35,950 thousand (2010: EUR 74,781 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

Pursuant to the Ministry of Economy and Finance Order EHA/3515/2009 of 29 December, establishing the contributions to be made by savings banks to the Deposit Guarantee Fund (Spanish "FGD"), and at the behest of the Bank of Spain, the amount of the contributions by the Cajas was set at 1 per mille of the deposits covered by the guarantee.

In 2011 the following regulations amending the Deposit Guarantee Fund contribution system were issued:

- Firstly, Royal Decree-Law 16/2011, of 14 October, creating the Deposit Guarantee Fund for Credit Institutions, which unifies the three previously existing deposit guarantee schemes (the Deposit Guarantee Fund for Savings Banks, the Deposit Guarantee Fund for Banks and the Deposit Guarantee Fund for Credit Cooperatives) into a single scheme. Whilst retaining the function of guaranteeing deposits at credit institutions, which was already performed by the three previous funds, the unified scheme seeks to strengthen the second function of the system: namely to bolster the solvency and functioning of credit institutions, also known as the "resolution" function, with a view to ensuring the flexibility of the actions of the new unified Fund.
- Secondly, Royal Decree-Law 19/2011, of 2 December, amending Royal Decree-Law 16/2011, of 14 October, which created the Deposit Guarantee Fund for Credit Institutions. This Royal Decree-Law completes and reinforces the reform of the system undertaken through Royal Decree-Law 16/2011. It revises the legally stipulated maximum annual contribution that entities must make to the Fund, raising it from 2 per mil to 3 per mil to guarantee the maximum operating capability of the Fund. It also expressly repeals the ministerial orders which, pursuant to the legislation previously in force, had granted powers to temporarily reduce the entities' contributions, including Ministry of Economy and Finance Order EHA/3515/2009, of 29 December, which had set the Confederación's contributions at 1 per mil of the base of the deposits covered by the guarantee. The result of these changes is the establishment, in a rule that has the status of a law, of a ceiling on the contributions of 3 per mil of guaranteed deposits and the establishment of an actual contribution of 2 per mil instead of the aforementioned figures.

- Additionally, Royal Decree 771/2011 was introduced on 4 June 2011 and amended, among others, Royal Decree 2606/1996 governing deposit guarantee funds at credit institutions. The new regulation created a new system of additional contributions to the funds based on remuneration from the deposits themselves.
- Bank of Spain Circular 3/2011 of 30 June, which implements the new system of contributions to deposit guarantee funds, requires additional contributions (payable quarterly) from entities that arrange term deposits or settle demand accounts with remuneration that exceeds certain interest rates, depending on term or demand status. The Circular, which came into force on 4 July 2011, is applicable to term deposits where remuneration exceeds the corresponding interest rate published by the Bank of Spain and that were made on or after 15 July 2011, and demand deposits where remuneration exceeds the corresponding interest rate, for settlements that have occurred on or after 14 October 2011.

In 2011, the contributions made to this Fund amounted to approximately EUR 105 thousand (2010: EUR 154 thousand), and the related expense was recognised under "Other Operating Expenses" in the accompanying consolidated income statement for 2011 (see Note 40).

1.11. Changes in accounting policies

In 2011 there were no significant in the accounting policies applied by the Group in the consolidated financial statements in 2010.

1.12. Main regulatory changes during the period from 1 January 2011 to 31 December 2011

1.12.1. New Bank of Spain's Circulars

BANK OF SPAIN CIRCULAR 2/2011 ON THE WHOLESALE FINANCING RATIO

On 5 March 2011, the Bank of Spain published Circular 2/2011 of 4 March on the wholesale financing ratio. Among other similar measures, Royal Decree-Law 2/2011 of 18 February, for the reinforcement of the financial system, establishes that consolidable groups of credit institutions, as well as credit institutions not integrated in a consolidable group, that are able to secure repayable funds from the public must have a core capital ratio of at least 8% of their total risk-weighted exposures, calculated in accordance with Law 13/1985 of 25 May on the investment ratios, capital and reporting requirements of financial intermediaries, and the corresponding implementing regulation. Those groups and individual entities that meet certain conditions, including the securing of over 20% of funding from wholesale markets, are required to have a core capital ratio of 10%. The concept of wholesale financing is understood as the definition to be provided by the Bank of Spain as per the authorisation established in the third final provision of RDL 2/2011.

According to Circular 2/2011, the wholesale financing ratio is the ratio of wholesale financing less available liquid assets and loans and advances to customers, as per the following definitions:

- "Wholesale financing" is taken as the sum of the following items: deposits from central banks; deposits from credit institutions (barring some exceptions); non-operating wholesale deposits other than sales with repurchase agreements of debt instruments or equity instruments eligible to be considered liquid assets, funds obtained for brokerage credits and liabilities associated with securitised assets whose special-purpose vehicles were not included in the scope of consolidation; wholesale marketable debt securities, excluding those held by the entity, those placed with retail customers through the entity's branch network, those associated with securitised assets and those held by other entities in the economic group; and subordinated deposits, except where the lender is a member of the economic group.

- "Available liquid assets" are the sum of the following items: cash and balances with central banks; loans and advances to credit institutions (barring certain exceptions); liquid debt instruments, including the balance of the available portfolio of these securities recognised in the balance sheet, providing that they are considered liquid; and listed equity instruments, providing they have not been sold under repurchase agreements, loaned or advanced as collateral. Short securities positions will be deducted from the sum of liquid assets.

BANK OF SPAIN CIRCULAR 4/2011 ON THE CALCULATION AND CONTROL OF MINIMUM CAPITAL REQUIREMENTS, WHICH MODIFIES BANK OF SPAIN CIRCULAR 3/2008

This Circular, which transposes into Spanish law Directive 2010/76/EU on capital requirements for the trading book and for re-securitisations, and the supervisory review of remuneration policies, aims to make progress in the adaptation to Basel III.

The main amendments introduced by Bank of Spain Circular 4/2011 are summarised as follows:

- Specification of the financial characteristics that various regulatory capital instruments must have -in particular those eligible for inclusion in core capital- in order to strengthen their stability and their capacity to absorb losses in stress scenarios.

These amendments include most notably those that will prevent, in the future, the existence of early redemption incentives and those which aim to avoid the payment of remuneration (except for subordinated debt) where this is advisable in order to bolster an entity's capitalisation.

- Introduction of mechanisms to ensure that hybrid instruments computable as core capital can be used to absorb ordinary losses; thus, the required ratio to risk-weighted assets has been rendered more stringent.
- Establishment as rules of the liquidity risk management guidelines included in Bank of Spain Circular 9/2010 -which constituted the latest amendment to Bank of Spain Circular 3/2008- and inclusion of specific mentions of the short-term liquidity standard that will foreseeably be introduced in the future by Basel III and which will include a set of monthly liquidity position disclosures to be submitted by credit institutions.
- Toughening of the prudential requirements attaching to certain types of assets as a result of their risk exposure, i.e. assets originating from securitisations and re-securitisations and assets held for trading, with regard to both the related capital requirements and the due diligence obligations vis-à-vis investments and issues.
- Modification of the limits for large exposures and the remuneration disclosures to be published by credit institutions.

- Transparency of the remuneration policies applied by institutions for their executives and for employees whose decisions can affect the institutions' risk profiles. As well as indicating the aggregate information to be disclosed, the Circular specifies the cases in which institutions must have a Remuneration Committee and establishes certain of the institutions' obligations vis-à-vis the aforementioned employee group when they report mediocre profits or losses. It also indicates the information that the Bank of Spain must receive in order to supervise compliance with these principles.

Note 1.8 above contains information on the Group's capital requirements.

BANK OF SPAIN CIRCULAR 5/2011, TO CREDIT INSTITUTIONS, AMENDING BANK OF SPAIN CIRCULAR 4/2004, OF 22 DECEMBER, ON PUBLIC AND CONFIDENTIAL FINANCIAL REPORTING RULES AND FORMATS

This Circular formally incorporates into the legislation applicable to Spanish credit institutions certain financial statement note disclosure requirements relating to risk exposure to the real estate sector which had previously been effectively requested from Spanish banks.This information has also been included in the confidential disclosures that credit institutions are required to submit to the Bank of Spain, and the Circular regulates the frequency of disclosure of this information and the means by which institutions must submit it.

The Circular also includes, as technical enhancements, certain additional information on the special accounting records for mortgage business, created by Bank of Spain Circular 3/2008, of 26 November, amending Bank of Spain Circular 4/2004.

In view of the activity carried on by the Confederación, it did not record at 31 December 2011 or at 31 December 2010, or during the years then ended, any construction or property development financing transactions or any assets acquired in payment of debts. The only home purchase financing transactions were those granted to its employees (see Note 24.11).

1.12.2. Modifications to International Financial Reporting Standards

The main standards or amendments to IFRSs adopted by the EU that came into force and became mandatory in the year beginning 1 January 2011, the effects of which, if any, were included in these condensed interim consolidated financial statements, were as follows:

A. NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS MANDATORILY APPLICABLE IN THE CALENDAR YEAR THAT BEGAN ON 1 JANUARY 2011

The following standards were applied in these consolidated financial statements but did not have any material impacts on the amounts reported, on the presentation of the consolidated financial statements or on the disclosures here in:

- Amendment to IAS 32 "Financial Instruments: Presentation - Classification of share rights"

  The amendment clarifies how to account for certain rights when the issued instruments are denominated in a currency other than the issuer's functional currency. If such rights are issued pro rata to all of an entity's existing shareholders for a fixed amount of cash, they should be classified as equity regardless of the currency in which the exercise price is denominated. The amendment is mandatory for annual periods starting on or after 1 February 2010.

- Revised IAS 24 "Related Party Disclosures"

  Clarifies the definition of a "related party" and simplifies the disclosure requirements for entities that are controlled, jointly controlled or significantly influenced by a government. The amendment is mandatory for annual periods starting on or after 1 January 2011.

  The application of this standard did not give rise to any significant change in the definition of related parties.

- Amendment to IFRIC 14 "Prepayments of a Minimum Funding Requirement"

  The amendment removes an unintended consequence when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover them. The amendment is mandatory for annual periods starting on or after 1 January 2011.

- IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments"

  The interpretation clarifies the requirements of IFRS where an entity renegotiates the terms of a financial liability with a creditor, and the creditor agrees to accept an entity's shares or other equity instruments to settle the financial liability in part or in full. The interpretation is mandatory for annual periods starting on or after 1 July 2010.

- Third annual Improvements to IFRSs

  These improvements form part of the annual process of non-urgent but necessary amendments to IFRSs. They include amendments to IFRS 3 and IAS 27, which must be applied in annual periods starting on or after 1 July 2010, and amendments to IFRS 1, IFRS 7, IAS 1, IAS 34 and IFRIC 13, which must be applied in periods starting on or after 1 January 2011.

B. NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS MANDATORILY APPLICABLE IN THE PERIODS BEGINNING AFTER THE CALENDAR YEAR THAT BEGAN ON 1 JANUARY 2011 (APPLICABLE FROM 2012), APPROVED BY THE EUROPEAN UNION

Set forth below are the standards, amendments and interpretations issued by the International Accounting Standards Board ("IASB") and approved by the European Union:

- Amendment to IFRS 7 "Transfers of financial assets: Disclosures"

  [Applicable for financial periods starting on or after 1 July 2011, with early application allowed]

  The change will allow for an assessment of risk exposures relating to the transfer of financial assets and the effect of such risks on the entity's financial position, and will promote transparent reporting of transfers, and financial asset securitisations in particular.

C. NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS MANDATORILY APPLICABLE IN THE PERIODS BEGINNING AFTER THE CALENDAR YEAR THAT BEGAN ON 1 JANUARY 2011 (APPLICABLE FROM 2012), NOT YET APPROVED BY THE EUROPEAN UNION

Set forth below are the standards, amendments and interpretations issued by the International Accounting Standards Board ("IASB") that had not yet been approved by the European Union and which, therefore, were not applied in preparing these consolidated financial statements:

- IFRS 9 "Financial instruments"

  [Applicable to financial periods starting on or after 1 January 2013, with early application allowed]

  This is the first of three standards that are to replace the current IAS 39. The first new standard amends the criteria for classifying and measuring financial instruments.

  In August 2011 the IASB proposed to postpone effective application of IFRS 9 until 1 January 2015. At the reporting date this change had not yet been definitively approved.

- Amendment to IFRS 12 "Income tax - Deferred tax: Recovery of Underlying Assets"

  [Applicable to financial periods starting on or after 1 January 2012, with early application allowed]

  The amendment introduces an exception to the general principles set out in IAS 12. This exception affects deferred taxes in connection with investment properties valued using the fair value model set out in IAS 40 Investment Property. In these cases, the amendment introduces a presumption that recovery of the carrying amount will normally be through sale.

- IFRS 10 "Consolidated Financial Statements"

  [Applicable for financial periods starting on or after 1 January 2013, with early application allowed]

  This standard, which replaces SIC 12 "Consolidation - Special Purpose Entities" and certain sections of IAS 27 "Consolidated and Separate Financial Statements," establishes the concept of control for the purposes of ascertaining whether an entity ought to be included in the consolidated financial statements of the parent, and also issues guidelines to be used in certain cases where measurement proves difficult.

- IFRS 11 “Joint Arrangements”

  [Applicable for financial periods starting on or after 1 January 2013, with early application allowed]

  This standard, which replaces IAS 31 “Interests in Joint Ventures” and SIC 13 “Jointly-Controlled Entities - Non-Monetary Contributions by Venturers,” analyses the incoherencies of reporting in relation to joint ventures and establishes a single method to account for investments or stakes in jointly-controlled entities.

- IFRS 12 “Disclosure of Interests in Other Entities”

  [Applicable for financial periods starting on or after 1 January 2013, with early application allowed]

  The standard determines the disclosure requirements for all forms of investment in other entities, including joint arrangements, associates, SPEs (Special-Purpose Entities) or SPVs, and other off-balance sheet vehicles.

- IFRS 13 “Fair Value Measurement”

  [Applicable for financial periods starting on or after 1 January 2013, with early application allowed]

  IFRS 13, issued by the IASB in May 2011, establishes a single standard for fair value measurement wherever this valuation approach is required by other international financial reporting standards. The new standard will accordingly operate as the frame of reference for fair value measurement of financial and non-financial assets and liabilities. IFRS 13 also introduces consistent requirements for itemised disclosure of all these elements measured at fair value.

- Amendment to IAS 27 “Consolidated and Separate Financial Statements”

  [Applicable for financial periods starting on or after 1 January 2013, with early application allowed]

  This amendment modifies the earlier IAS 27 “Consolidated and Separate Financial Statements,” whereby IFRS 10 “Consolidated Financial Statements,” the origin of this amendment, referred to above, becomes applicable to consolidated financial statements, with the current guidance of IAS 27 being applicable to separate financial statements.

- **Amendment to IAS 28 "Investments in Associates and Joint Ventures"**

  [Applicable for in financial periods starting on or after 1 January 2013, with early application allowed]

  This amends the earlier IAS 28 "Accounting for Investments in Associates," pursuant to the changes made through issuance of IFRS 10 and IFRS 11 mentioned above. The standard specifically establishes, subject to certain requirements, that the equity method shall be applied for investments in both associates and in joint ventures.

- **Amendment to IAS 19 "Employee Benefits"**

  [Applicable for financial periods starting on or after 1 January 2013, with early application allowed]

  This amendment eliminates the option of deferring recognition of actuarial gains and losses, known as the corridor approach. It also stipulates that revaluations associated with defined-benefit plans must be presented under equity ("Other Comprehensive Income" or "OCI"), while the current income statement accounting treatment is maintained for interest income or expenses and service costs. The disclosure requirements are also enhanced for these types of plans.

- **Amendment to IAS 1 "Presentation of Financial Statements": Presentation of components of "Other Comprehensive Income"**

  [Applicable for financial periods starting on or after 1 July 2012, with early application allowed]

  This amendment alters the way in which the equity heading "Other comprehensive income" is presented, requiring entities to place components in the heading depending on whether or not they may subsequently be reclassified to the income statement.

Although in certain cases early application is permitted, the Group opted not to apply the above-mentioned standards early in 2011. It is not possible to estimate the impact that these standards will have on the Confederación, since this will depend on, inter alia, its equity position at the date of their application and the approval of the definitive standards by the European Union

2. ACCOUNTING POLICIES AND MEASUREMENT BASES

The accounting policies and measurement bases applied in preparing the Group's consolidated financial statements for 2011 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 2011 and 2010, 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 2011 and 2010, 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 2011 and 2010, in accordance with the aforementioned criteria, the Confederación did not hold any ownership interests in companies considered to be associates.

At 31 December 2011 and 2010, 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 2011, the Confederación owns 22.49% of the share capital of Eufiserv Payments, S.C.R.L. (31 December 2010: 22.49%). At 31 December 2011 and 2010 this investment was not considered an associate since, in spite of owning 22.49% of the voting power, the Confederación does not exercise significant influence over this company. Therefore, this investment is recognised in these consolidated financial statements under "Available - for - Sale Financial Assets - Equity Instruments" in the consolidated balance sheet at that date and is measured at cost in accordance with the criteria explained in Note 2.2.4.

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

2.2.1. Initial recognition of financial instruments

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

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

2.2.2. Derecognition of financial instruments

A financial asset is derecognised when:

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

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

2.2.3. Fair value and amortised cost of financial instruments

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

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

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

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

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

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

2.2.4. Classification and measurement of financial assets and liabilities

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Other changes in the fair value of available-for-sale financial assets from the acquisition date are recognised in equity under “Valuation Adjustments _ 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 2011 and 2010 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 2011 and 2010, 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 2011 or 2010.

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:

- d.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.
- d.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 are included in Note 30.7. No reclassifications of the type described in the preceding paragraph were made in 2011.

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 has started 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. (See Note 11).

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.

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 2011 and 2010 is as follows:

NATURE OF FOREIGN CURRENCY BALANCES	EQUIVALENT VALUE IN THOUSANDS OF EUROS (*) 2011 Assets	2011 Liabilities	2010 Assets	2010 Liabilities
Balances in US dollars-				
Cash and balances with central banks	20,160	-	13,792	-
Financial assets and liabilities held for trading	360,005	399,696	582,164	634,515
Loans and receivables	130,036	-	122,750	-
Financial liabilities at amortised cost	-	819,097	-	244,478
Other financial liabilities at fair value through profit or loss	-	930,794	-	-
Other	417	417	406	404
	510,618	**2,150,004**	**719,112**	**879,397**
Balances in Japanese yen-				
Cash and balances with central banks	964	-	1,054	-
Loans and receivables	77,639	-	100,859	-
Financial liabilities at amortised cost	-	3,257	-	3,442
	78,603	**3,257**	**101,913**	**3,442**
Balances in pounds sterling-				
Cash and balances with central banks	13,323	-	13,535	-
Financial assets and liabilities held for trading	3,387	1,433	3,048	912
Available-for-sale financial assets	-	-	-	-
Loans and receivables	61,933	-	77,719	-
Tangible assets	-	-	120	-
Financial liabilities at amortised cost	-	180,312	-	49,197
Other	100	356	128	228
	78,743	**182,101**	**94,550**	**50,337**

NATURE OF FOREIGN CURRENCY BALANCES	EQUIVALENT VALUE IN THOUSANDS OF EUROS (*) 2011 Assets	2011 Liabilities	2010 Assets	2010 Liabilities
Balances in Swiss francs-				
Cash and balances with central banks	1,992	-	2,237	-
Loans and receivables	90,752	-	153,920	-
Financial liabilities at amortised cost	-	19,924	-	9,687
Tangible assets	-	-	-	-
	92,744	19,924	156,157	9,687
Balances in Norwegian krone-				
Cash and balances with central banks	985	-	1,895	-
Loans and receivables	3,280	-	421	-
Financial liabilities at amortised cost	-	3,777	-	5,071
	4,265	3,777	2,316	5,071
Balances in Swedish krone-				
Cash and balances with central banks	550	-	608	-
Loans and receivables	3,793	-	2,508	-
Financial liabilities at amortised cost	-	2,757	-	2,284
Other	-	-	-	-
	4,343	2,757	3,116	2,284
Balances in other currencies-				
Cash and balances with central banks	8,954	-	9,074	-
Loans and receivables	19,827	-	16,478	-
Financial liabilities at amortised cost	-	17,439	-	25,989
Other	-	-	-	-
	28,781	17,439	25,552	25,989
Total balances denominated in foreign currencies	**798,097**	**2,379,259**	**1,102,716**	**976,207**

(*) Equivalent value calculated by applying the exchange rates at 31 December 2011 and 2010, respectively.

In addition to the currency positions recognised in the consolidated balance sheets at 31 December 2011 and 2010 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 2011 and 2010 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 adverse 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 2011, 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 2011 the accrued expense for the contributions to be made to the external pension fund, relating to defined contribution plans, amounted to EUR 772 thousand (2010: EUR 4,484 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 4,203 thousand in 2011 (2010: EUR 5,070 thousand), and this amount was recognised under "Administrative Expenses – Staff Costs" in the consolidated income statement (see Note 38).

At 31 December 2011, the total pension obligations to current and retired employees amounted to EUR 166,042 thousand (31 December 2010: EUR 189,703 thousand). Of this amount, EUR 159,922 thousand were covered by the aforementioned external pension fund and insurance policies (31 December 2010: EUR 180,250 thousand), and EUR 6,119 thousand by an internal provision recognised under "Provisions - Provisions for Pensions and Similar Obligations" in the consolidated balance sheet (31 December 2010: EUR 9,453 thousand) (see Note 18) that had not yet been transferred to the external pension fund at 31 December 2011.

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 4.75% 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 2010, no amounts were recognised under "Provisions - Provisions for Pensions and Similar Obligations" in the consolidated balance sheet (see Note 16), since at that date the Confederación did not have any pre-retirement obligations because all the pre-retirees had reached retirement age in 2010.

On 7 April 2011, an agreement was entered into between the Confederación, the Workplace Trade Union Branch and the representatives of the Workers' Committee, under which a Pre-Retirement Plan was established for all employees who at 31 December 2011 were at least 55 years of age and had been in the Confederación's employ for at least ten years. The general registration period for employees wishing to participate in this plan ended on 13 May 2011.

At 31 December 2011, 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 59,358 thousand, which was recognised under "Provisions - Provisions for Pensions and Similar Obligations" in the balance sheet (see Note 18) and related to early retirement obligations incurred as a result of the aforementioned Agreement dated 7 April 2011. At 31 December 2011 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 1.896%, PRM-2000P mortality tables and a 1.5% increase in adjustable pre-retirement salaries.

2.11.2.2. Death and disability

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

2.11.2.3. Long-service bonuses

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

The amounts paid in this connection at 2011 and 2010 year-end totalled approximately EUR 265 thousand and EUR 223 thousand, respectively.

2.11.3. Termination benefits

Under current legislation, the Confederación is required to pay termination benefits to employees terminated without just cause.

In 2011, the amount recognised by the Confederación in this connection was EUR 3,116 thousand (2010: 7,088 thousand).

This expenses are recognised under "Administrative Expenses – Staff Costs" (see Note 38) in the accompanying income statement. EUR 3,301 thousand and EUR 4,171 thousand of this amount have been paid at 31 December 2011 and at 31 December 2010, 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 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 2011 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.

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.

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 2011 and 2010, 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 2011 and 2010, 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 2011 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 2011 and 2010 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 2011 and 2010.

3. CONFEDERACIÓN ESPAÑOLA DE CAJAS DE AHORROS GROUP

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

The Confederación accounts for approximately 99.97% of the Group's assets and 99.73% of the equity attributable to the Group at 31 December 2011 (31 December 2010: 99.96% and 99.61% 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 2011 and 2010 and for the years then ended:

CONFEDERACIÓN ESPAÑOLA DE CAJAS DE AHORROS

BALANCE SHEETS AT 31 DECEMBER 2011 AND 2010

ASSETS	2011	2010 (*)
	(THOUSANDS OF EUROS)	
1. Cash and balances with central banks	492,394	127,007
2. Financial assets held for trading	5,781,782	5,608,751
2.1. Loans and advances to credit institutions	-	-
2.2. Loans and advances to customers	-	-
2.3. Debt instruments	664,492	1,560,241
2.4. Equity instruments	39,284	57,403
2.5. Trading derivatives	5,078,006	3,991,107
Memorandum item: Loaned or advanced as collateral	328,709	1,213,991
3. Other financial assets at fair value through profit or loss	999,877	4,723,151
3.1. Loans and advances to credit institutions	493,590	3,253,755
3.2. Loans and advances to customers	506,287	1,469,396
3.3. Debt instruments	-	-
3.4. Equity instruments	-	-
Memorandum item: Loaned or advanced as collateral	169,324	3,137,554
4. Available-for-sale financial assets	3,608,306	3,804,933
4.1. Debt instruments	3,488,733	3,687,433
4.2. Equity instruments	119,573	117,500
Memorandum item: Loaned or advanced as collateral	1,928,145	2,943,799
5. Loans and receivables	5,304,647	5,921,522
5.1. Loans and advances to credit institutions	2,403,417	2,621,776
5.2. Loans and advances to customers	458,590	433,392
5.3. Debt instruments	2,442,640	2,866,354
Memorandum item: Loaned or advanced as collateral	611,190	1,910,833

CONFEDERACIÓN ESPAÑOLA DE CAJAS DE AHORROS

BALANCE SHEETS AT 31 DECEMBER 2011 AND 2010

(THOUSANDS OF EUROS)

ASSETS	2011	2010 (*)
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	10	298
9. Non-current assets held for sale	84	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	98,414	103,668
13.1. Property, plant and equipment	97,282	102,500
13.1.1. For own use	97,282	102,500
13.1.2. Leased out under an operating lease	-	-
13.1.3. Assigned to welfare projects	-	-
13.2. Investment property	1,132	1,168
Memorandum item: Acquired under a finance lease	-	-
14. Intangible assets	2,446	2,800
14.1. Goodwill	-	-
14.2. Other intangible assets	2,446	2,800

CONFEDERACIÓN ESPAÑOLA DE CAJAS DE AHORROS

BALANCE SHEETS AT 31 DECEMBER 2011 AND 2010

ASSETS	2011	2010 (*)
	(THOUSANDS OF EUROS)	
15. Tax assets	128,981	89,186
15.1. Current	639	683
15.2. Deferred	128,342	88,503
16. Other assets	42,031	58,923
TOTAL ASSETS	**16,459,487**	**20,440,915**

MEMORANDUM ITEMS		
1. Contingent liabilities	137,602	100,140
2. Contingent commitments	2,297,670	2,109,900

CONFEDERACIÓN ESPAÑOLA DE CAJAS DE AHORROS

BALANCE SHEETS AT 31 DECEMBER 2011 AND 2010

LIABILITIES AND EQUITY	2011	2010 (*)
	(THOUSANDS OF EUROS)	
LIABILITIES		
1. Financial liabilities held for trading	5,360,647	4,258,983
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	5,017,293	3,977,193
1.6. Short positions	343,354	281,790
1.7. Other financial liabilities	-	-
2. Other financial liabilities at fair value through profit or loss	2,324,724	8,722,874
2.1. Deposits from central banks	930,840	-
2.2. Deposits from credit institutions	352,750	987,755
2.3. Customer deposits	1,041,134	7,735,119
2.4. Marketable debt securities	-	-
2.5. Subordinated liabilities	-	-
2.6. Other financial liabilities	-	
3. Financial liabilities at amortised cost	7,000,314	6,527,455
3.1. Deposits from central banks	344,845	22,455
3.2. Deposits from credit institutions	2,917,015	3,276,282
3.3. Customer deposits	3,447,709	2,691,855
3.4. Marketable debt securities	-	-
3.5. Subordinated liabilities	-	-
3.6. Other financial liabilities	290,745	536,863

CONFEDERACIÓN ESPAÑOLA DE CAJAS DE AHORROS

BALANCE SHEETS AT 31 DECEMBER 2011 AND 2010

LIABILITIES AND EQUITY	2011	2010 (*)
	(THOUSANDS OF EUROS)	
LIABILITIES		
4. Changes in the fair value of hedged items in portfolio hedges of interest rate risk	-	-
5. Hedging derivatives	25,759	38,736
6. Liabilities associated with non-current assets held for sale	-	-
8. Provisions	206,302	76,026
8.1. Provisions for pensions and similar obligations	65,467	9,453
8.2. Provisions for taxes and other legal contingencies	-	-
8.3. Provisions for contingent liabilities and commitments	17	14
8.4. Other provisions	140,818	66,559
9. Tax liabilities	44,926	42,660
9.1. Current	8,443	9,024
9.2. Deferred	36,483	33,636
10. Welfare fund	215	266
11. Other liabilities	763,135	73,152
12. Equity refundable on demand	-	-
TOTAL LIABILITIES	**15,726,022**	**19,740,152**

CONFEDERACIÓN ESPAÑOLA DE CAJAS DE AHORROS

BALANCE SHEETS AT 31 DECEMBER 2011 AND 2010

(THOUSANDS OF EUROS)

LIABILITIES AND EQUITY	2011	2010 (*)
EQUITY		
1. Own funds	738,288	705,935
1.1. Endowment fund	-	-
1.1.1. Registered capital	-	-
1.1.2. Less: Uncalled capital	-	-
1.2. Share premium	-	-
1.3. Reserves	669,481	623,547
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	38,756	52,337
1.7. *Less: Dividends and remuneration*	-	-

CONFEDERACIÓN ESPAÑOLA DE CAJAS DE AHORROS

BALANCE SHEETS AT 31 DECEMBER 2011 AND 2010

	(THOUSANDS OF EUROS)	
LIABILITIES AND EQUITY	**2011**	2010 (*)
EQUITY		
2. Valuation adjustments	(4,823)	(5,172)
2.1. Available-for-sale financial assets	(4,823)	(5,172)
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	**733,465**	**700,763**
TOTAL LIABILITIES AND EQUITY	**16,459,487**	**20,440,915**

CONFEDERACIÓN ESPAÑOLA DE CAJAS DE AHORROS

INCOME STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2011 AND 2010

	(THOUSANDS OF EUROS) INCOME / (EXPENSE) 2011	2010
1. Interest and similar income	323,055	343,737
2. Interest expense and similar charges	(208,463)	(322,571)
3. Return of equity refundable on demand	-	-
A. NET INTEREST INCOME	**114,592**	**21,166**
4. Income from equity instruments	115,005	141,792
5. Fee and commission income	103,854	101,970
6. Fee and commission expense	(32,710)	(28,153)
8. Gains/losses on financial assets and liabilities (net)	(50,724)	(60,161)
8.1. Held for trading	(35,004)	(74,183)
8.2. Other financial instruments at fair value through profit or loss	(10,577)	8,617
8.3. Financial instruments not measured at fair value through profit or loss	(924)	5,613
8.4. Other	(4,219)	(208)
9. Exchange differences (net)	27,021	34,343
10. Other operating income	74,369	79,896
11. Other operating expenses	(3,142)	(1,577)

CONFEDERACIÓN ESPAÑOLA DE CAJAS DE AHORROS

INCOME STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2011 AND 2010

	(THOUSANDS OF EUROS) INCOME / (EXPENSE) 2011	2010
B. GROSS INCOME	**348,265**	**289,276**
12. Administrative expenses	(164,660)	(177,999)
12.1. Staff costs	(81,734)	(95,477)
12.2. Other general administrative expense	(82,926)	(82,522)
13. Depreciation and amortisation	(7,566)	(7,646)
14. Provisions (net)	(132,775)	(1,322)
15. Impairment losses on financial assets (net)	4,798	(48,033)
15.1. Loans and receivables	9,735	(43,369)
15.2. Other financial instruments not measured at fair value through profit or loss	(4,937)	(4,671)
C. PROFIT FROM OPERATIONS	**48,062**	**54,276**
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	(7)	11,918

CONFEDERACIÓN ESPAÑOLA DE CAJAS DE AHORROS

INCOME STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2011 AND 2010

	(THOUSANDS OF EUROS) INCOME / (EXPENSE)	
	2011	2010
18. Negative goodwill on business combinations	-	-
19. Gains (losses) on non-current assets held for sale not classified as discontinued operations	945	-
D. PROFIT BEFORE TAX	**49,000**	**66,194**
20. Income tax	(10,244)	(13,857)
21. Mandatory transfer to welfare projects and funds	-	-
E. PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS	**38,756**	**52,337**
22. Profit/Loss from discontinued operations (net)	-	-
F. PROFIT FOR THE YEAR	**38,756**	**52,337**

CONFEDERACIÓN ESPAÑOLA DE CAJAS DE AHORROS

STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2011 AND 2010

I. STATEMENTS OF RECOGNISED INCOME AND EXPENSE FOR THE YEARS ENDED 31 DECEMBER 2011 AND 2010

	(THOUSANDS OF EUROS)	
	2011	2010
A. PROFIT FOR THE YEAR	**38,756**	**52,337**
B. OTHER RECOGNISED INCOME AND EXPENSE	**349**	**(39,936)**
1. Available-for-sale financial assets	499	(57,051)
1.1. Revaluation gains (losses)	(1,389)	(54,258)
1.2. Amounts transferred to income statement	1,888	(2,793)
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	-	-
4. Exchange differences	-	-
4.1. Revaluation gains (losses)	-	-
4.2. Amounts transferred to income statement	-	-
4.3. Other reclassifications	-	-

CONFEDERACIÓN ESPAÑOLA DE CAJAS DE AHORROS

STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2011 AND 2010

I. STATEMENTS OF RECOGNISED INCOME AND EXPENSE FOR THE YEARS ENDED 31 DECEMBER 2011 AND 2010

	(THOUSANDS OF EUROS)	
	2011	2010
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	**(150)**	**17,115**
C. TOTAL RECOGNISED INCOME AND EXPENSE (A+B)	**39,105**	**12,401**

CONFEDERACIÓN ESPAÑOLA DE CAJAS DE AHORROS

STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2011 AND 2010

II. STATEMENTS OF CHANGES IN TOTAL EQUITY FOR THE YEARS ENDED 31 DECEMBER 2011 AND 2010

(THOUSANDS OF EUROS)

	OWN FUNDS									
	Endowment Fund	Share Premium	Reserves	Other Equity Instruments	Less: Treasury Shares	Profit for the Year	Less: Dividends and Remuneration	Total Own Fund	VALUATION ADJUSTMENTS	TOTAL EQUITY
1. Ending balance at 31/12/10	-	-	623,547	30,051	-	52,337	-	705,935	(5,172)	700,763
1.1. Adjustments due to changes in accounting policies	-	-	-	-	-	-	-	-	-	-
1.2. Adjustments made to correct errors	-	-	-	-	-	-	-	-	-	-
2. Adjusted beginning balance	-	-	623,547	30,051	-	52,337	-	705,935	(5,172)	700,763
3. Total recognised income and expense	-	-	-	-	-	38,756	-	38,756	349	39,105
4. Other changes in equity	-	-	45,934	-	-	(52,337)	-	(6,403)	-	(6,403)
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	-	-	-	-	-	(2,408)	-	(2,408)	-	(2,408)
4.8. Transactions involving own equity instruments	-	-	-	-	-	-	-	-	-	-
4.9. Transfers between equity items	-	-	45,934	-	-	(45,934)	-	-	-	-
4.10. Increases (decreases) due to business combinations	-	-	-	-	-	-	-	-	-	-
4.11. Discretionary transfer to welfare projects and funds	-	-	-	-	-	(3,995)	-	(3,995)	-	(3,995)
4.12. Equity-instrument-based payments	-	-	-	-	-	-	-	-	-	-
4.13. Other increases (decreases) in equity	-	-	-	-	-	-	-	-	-	-
5. Ending balance at 31/12/11	**-**	**-**	**669,481**	**30,051**	**-**	**38,756**	**-**	**738,288**	**(4,823)**	**733,465**

CONFEDERACIÓN ESPAÑOLA DE CAJAS DE AHORROS

STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2011 AND 2010

II. STATEMENTS OF CHANGES IN TOTAL EQUITY FOR THE YEARS ENDED 31 DECEMBER 2011 AND 2010

(THOUSANDS OF EUROS)

	OWN FUNDS									
	Endowment Fund	Share Premium	Reserves	Other Equity Instruments	Less: Treasury Shares	Profit for the Year	Less: Dividends and Remuneration	Total Own Fund	VALUATION ADJUSTMENTS	TOTAL EQUITY
1. Ending balance at 31/12/09	-	-	58,069	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**

CONFEDERACIÓN ESPAÑOLA DE CAJAS DE AHORROS

CASH FLOW STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2011 AND 2010

	(THOUSANDS OF EUROS)	
	2011	2010
A. CASH FLOWS FROM OPERATING ACTIVITIES	**368,706**	**(484,864)**
1. Profit for the year	38,756	52,337
2. Adjustments made to obtain the cash flows from operating activities	51,496	131,644
2.1. Depreciation and amortisation	7,566	7,646
2.3. Other adjustments	43,930	123,998
3. Net (increase)/decrease in operating assets	4,358,545	1,036,041
3.1. Financial assets held for trading	(149,798)	6,605,610
3.2. Other financial assets at fair value through profit or loss	3,712,697	(167,430)
3.3. Available-for-sale financial assets	199,317	(3,145,224)
3.4. Loans and receivables	636,604	(2,217,286)
3.5. Other operating assets	(40,275)	(39,629)
4. Net (increase)/decrease in operating liabilities	(4,032,124)	(1,674,633)
4.1. Financial liabilities held for trading	1,101,664	(90,662)
4.2. Other financial liabilities at fair value through profit or loss	(6,398,150)	1,103,350
4.3. Financial liabilities at amortised cost	472,859	(2,708,549)
4.4. Other operating liabilities	791,503	21,228
5. Collections/(Payments) of income tax	(47,967)	(30,253)

CONFEDERACIÓN ESPAÑOLA DE CAJAS DE AHORROS

CASH FLOW STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2011 AND 2010

	(THOUSANDS OF EUROS)	
	2011	2010
B. CASH FLOWS FROM INVESTING ACTIVITIES	**(911)**	**(4,053)**
6. Payments	(1,961)	(4,053)
6.1. Tangible assets	(1,525)	(2,697)
6.2. Intangible assets	(436)	(1,356)
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	1,050	-
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	1,050	-
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 2011 AND 2010

	(THOUSANDS OF EUROS) 2011	2010
C. CASH FLOWS FROM FINANCING ACTIVITIES	**(2,408)**	**9,641**
8. Payments	(2,408)	(2,277)
8.1. Dividends	(2,408)	(2,277)
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)	**365,387**	**(479,276)**

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CONFEDERACIÓN ESPAÑOLA DE CAJAS DE AHORROS

CASH FLOW STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2011 AND 2010

	(THOUSANDS OF EUROS)	
	2011	2010
F. CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**127,007**	**606,283**
G. CASH AND CASH EQUIVALENTS AT END OF YEAR	**492,394**	**127,007**

MEMORANDUM ITEMS

COMPONENTS OF CASH AND CASH EQUIVALENTS AT END OF YEAR		
1.1.Cash	56,438	52,226
1.2.Cash equivalents at central banks	435,956	74,781
1.3.Other financial assets	-	-
1.4.Less: Bank overdrafts refundable on demand	-	-
Total cash and cash equivalents at end of year	**492,394**	**127,007**

4. DISTRIBUTION OF THE CONFEDERACION'S PROFIT

The distribution of the Confederación's net profit for 2011 that the Board of Directors will propose for approval by the General Assembly (the figures for 2010 are presented for comparison purposes only) is as follows:

	THOUSANDS OF EUROS	
	2011	2010
Reserves	33,374	45,934
Transfer to welfare fund (Note 29)	3,715	3,995
Return on participation certificates (Note 20)	1,667	2,408
Net profit for the year	38,756	52,337

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.

The following information is a detail of the revenue from external customers in 2011 and 2010 divided by geographical areas.

2011:

	THOUSANDS OF EUROS			
	Spain	Rest of Europe	Rest of the world	**Total**
Interest and similar income (Note 31)	319,433	3,697	-	323,130
Fee and commission income (Note 34)	102,625	1,229	655	104,509
Gains /losses on financial assets and liabilities (net) (Note 36)	(50,726)	2	-	(50,724)
Other operating income (Note 37)	82,532	86	-	82,618

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 commission 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

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

At 31 December 2011 and 2010 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 2011 and 2010 is shown in the table below.

	THOUSANDS OF EUROS 2011	2010
Alzamora Carbonell, Fernando	17	18
Arvelo Hernández, Álvaro	17	18
Beltrán Aparicio, Fernando	6	18
Bravo Cañadas, Victor Manuel	17	-
Blesa de la Parra, Miguel	-	3
Crespo Martínez, Modesto	29	38
De Rato Figadero, Rodrigo	35	35
Del Canto Canto, Evaristo	12	-
Egea Krauel, Carlos	43	43
Espinosa Herrero, José Manuel	-	8
Fainé Casas, Isidro	43	43
Fernández-Velilla Hernández, Juan	8	-
Fernández Gayoso, Julio	12	11
Franco Lahoz, Amado	43	37
García Peña, Francisco Manuel	17	18
Goñí Beltrán de Garizurieta, Enrique	9	6
Hernández Pérez, Lucas	5	11
Herrero Autet, Didac	-	14
Iturbe Otaegui, Xabier	17	17
Jene Villagrasa, Rafael	-	2
Mata Tarragó, Enric	5	18
Medel Cámara, Braulio	38	40
Méndez López, José Luis	-	8
Mestre González, Jordi	12	14
Olavarrieta Arcos, José Antonio	11	43
Olivas Martínez, José Luis	15	22
Pulido Gutiérrez, Antonio	17	18
Quintás Seoane, Juan Ramón	-	9
Ros Maorad, José Luis	-	15
Sanz Sesma, Miguel	-	11
Suárez del Toro, Juan Manuel	-	18
Todó Rovira, Adolf	17	17
Total	**445**	**573**

In 2011, the directors were paid fees for attending Standing Committee meetings and representing the Board amounting to EUR 22 thousand (2010: EUR 22 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 financial statements, the members of the Management Committee were considered to be senior executives of the Confederación. At 31 December 2011 there were 13 Committee members, as a result of 4 layoffs and 2 new recruitments (31 December 2010: 15 executives).

The remuneration earned in 2011 by senior executives and by the Board members in their capacity as executives of the Confederación amounted to EUR 4,825 thousand (2010: EUR 9,248 thousand) of which EUR 4,031 thousand related to short-term remuneration earned in 2011 (2010: EUR 4,760 thousand) and EUR 794 thousand related to post-employment benefits (2010: EUR 4,488 thousand).

No additional remuneration was earned by senior executives in 2011 and 2010 in connection with other long-term benefits, termination benefits or share-based payments as defined by Circular 4/2004.

At 31 December 2011, the vested pension rights of the senior executives and Board members in their capacity as executives of the Confederación amounted to EUR 2,737 thousand (31 December 2010: EUR 12,905 thousand).

Also, the post-employment benefits accrued in 2010 by former members of the Board of Directors of the Confederación amounted to EUR 7 thousand and their vested rights in this connection totalled EUR 854 thousand at 31 December 2010. During 2011 no accruements were made for this concept.

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 2011 and 2010 is as follows:

	THOUSANDS OF EUROS	
	2011	2010
Cash	56,438	52,226
Balances with the Bank of Spain	435,950	74,781
	492,388	127,007
Valuation adjustments:		
Of which-		
Other valuation adjustments	6	-
	6	-
	492,394	127,007

Note 23 includes information on the fair value of these instruments at 31 December 2011 and 2010. 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 2011 and 2010 represents the maximum exposure to credit risk assumed by the Group in relation to these instruments.

At 31 December 2011 and 2010, 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 2011 and 2010:

	THOUSANDS OF EUROS			
	FINANCIAL ASSETS HELD FOR TRADING		FINANCIAL LIABILITIES HELD FOR TRADING	
	2011	2010	**2011**	2010
Debt instruments	664,492	1,560,241	-	-
Equity instruments	39,284	57,403	-	-
Trading derivatives-				
Derivatives traded in organised markets	-	-	38	9
OTC derivatives OTC derivatives	5,078,006	3,991,107	5,017,255	3,977,184
Short positions	-	-	343,354	281,790
	5,781,782	5,608,751	5,360,647	4,258,983

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 2011 and 2010:

THOUSANDS OF EUROS

	2011			2010		
	FAIR VALUE			FAIR VALUE		
	ASSET BALANCES	LIABILITY BALANCES	NOTIONAL AMOUNT	ASSET BALANCES	LIABILITY BALANCES	NOTIONAL AMOUNT
Interest rate risk	4,997,181	4,963,919	136,526,220	3,936,436	3,925,151	129,022,892
Foreign currency risk	80,493	47,359	4,359,361	53,081	41,296	4,299,703
Share price risk	332	337	119,417	1,530	1,639	220,415
Credit risk	-	5,678	45,000	-	9,047	45,000
Commodities risk	-	-	-	60	60	3,000
	5,078,006	5,017,293	141,049,998	3,991,107	3,977,193	133,591,010

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 2011 and 2010 is as follows:

	THOUSANDS OF EUROS	
	2011	2010
Classification:		
Borrowed securities-		
Equity instruments	-	284
Short sales-		
Debt instruments	343,354	281,506
	343,354	281,790

"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 and other available-for-sale financial assets.

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 2011 and 2010 is as follows:

	THOUSANDS OF EUROS	
	2011	2010
Loans and advances to credit institutions-		
Reverse repurchase agreements	493,166	3,239,534
Valuation adjustments-		
Accrued interest	236	14,571
Revaluation gains	188	(350)
	424	14,221
	493,590	**3,253,755**
Loans and advances to customers-		
Reverse repurchase agreements	506,351	1,468,760
Valuation adjustments-		
Accrued interest	122	1,675
Revaluation gains	(186)	(1,039)
	(64)	636
	506,287	**1,469,396**
	999,877	4,723,151

Note 24 includes information on the Group's exposure to credit risk at 31 December 2011 and 2010 associated with these financial instruments.

Note 23 discloses information on the fair value of these financial instruments at 31 December 2011 and 2010. 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 2011 and 2010, 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 2011 and 2010. 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 2011 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 and other available-for-sale financial assets

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 2011 and 2010 is as follows:

	THOUSANDS OF EUROS	
	2011	2010
Deposits from central banks-		
Repurchase agreements with the European Central Bank	930,504	-
Valuation adjustments-		
Accrued interest	222	-
Revaluation gains	114	-
	336	-
	930,840	-

	THOUSANDS OF EUROS	
	2011	2010
Deposits from credit institutions-		
Repurchase agreements with credit institutions	352,757	986,963
Valuation adjustments-		
Accrued interest	6	777
Revaluation gains	(13)	15
	(7)	792
	352,750	987,755
Customer deposits-		
Repurchase agreements with the Public Treasury	-	2,446,558
Repurchase agreements to entities with central counterparties	987,673	4,917,909
Repurchase agreements with other resident sectors in Spain	46,391	374,886
Repurchase agreements with other non-resident sectors in Spain	-	-
Valuation adjustments-		
Accrued interest	4,635	5,266
Revaluation losses	2,435	(9,500)
	7,070	(4,234)
	1,041,134	7,735,119
	2,324,724	8,722,874

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 2011 and accumulated at 31 December 2011 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 2011, 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 2011 and 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 2011 and 2010:

	THOUSANDS OF EUROS	
	2011	2010
Debt instruments-		
Values of Spanish Central Governments	2,869,089	3,078,086
Of which:		
Treasury bills	2,026,369	2,710,368
Government debt securities	842,720	367,718
Other securities	14,979	-
Securities of other Public institutions	638,738	663,390
	3,522,806	3,741,476
Valuation adjustments-		
Accrued interest	19,325	14,283
Revaluation losses	(51,268)	(65,507)
Impairment losses	(2,130)	(2,819)
	(34,073)	(54,043)
	3,488,733	**3,687,433**

	THOUSANDS OF EUROS	
	2011	2010
Equity instruments-		
Shares quoted on secondary organised markets	51,215	33,150
Shares not quoted on organised markets	32,246	35,998
	83,461	69,148
Valuation adjustments-		
Revaluation gains	42,338	48,952
Impairment losses	(6,226)	(600)
	36,112	48,352
	119,573	**117,500**
	3,608,306	3,804,933

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 2011 and 2010.

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 2011 and 2010:

	THOUSANDS OF EUROS	
	2011	2010
Loans and advances to credit institutions-		
Time deposits	811,789	820,052
Other accounts	1,288,819	1,399,824
Securities lending (*)	293,629	393,207
Other financial assets	7,929	7,587
	2,402,166	2,620,670
Valuation adjustments-		
Impairment losses	(5)	(59)
Accrued interest	1,300	1,258
	1,295	1,199
	2,403,461	**2,621,869**

	THOUSANDS OF EUROS	
	2011	2010
Loans and advances to customers-		
Deposits for futures transactions and other guarantees given	97,778	313,677
Unsettled stock exchange transactions	42,938	36,593
Mortgage secured loans	49,576	50,561
Unsecured credits and loans	69,558	33,394
Secured credit and loans	200,000	-
Other assets	456	1,063
Reverse repurchase agreements	5,970	6,952
Doubtful assets	41	24
	466,317	**442,264**
Valuation adjustments-		
Impairment losses	(2,008)	(1,171)
Accrued interest	222	122
	(1,786)	(1,049)
	464,531	**441,215**

	THOUSANDS OF EUROS 2011	2010
Debt instruments-		
Issued by non-residents in Spain	101,168	119,431
Issued by residents in Spain	2,366,564	2,785,065
Doubtful assets	99,388	109,848
Valuation adjustments-		
Impairment losses	(129,452)	(142,969)
Other valuation adjustments (micro-hedge)	4,972	(5,021)
	2,442,640	2,866,354
	5,310,632	5,929,438

(*) 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 2011 and 2010 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 2011 and 2010.

Note 25 includes information on the market risk associated with these financial assets at 31 December 2011 and 2010. Note 26 contains information on the liquidity risk associated with the Group's financial instruments at 31 December 2011 and 2010, 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 2011 and 2010. 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 2011 and 2010:

THOUSANDS OF EUROS

	2011		2010	
	FAIR VALUE OF HEDGING INSTRUMENTS			
	ASSET BALANCES	LIABILITY BALANCES	ASSET BALANCES	LIABILITY BALANCES
Hedged instrument				
Loans and receivables	10	18,097	268	32,813
Available-for-sale assets	-	7,662	30	5,923
	10	25,759	298	38,736

Gains/losses on hedging instruments and hedged items are recognised under "Gains/Losses on Financial Assets and Liabilities (Net)" in the consolidated income statement of the Confederación (see Note 36).

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 2011 and 2010 is as follows:

	THOUSANDS OF EUROS	
	2011	2010
Tangible assets -		
Foreclosed residential assets	-	-
Otros activos residenciales	84	161
Equity instruments -		
Investments in associates	-	-
Impairment losses	-	-
	84	161

The only change recognised in this consolidated balance sheet line item in 2011 was the sale for EUR 1,050 thousand of a residential asset, the carrying amount of which was EUR 77 thousand. The gain obtained on this sale, EUR 945 thousand, was recognised with a credit to "Gains (Losses) on Non-Current Assets Held for Sale Not Classified as Discontinued Operations" in the consolidated income statement.

13. INVESTMENTS

At 31 December 2011 and 2010 the Group did not have any investments classified as "Associates". There were no changes in this heading of the consolidated balance sheets in 2011 and 2010.

14. TANGIBLE ASSETS

The changes in 2011 and 2010 in "Tangible Assets" in the consolidated balance sheets were as follows:

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**
Cost:					
Balance at 1 January 2010	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**
Additions	-	558	970	-	1,528
Disposals	-	(1,437)	(6,131)	-	(7,568)
Transfers	(1,770)	1,770	-	-	-
Other	-	(314)	(167)	-	(481)
Balance at 31 December 2011	**119,898**	**47,198**	**16,813**	**1,333**	**185,242**

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**
Accumulated depreciation:					
Balance at 1 January 2010	(32,226)	(33,328)	(18,435)	(129)	(84,118)
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)
Charge for the year (Note 42)	(2,051)	(3,206)	(1,516)	(36)	(6,809)
Disposals	-	1,438	6,131	-	7,569
Transfers	277	(277)	-	-	-
Other	-	327	151	-	478
Balance at 31 December 2011	(34,181)	(37,831)	(14,500)	(201)	(86,713)
Tangible assets, net:					
Net balance at 31 December 2010	**89,261**	**10,508**	**2,875**	**1,168**	**103,812**
Net balance at 31 December 2011	**85,717**	**9,367**	**2,313**	**1,132**	**98,529**

At 31 December 2011, property, plant and equipment for own use totalling (gross) approximately EUR 36,906 thousand (EUR 53,126 thousand at 31 December 2010) had been depreciated in full.

At 31 December 2011 and 2010, 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 808 thousand in 2011 and EUR 993 thousand in 2010 (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 2011 and 2010 is as follows:

	THOUSANDS OF EUROS	
	2011	2010
Intangible assets with finite useful life	5,808	5,429
Less:		
Accumulated amortisation	(3,290)	(2,555)
Total net	2,518	2,874

At 31 December 2011 and 2010, the intangible assets owned by the Group were not impaired and there were no changes in this connection in those years.

At 31 December 2011 the balance of fully amortised intangible assets in use was EUR 1,269 thousand (31 December 2010: EUR 2,422 thousand).

The changes in 2011 and 2010 in "Other Intangible Assets" in the consolidated balance sheets were as follows:

	THOUSANDS OF EUROS
Cost:	
Balance at 1 January 2010	13,925
Additions	1,435
Disposals	(9,931)
Balance at 31 December 2010	**5,429**
Additions	471
Disposals	(92)
Balance at 31 December 2011	**5,808**
Accumulated amortisation:	
Balance at 1 January 2010	(11,628)
Charge for the year (Note 42)	(858)
Disposals	9,931
Balance at 31 December 2010	**(2,555)**
Charge for the year (Note 42)	(827)
Disposals	92
Balance at 31 December 2011	**(3,290)**
Intangible assets, net:	
Net balance at 31 December 2010	**2,874**
Net balance at 31 December 2011	**2,518**

16. OTHER ASSETS AND LIABILITIES

The breakdown of the balance of “Other Assets” and “Other Liabilities” in the consolidated balance sheets at 31 December 2011 and 2010 is as follows:

	THOUSANDS OF EUROS	
	2011	2010
Other assets		
Prepayments and accrued income		
Fees and commissions receivable	5,958	6,343
Commissions for guarantees received	13,129	13,756
Prepayments	149	135
Other assets-	5,865	2,236
Transactions in transit	5,029	21,582
Other	11,950	14,878
	42,080	58,930
Other liabilities		
Acrcued expenses and deferred income		
Fees and commissions payable	2,747	3,494
Accrued expenses	57,101	48,168
Accrued revenues	254	269
Other liabilities-		
Transactions in transit	698,575	18,004
Other	6,446	5,414
	765,123	75,349

“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” and “Other liabilities - Transactions in Transit” mainly include temporary balances which relate basically to securities underwriting transactions and other unsettled OTC transactions within the Securities Clearing and Settlement Service.

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 2011 and 2010 is as follows:

	THOUSANDS OF EUROS	
	2011	2010
Deposits from central banks	344,711	22,452
Deposits from credit institutions	2,915,765	3,275,320
Customer deposits	3,438,816	2,687,577
Other financial liabilities	293,640	539,759
	6,992,932	6,525,108
Valuation adjustments	8,905	4,823
	7,001,837	6,529,931

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 2011 and 2010 is as follows:

	THOUSANDS OF EUROS	
	2011	2010
Deposits from Bank of Spain	344,711	-
Deposits from other central banks	-	22,452
Valuation adjustments	134	3
	344,845	22,455

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 2011 and 2010 is as follows:

	THOUSANDS OF EUROS	
	2011	2010
By geographical location:		
Spain	2,078,865	2,818,409
Other EMU countries	530,704	179,836
Rest of the world	307,446	278,037
	2,917,015	**3,276,282**
By type of instrument:		
Demand deposits and other-		
Other accounts	1,943,385	2,556,693
Time deposits-		
Time deposits	685,626	534,242
Repurchase agreements	286,754	184,385
	2,915,765	**3,275,320**
Valuation adjustments:	1,250	962
	2,917,015	3,276,282

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 2011 and 2010 is as follows:

	THOUSANDS OF EUROS	
	2011	2010
By geographical location:		
Spain	2,585,655	2,592,538
Other EMU countries	858,175	42,031
Rest of the world	2,507	56,866
	3,446,337	2,691,435
By counterparty:		
Resident public sector	194,470	1,799
Non-resident public sector	1,484	296
Other resident sectors	2,385,357	2,665,296
Other non-resident sectors	21,368	20,186
Central counterparties	836,137	-
	3,438,816	2,687,577

	THOUSANDS OF EUROS	
	2011	2010
Valuation adjustments	7,521	3,858
	3,446,337	2,691,435
By type of instrument:		
Current accounts	2,531,350	2,534,544
Other demand deposits	24,044	34,028
Fixed-term deposits	247,285	116,050
Repurchase agreements	636,137	2,955
	3,438,816	2,687,577
Valuation adjustments	7,521	3,858
	3,446,337	2,691,435

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 2011 and 2010 is as follows:

	THOUSANDS OF EUROS	
	2011	2010
Payment obligations	11,867	10,690
Collateral received	20,063	270
Tax collection accounts	6,740	7,895
Special accounts	35,362	34,919
Other	219,608	485,985
	293,640	539,759

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 35,203 thousand at 31 December 2011 (31 December 2010: EUR 34,887 thousand).

The balance of "Other" in the above table includes EUR 162,900 thousand at 31 December 2011 relating the means of payments operating procedures of certain federated saving bank done through the Confederación. The related balances are transitory and are settled on the first business day following the date on which they arose. At 31 December 2010 the amount for "Others" was EUR 384,593 thousand which was related 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 2011 and 2010 is as follows:

	THOUSANDS OF EUROS	
	NET ADDITIONS/(REVERSALS)	
	2011	2010
Additions to/ (Reversal of) provisions for pensions and similar obligations (Note 18.2)	58,504	3,801
Additions to/ (Reversal of) provisions for contingent liabilities and commitments (Note 18.3)	3	1
Additions to/ (Reversal of) other provisions (Note 18.3)	74,268	(2,480)
	132,775	1,322

18.2. Provisions - Provisions for pensions and similar obligations

The breakdown of this item in the consolidated balance sheets at 31 December 2011 and 2010 and the changes therein in 2011 and 2010, 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 2010	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
Financial cost (Note 32)	274	2	276
Balances at 31 December 2010	9,453	-	9,453
Net addition/ (reversal) charged/(credited) to income (Note 18.1)	(3,744)	62,248	58,504
Payments to early retirees and contributions to the external pension plan	-	(3,470)	(3,470)
Current service cost (Note 38)	59	-	59
Financial cost (Note 32)	351	570	921
Balances at 31 December 2011	6,119	59,348	65,467

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

The changes in 2011 and 2010 in the balances of these items in the consolidated balance sheets at 31 December 2011 and 2010 were as follows:

	THOUSANDS OF EUROS	
	PROVISIONS FOR CONTINGENT LIABILITIES AND COMMITMENTS (NOTES 2.10 AND 24)	OTHER PROVISIONS
Balances at 1 January 2010	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**
Net addition/ (reversal) charged/(credited) to income (Note 18.1)	3	74,268
Amounts used	-	(9)
Balances at 31 December 2011	**17**	**140,818**

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 2011 and 2010 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 2011 and 2010 in this item in the consolidated balance sheets at 31 December 2011 and 2010.

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 2011 and 2010 includes EUR 30,051 thousand, which correspond to the 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 54 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 2011 and 2010 is as follows:

	THOUSANDS OF EUROS	
	2011	2010
Reserves attributed to the Confederación's Group:		
Voluntary reserves	633,100	585,829
RAsset revaluation reserves	39,094	39,798
	672,194	625,627

Asset revaluation reserve

At, 31 December 2011 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 2011 and 2010 relates to the amount transferred to unrestricted reserves in proportion to the depreciated amount of the assets (properties) revalued in 2011 on the basis of their useful lives.

Reserves (losses) of fully and proportionately consolidated entities

The detail, by entity, of the balances of "Accumulated Reserves (Losses)" relating to fully and proportionately consolidated entities in the consolidated balance sheets at 31 December 2011 and 2010 is as follows:

	(MILES DE EUROS)	
	2011	2010
Confederación	670,711	624,284
Caja Activa, S.A.	142	119
CEA Trade Services Limited	-	-
Reserves at subsidiaries	142	119
Ahorro y Titulización, Sociedad Gestora de Fondos de Titulización, S.A.	1,341	1,224
Reserves at jointly controlled entities	1,341	1,224
Accumulated reserves (losses)	672,194	625,627

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 2011, the Group had 2008 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 2011 and 2010 is as follows:

	THOUSANDS OF EUROS	
	2011	2010
Income tax expense for the year	11,612	15,158
Prior years' and other adjustments	(738)	(630)
	10,874	14,528

22.3. Reconciliation of accounting profit to taxable profit

The reconciliation of the income tax expense recognised for 2011 and 2010 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 2011 and 2010 are as follows:

THOUSANDS OF EUROS	2011	2010
Accounting profit before tax	48,927	67,498
Tax rate	30%	30%
	14,678	20,249
Permanent differences:		
Increases	650	262
Decreases	(1,144)	(1,199)
Total	14,184	19,312
(Tax credits)/(Tax relief)	(2,572)	(4,154)
Income tax expense for the year	11,612	15,158

THOUSANDS OF EUROS	2011	2010
Temporary differences:		
Increases	51,392	18,797
Decreases	(15,165)	(7,947)
Tax withholdings and prepayments	(39,194)	(16,734)
Income tax charge for the year (1)	8,645	9,274

(1) This amount is recognised under "Tax Liabilities - Current" in the consolidated balance sheets at 31 December 2011 and 2010.

The permanent decreases in the taxable profit in the foregoing table include, among other items, the deduction of EUR 3,715 thousand relating to the amounts the Confederación assigned to welfare projects in 2011 (2010: EUR 3,995 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 150 thousand in 2011 and a net charge of EUR 17,115 thousand in 2010 to "Valuation Adjustments".

22.5. Deferred taxes

Pursuant to the tax legislation in force, in 2011 and 2010 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 2011 and 2010 were as follows:

	THOUSANDS OF EUROS	
	2011	2010
Deferred tax assets arising from:		
Additions and contributions to pension provisions and funds and other long-term obligations to employees	31,035	11,226
Additions to provisions	41,664	20,221
Impairment losses	33,377	36,056
Available-for-sale debt instruments	19,309	16,992
Available-for sale equity instruments portfolio	1,197	491
Other	1,760	3,517
	128,342	**88,503**
Deferred tax liabilities arising from:		
Revaluation of property	18,044	18,369
Available-for-sale equity instruments	13,899	15,177
Available-for-sale debt instruments	4,540	90
	36,483	**33,636**

23. FAIR VALUE

23.1. Fair value of financial assets and liabilities

The fair value of the Group's financial instruments at 31 December 2011 and 2010 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 2011 and 2010, broken down as indicated above, is as follows:

FINANCIAL ASSETS – FAIR VALUE AT 31 DECEMBER 2011-

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	-	-	659,571	659,571	-	-	3,332,492	3,332,492	1,704,087	1,690,155	-	-
Equity instruments	-	-	39,284	39,284	-	-	42,029	42,029	-	-	-	-
Derivatives	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	698,855	698,855	-	-	3,374,521	3,374,521	1,704,087	1,690,155	-	-
LEVEL 2:												
Cash and balances with central banks	492,394	492,394	-	-	-	-	-	-	-	-	-	-
Loans and advances to credit institutions	-	-	-	-	493,590	493,590	-	-	2,403,461	2,403,461	-	-
Loans and advances to customers	-	-	-	-	506,287	506,287	-	-	464,531	464,531	-	-
Debt instruments	-	-	4,921	4.921	-	-	156,241	156,241	738,553	776,299	-	-
Equity instruments	-	-	-	-	-	-	77,544	77,544	-	-	-	-
Trading derivatives	-	-	5,078,006	5,078,006	-	-	-	-.	-	-	-	-
Hedging derivatives	-	-	-	-	-	-	-	-	-	-	10	10
	492,394	492,394	5,082,927	5,082,927	999,877	999,877	233,785	233,785	3,606,545	3,644,291	10	10
LEVEL 3:												
Debt instruments	-	-	-	-	-	-	-	-	-	35	-	-
Equity instruments carried at cost	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	35	-	-
	492,394	**492,394**	**5,781,782**	**5,781,782**	**999,877**	**999,877**	**3,608,306**	**3,608,306**	**5,310,632**	**5,334,481**	**10**	**10**

FINANCIAL LIABILITIES - FAIR VALUE AT 31 DECEMBER 2011-

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	38	38	-	-	-	-	-	-
Short positions	343,354	343,354	-	-	-	-	-	-
	343,392	343,392	-	-	-	-	-	-
LEVEL 2:								
Deposits from central banks	-	-	930,840	930,840	344,845	344,845	-	-
Deposits from credit institutions	-	-	352,750	352,750	2,917,015	2,917,015	-	-
Customer deposits	-	-	1,041,134	1,041,134	3,446,337	3,446,337	-	-
Trading derivatives	5,017,255	5,017,255	-	-	-	-	-	-
Other financial liabilities	-	-	-	-	293,640	293,640	-	-
Hedging derivatives	-	-	-	-	-	-	25,759	25,759
	5,017,255	5,017,255	2,324,724	2,324,724	7,001,837	7,001,837	25,759	25,759
LEVEL 3:								
Deposits from credit institutions	-	-	-	-	-	-	-	-
Customer deposits	-	-	-	-	-	-	-	-
Trading derivatives	-	-	-	-	-	-	-	-
Hedging derivatives	-	-	-	-	-	-	-	-
Other financial liabilities	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
Total	**5,360,647**	**5,360,647**	**2,324,724**	**2,324,724**	**7,001,837**	**7,001,837**	**25,759**	**25,759**

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	3,977,184	3,977,184	-	-	-	-	-	-
Other financial liabilities	-	-	-	-	539,759	539,759	-	-
Hedging derivatives	-	-	-	-	-	-	38,736	38,736
	3,977,184	3,977,184	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

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 2011 and 2010 which were recognised in the consolidated financial statements for 2011 and 2010. 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	
	2011	2010
	NET GAIN/ (LOSS)	NET GAIN/ (LOSS)
LEVEL 2:		
Financial assets held for trading-		
Derivatives	1,086,899	552,076
Debt instruments	102	(6,745)
Other financial assets at fair value through profit or loss		
Loans and advances to credit institutions	539	(2,761)
Loans and advances to customers	855	(1,175)
Financial liabilities held for trading		
Derivatives	(1,040,071)	(491,306)
Hedging derivatives (asset balances)	(159)	527
Hedging derivatives (liability balances)	(21,182)	4,895
Other financial liabilities at fair value through profit or loss		
Deposits from central banks	(117)	-
Deposits from credit institutions	29	315
Customer deposits	(11,934)	9,495
Loans and receivables		
Debt instruments		
Available-for-sale financial assets	-	
Debt instruments	-	-
Equity instruments	-	-
	14,961	65,321
LEVEL 3:		
Financial assets held for trading-		
Debt instruments	-	13
	14,961	**65,334**

At 31 December 2011 and 2010 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 2011 and 2010 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 2011, the carrying amount of these properties amounted to EUR 86,849 thousand (31 December 2010: EUR 90,429 thousand) and their estimated fair value at that date was EUR 145,106 (31 December 2010: EUR 167,004 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.

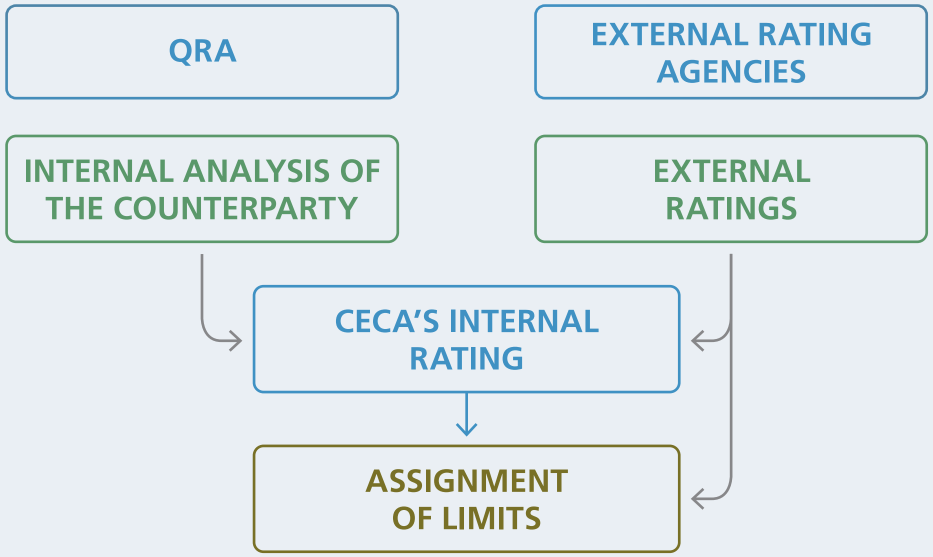
- **Concentration risk:** measures the extent of the concentration of credit risk exposure to a specific geographical area/country, economic sector, product and customer group.
- **Residual risk:** includes risk derived from hedging strategies, credit risk mitigation techniques, securitization, etc.

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 2011, all of the Confederación's most significant risk exposure was at very low levels with a a ratio of 1.06. These positions are in all cases related to the member institutions of the Confederacion´s, a sector that has undergone significant consolidation process over the years of 2011 and 2010. 68% of the large exposures are classified as investment grade by the rating agencies.

As regards geographical distribution, 96.6% of credit risk is to entities in countries with the highest credit ratings (AAA/A) including Spain.

The highest exposure is in Spain (76.3%) followed by the other euro-zone countries (13.6%), and rest of Europe (5%). Exposure in North America accounts for 3.2% 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 93% 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 2011 and 2010 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 2011:

THOUSANDS OF EURO

	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	-	493,166	-	2,402,166	-	-	2,895,332
Reverse repurchase agreements	-	493,166	-	-	-	-	493,166
Time deposits	-	-	-	811,789	-	-	811,789
Guarantee deposits on securities lending transactions	-	-	-	293,629	-	-	293,629
Doubtful assets	-	-	-	-	-	-	-
Other accounts and other	-	-	-	1,296,748	-	-	1,296,748
1.2. Debt instruments	664,492	-	3,522,806	2,567,120	-	-	6,754,418
Government debt securities	623,043	-	842,720	-	-	-	1,465,763
Treasury bills	-	-	2,026,369	-	-	-	2,026,369
Other public institutions	-	-	14,979	-	-	-	14,979
Spanish credit institutions	22,359	-	170,166	1,916,195	-	-	2,108,720
Non-resident credit institutions	-	-	110,070	-	-	-	110,070
Private sector (Spain)	19,090	-	332,330	450,369	-	-	801,789
Private sector (rest of the world)	-	-	26,172	101,168	-	-	127,340
Doubtful assets	-	-	-	99,388	-	-	99,388

31 December 2011:

THOUSANDS OF EURO

	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
1.3. Loans and advances to customers	-	506,351	-	466,317	-	-	972,668
Reverse repurchase agreements	-	506,351	-	5,970	-	-	512,321
Mortgage loans	-	-	-	49,576	-	-	49,576
Guarantee deposits on securities lending transactions	-	-	-	-	-	-	-
Other loans and credits	-	-	-	269,558	-	-	269,558
Doubtful assets	-	-	-	41	-	-	41
Other assets -	-	-	141,172	-	-	141.172	
Total debt instruments	**664,492**	**999,517**	**3,522,806**	**5,435,603**	**-**	**-**	**10,622,418**
2. CONTINGENT LIABILITIES -							
Financial guarantees (Note 30.1)	-	-	-	-	-	68.445	68,445
Documentary credits (Note 30.1)	-	-	-	-	-	46.064	46,064
Total contingent liabilities	**-**	**-**	**-**	**-**	**-**	**114.509**	**114,509**

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31 December 2011:

THOUSANDS OF EURO

	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
3. OTHER EXPOSURES -							
Derivatives	5,078,006	-	-	-	10	-	5,078,016
Contingent commitments (Note 30.3)	-	-	-	-	-	1,260,860	1,260,860
Total other exposures	**5,078,006**	**-**	**-**	**-**	**10**	**1,260,860**	**6,338,876**
4. LESS: RECOGNISED IMPAIRMENT LOSSES	-	-	(2,130)	(131,465)	-	(17)	(133,612)
Maximum credit risk exposure level (1+2+3+4)	5,742,498	999,517	3,520,676	5,304,138	10	1,375,352	16,942,191
Valuation adjustments	-	360	(31,943)	6,494	-	-	(25,089)
Total accounting balance	**5,742,498**	**999,877**	**3,488,733**	**5,310,632**	**10**	**1,375,352**	**16,917,102**

(1) The maximum credit risk exposure of the instruments included in the foregoing table was taken to be their fair value at 31 December 2011.

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31 December 2010:

THOUSANDS OF EURO

	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	-	-	-	41,4810
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

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31 December 2010:

THOUSANDS OF EURO

	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
1.3. 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**
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**

31 December 2010:

THOUSANDS OF EURO

	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
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**

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

With respect to the credit derivatives arranged by the Group, the foregoing tables include only the fair value thereof at 31 December 2011 and 2010, 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 2011 and 2010:

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31 December 2011:

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	-	229,313	263,853	293,629	-	-	-	-	786,795
Reverse repurchase agreements	-	229,313	263,853	-	-	-	-	-	493,166
Guarantee deposits on securities lending transactions	-	-	-	293,629	-	-	-	-	293,629
Time deposits	-	-	-	-	-	-	-	-	-
1.2. Debt instruments	2,618,242	-	-	-	-	-	-	-	2,618,242
1.3. Loans and advances to customers		408,974	303,347	-	-	49,576	-	-	761,897
Reverse repurchase agreements	-	408,974	103,347	-	-	-	-	-	512,321
Mortgage loans	-	-	-	-	-	49,576	-	-	49,576
Guarantee deposits on securities lending transactions	-	-	200,000	-	-	-	-	-	200,000
Total debt instruments	**2,618,242**	**638,287**	**567,200**	**293,629**	**-**	**49,576**	**-**	**-**	**4,166,934**
2. CONTINGENT LIABILITIES-									
Financial bank guarantees	-	68,445	-	-	-	-	-	-	68,445
Documentary credits	-	-	-	-	-	-	-	46,064	46,064
Total contingent liabilities	**-**	**68,445**	**-**	**-**	**-**	**-**	**-**	**46,064**	**114,509**
3. OTHER EXPOSURES-									
Derivatives	-	-	-	-	2,341,089	-	-	-	2,341,089
Total other exposures	**-**	**-**	**-**	**-**	**2,341,089**	**-**	**-**	**-**	**2,341,089**
Total amount covered	**2,618,242**	**706,732**	**567,200**	**293,629**	**2,341,089**	**49,576**	**-**	**46,064**	**6,622,532**

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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**
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**

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 2011, 69% 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	4.6%
2	A	26.6%
3	BBB	44.6%
4	BB	18.6%
5	B	0%
6	CCC and below	5.6%
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 71% of rated exposure, and the savings banks account for 44% 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 2011 and 2010:

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31 December 2011:

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	-	2,671,672	-	-	-	223,660	-	2,895,332
Reverse repurchase agreements	-	493,166	-	-	-	-	-	493,166
Time deposits	-	746,351	-	-	-	65,438	-	811,789
Guarantee deposits on securities lending transactions	-	289,659	-	-	-	3,970	-	293,629
Other accounts	-	1,134,987	-	-	-	153,832	-	1,288,819
Other	-	7,509	-	-	-	420	-	7,929
1.2. Debt instruments	3,507,102	2,108,720	801,789	-	9	110,070	127,340	6,655,030
1.3. Loans and advances to customers	308	-	623,365	118,722	13	-	230,219	972,627
Reverse repurchase agreements	-	-	512,321	-	-	-	-	512,321
Guarantee deposits on securities lending transactions	-	-	-	-	-	-	-	-
Other loans and credits	308	-	-	69,146	13	-	200,091	269,558
Mortgage loans	-	-	-	49,576	-	-	-	49,576
Other assets	-	-	111,044	-	-	-	30,128	141,172
Total debt instruments	**3,507,410**	**4,780,392**	**1,425,154**	**118,722**	**22**	**333,730**	**357,559**	**10,522,989**
2. CONTINGENT LIABILITIES-								
Financial bank guarantees	-	68,445	-	-	-	-	-	68,445
Documentary credits	-	-	46,064	-	-	-	-	46,064
Total contingent liabilities	**-**	**68,445**	**46,064**	**-**	**-**	**-**	**-**	**114,509**
3. OTHER EXPOSURES-								
Derivatives	-	2,970,390	1,604,141	-	-	503,485	-	5,078,016
Contingent commitments	875,550	26,761	358,249	-	-	-	300	1,260,860
Total other exposures	**875,550**	**2,997,151**	**1,962,390**	**-**	**-**	**503,485**	**300**	**6,338,876**
Total	**4,382,960**	**7,845,988**	**3,433,608**	**118,722**	**22**	**837,215**	**357,859**	**16,976,374**

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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**
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**

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 0.59% and 0.52% at 31 December 2011 and 2010, 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 2011 and 2010.

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 2011 and 2010:

THOUSANDS OF EUROS

	31 December 2011			31 December 2010		
	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	-	-	-	-	-	-
1.2. Debt instruments	99,388	-	99,388	109,848	-	109,848
1.3. Loans and advances to customers	41	-	41	24	-	24
Total debt instruments	**99,429**	**-**	**99,429**	**109,872**	**-**	**109,872**
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	**99,429**	**-**	**99,429**	**109,872**	**-**	**109,872**

Assets (secured loans) presented by the Group in the foregoing table as "individually impaired" at 31 December 2011 and 2010 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 2011 and 2010 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 2011 and 2010:

2011:

THOUSANDS OF EUROS

	BALANCE AT 1 JANUARY 2011	NET ADDITIONS (REVERSALS) CHARGED (CREDITED) TO INCOME (**)	TRANSFERS BETWEEN ITEMS	AMOUNTS USED IN THE YEAR	OTHER CHANGES (*)	BALANCE AT 31 DECEMBER 2011
1. Impairment losses not specifically identified						
1.1. Debt instruments-						
Loans and advances to credit institutions	59	(54)	-	-	-	5
Debt instruments	2,819	(689)	-	-	-	2,130
Loans and advances to customers	1,147	827	-	-	-	1,974
Total debt instruments	**4,025**	**84**	**-**	**-**	**-**	**4,109**
1.2. Contingent liabilities-						
Financial bank guarantees	14	3	-	-	-	17
Total contingent liabilities	**14**	**3**	**-**	**-**	**-**	**17**
1.3. Other exposures-	-	-	-	-	-	-
Total	**4,039**	**87**	**-**	**-**	**-**	**4,126**

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2011:

THOUSANDS OF EUROS

	BALANCE AT 1 JANUARY 2011	NET ADDITIONS (REVERSALS) CHARGED (CREDITED) TO INCOME (**)	TRANSFERS BETWEEN ITEMS	AMOUNTS USED IN THE YEAR	OTHER CHANGES (*)	BALANCE AT 31 DECEMBER 2011
2. Specifically identified impairment losses						
2.1. Debt instruments-						
Loans and advances to credit institutions	-	-	-	-	-	-
Debt instruments (***)	142,969	(10,526)	-	(3,858)	867	129,452
Loans and advances to customers	24	10	-	-	-	34
Total debt instruments	**142,993**	**(10,516)**	**-**	**(3,858)**	**867**	**129,486**
2.2. Contingent liabilities-	-	-	-	-	-	-
Total contingent liabilities	**-**	**-**	**-**	**-**	**-**	**-**
2.3. Other exposures-	-	-	-	-	-	-
Total	**142,993**	**(10,516)**	**-**	**(3,858)**	**867**	**129,486**
Total impairment losses (1+2)	**147,032**	**(10,429)**	**-**	**(3,858)**	**867**	**133,612**

(*) Basically includes adjustments for differences in change.

(**) Of the total, 10,432 thousand Euros are recognized under "Impairment of financial assets (net) (see Note 41) and 3 thousand Euros under " Provisions (net) (see Note 18.3) in the consolidated income statement for the year 2011.

(***) Of the total of 129,452 thousand Euros of impairment losses specifically identified debt securities, 30,065 thousand relate to providing substandard.

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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**

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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
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.

Following is a detail, by financial instrument category, of the impairment losses recognised by the Group due to credit risk at 31 December 2011 and 2010:

31 December 2011:

THOUSANDS OF EUROS

	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	-	5	-	5
Debt instruments	2,130	-	-	2,130
Loans and advances to customers	-	1,974	-	1,974
Total debt instruments	**2,130**	**1,979**	**-**	**4,109**
1.2. Contingent liabilities-				
Financial bank guarantees	-	-	17	17
Total contingent liabilities	**-**	**-**	**17**	**17**
1.3. Other exposures-	-	-	-	-
Total	**2,130**	**1,979**	**17**	**4,126**
2. Specifically identified impairment losses				
2.1. Debt instruments-				
Loans and advances to credit institutions	-	-	-	-
Debt instruments	-	129,452	-	129,452
Loans and advances to customers	-	34	-	34
Total debt instruments	**-**	**129,486**	**-**	**129,486**
2.2. Contingent liabilities-	-		-	-
2.3. Other exposures-	-	-	-	-
Total	**-**	**129,486**	**-**	**129,486**
Total impairment losses (1+2)	**2,130**	**131,465**	**17**	**133,612**

31 December 2010:

THOUSANDS OF EUROS

	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	**,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**

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 2011 and 2010 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 2011 and 2010 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 2011 and 2010.

24.11. Exposure to real estate risk

The only operations granted by the Confederación concerning real state exposure are those loans intended to be used for housing acquisition, which are granted to its employees.

24.12. Other disclosures on credit risk

At 31 December 2011 and 2010 the amount of accrued uncollected past-due receivables on impaired financial assets was not material.

In 2011 and 2010 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 2011 and 2010 is as follows:

	THOUSANDS OF EUROS	
	2011	2010
Money and currency markets	1,342	1,150
Fixed-income and equities trading	246	182
Loan trading	125	140
Derivatives and structured products	356	216

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 Market, Balance-Sheet and Liquidity Risk Division) fully or partially delegates the setting of these limits to the persons responsible of each Division.

- 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 2011, 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 2011 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 2011 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 Market, Balance-Sheet and Liquidity Risk 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 2011 and 2010 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:

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At 31 December 2011

THOUSANDS OF EUROS

	ON DEMAND	LESS THAN 1 MONTH	1 TO 3 MONTHS	3 TO 12 MONTHS	1 TO 5 YEARS	AFTER 5 YEARS	TOTAL
ASSETS:							
Cash and balances with central banks	92,388	400,000	-	-	-	-	492,388
Financial assets held for trading - Debt instruments	-	1,172	55,315	233,762	210,702	163,541	664,492
Financial assets held for trading - Other equity instruments	-	-	-	-	-	39,284	39,284
Other financial assets at fair value through profit or loss - Loans and advances to credit institutions	-	443,616	49,550	-	-	-	493,166
Other financial assets at fair value through profit or loss - Loans and advances to customers	-	410,955	-	95,396	-	-	506,351
Available-for-sale financial assets - Debt instruments (*)	-	-	438,640	2,270,366	416,222	365,635	3,490,863
Available-for-sale financial assets - Other equity instruments (**)	-	-	-	-	-	119,573	119,573
Loans and receivables - Loans and advances to credit institutions	592,481	1,672,051	105,539	31,275	700	120	2,402,166
Loans and receivables - Loans and advances to customers	162,439	246,807	4	261	3,367	53,439	466,317
Loans and receivables - Debt instruments	-	-	52,918	2,102,966	233,096	178,140	2,567,120
Total at 31 December 2011	**847,308**	**3,174,601**	**701,966**	**4,734,026**	**864,087**	**919,732**	**11,241,720**

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At 31 December 2011

THOUSANDS OF EUROS

	ON DEMAND	LESS THAN 1 MONTH	1 TO 3 MONTHS	3 TO 12 MONTHS	1 TO 5 YEARS	AFTER 5 YEARS	TOTAL
LIABILITIES:							
Financial liabilities held for trading - short positions	-	343,354	-	-	-	-	343,354
Other financial liabilities at fair value through profit or loss - en pérdidas y ganancias - Deposits from central banks	-	613,351	317,153	-	-	-	930,504
Other financial liabilities at fair value through profit or loss - Deposits from credit institutions	-	352,757	-	-	-	-	352,757
Other financial liabilities at fair value through profit or loss - Customer deposits	-	573,358	123,103	337,603	-	-	1,034,064
Financial liabilities at amortised cost - Deposits from central banks	-	4,935	339,776	-	-	-	344,711
Financial liabilities at amortised cost - Deposits from credit institutions	1,070,326	1,775,929	21,057	48,453	-	-	2,915,765
Financial liabilities at amortised cost - Customer deposits	2,555,393	41,107	916	836,717	1,725	2,958	3,438,816
Total at 31 December 2011	**3,625,719**	**3,704,791**	**802,005**	**1,222,773**	**1,725**	**2,958**	**9,359,971**
Assets minus liabilities at 31 December 2011	**(2,778,411)**	**(530,190)**	**(100,039)**	**3,511,253**	**862,362**	**916,774**	**1,881,749**

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

At 31 December 2010:

THOUSANDS OF EUROS

	ON DEMAND	LESS THAN 1 MONTH	1 TO 3 MONTHS	3 TO 12 MONTHS	1 TO 5 YEARS	AFTER 5 YEARS	TOTAL
ASSETS:							
Cash and balances with central banks	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**

At 31 December 2010:

THOUSANDS OF EUROS

	ON DEMAND	LESS THAN 1 MONTH	1 TO 3 MONTHS	3 TO 12 MONTHS	1 TO 5 YEARS	AFTER 5 YEARS	TOTAL
LIABILITIES:							
Financial liabilities held for trading - short positions	-	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**

(*) 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 (without 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 2011 year-end, at aggregate level, is as follows:

TOTAL INTEREST	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	330,765	589,628	169,623	976,926	600,872	1.184.342	1.676.024	282.910	259.476	276.200	31.200	72.920
1.1. Cash and balances with central banks	76,945	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	30,636	995	445	1,775	1,034	1,442	44,726	3,910	0	0	0	0
1.4. Debt instruments	184,676	588,632	132,315	975,151	604,675	1,182,900	1,626,072	279,000	259,476	276,200	31,200	1,000
1.5. Other equity instruments												132,544
1.6. Non-current assets and other non-sensitive assets	38,509		36,863		-4,837		5,227					-60,625
2. LIABILITIES	4,851,201	34,314	36,804	0	0	0	636,137	0	93,490	0	0	0
2.1. Deposits from credit institutions	1,474,057	0	0	0	0	0	0	0		0	0	0
2.2. Repurchase agreements	0	0	0	0	0	0	636,137	0		0	0	0
2.3. Customer deposits	3,377,144	34,314	36,804	0	0	0	0	0	93,490	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	4,258,394	-568,605	-62,708	-486,196	-1,010,425	-410,000	-1,318,060	-249,000	-153,400	0	0	0
Gap	**-262,042**	**-13,291**	**70,112**	**490,730**	**-409,553**	**774,342**	**-278,173**	**33.910**	**12,586**	**276,200**	**31,200**	**72,920**
Cumulative GAP	-262,042	-275,333	-205,221	285,509	-124,044	650,298	372,125	406,035	418,621	694,821	726,021	798,941

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.
- 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.
- **Steepenning:** increase in the slope of the spot rates.
- **Flattenning:** 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.
- **Steepenning:** increase in the slope of the spot rates.
- **Flattenning:** 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 2011 and 2010:

31 December 2011:

THOUSANDS OF EUROS

	SPAIN	OTHER EMU COUNTRIES	REST OF THE WORLD	TOTAL
By type of financial instrument-				
Loans and advances to credit institutions	2,672,742	132,730	91,584	2,897,056
Loans and advances to customers	631,789	338,628	2,375	972,792
Debt instruments	6,315,353	265,781	16,861	6,597,995
Equity instruments	138,064	20,793	-	158,857
Trading derivatives	4,574,532	249,846	253,628	5,078,006
	14,332,480	1,007,778	364,448	15,704,706
By financial instrument-				
Financial assets held for trading	5,277,763	250,390	253,629	5,781,782
Other financial assets at fair value through profit or loss	889,327	110,550	-	999,877
Available-for-sale financial assets (1)	3,473,536	136,900	-	3,610,436
Loans and receivables (2)	4,691,854	509,938	110,819	5,312,611
	14,332,480	1,007,778	364,448	15,704,706

(1) Excluding impairment losses on debt instruments.

(2) Excluding not specifically identified impairment losses on debt instruments and loans and advances to customers included in this category.

31 December 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.

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 2011 and 2010:

31 December 2011:

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	38,749	22,671	61,420
Shares listed in secondary markets in the rest of the world	535	19,360	19,895
Unlisted shares	-	77,542	77,542
	39,284	119,573	158,857
By issuer type-			
Spanish financial institutions	12,737	7,974	20,711
Other Spanish companies	26,011	91,282	117,293
Other foreign companies	536	20,317	20,853
	39,284	119,573	158,857

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

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 2011 and 2010 and throughout those years, the Confederación's Welfare fund was not invested in any tangible or intangible assets.

The changes in 2011 and 2010 in the balance of "Welfare Fund" on the liability side of the consolidated balance sheets are as follows:

	THOUSANDS OF EUROS	
	2011	2010
Beginning balance before distribution of profit	266	503
Transfer charged to prior period profit (Note 4)	3,995	3,707
Maintenance expenses for the year:		
Depreciation/amortisation of assets assigned to welfare projects	-	-
Budgeted current expenses for the year	(4,046)	(3,706)
Other expenses from previous years	-	(238)
Ending balance before distribution of profit	215	266

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 2011 and 2010 is as follows:

	THOUSANDS OF EUROS	
	2011	2010
Financial guarantees provided-		
Financial bank guarantees	68,445	46,215
Documentary credits	46,064	48,384
	114,509	94,599
Other bank guarantees and indemnities	63,085	51,527
	177,594	146,126

"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).

30.2. Assets delivered as security

At 31 December 2011 and 2010, 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 2011 and 2010 was as follows:

	THOUSANDS OF EUROS	
	2011	2010
Spanish government debt securities classified as available-for -sale financial assets	20,000	25,000
Other securities classified as available-for-sale financial assets	1,071,782	656,289
	1,091,782	681,289

At 31 December 2011, the Confederación had securities with a face value of EUR 1,091,782 thousand (31 December 2010: EUR 681,289 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 2011, the Group had entered into repurchase agreements for securities in its portfolio and reverse repurchase agreements for a total amount of EUR 3,037,368 thousand (31 December 2010: EUR 9,206,177 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 2011 and 2010, 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 2011 and 2010 is as follows:

	THOUSANDS OF EUROS	
	2011	2010
Drawable by third parties (Note 24):		
Public sector - Spain	875,550	575,550
Credit institutions	26,761	53,666
Other resident sectors	358,249	371,449
Non-resident sectors	300	300
	1,260,860	**1,000,965**
Financial asset forward purchase commitments	4,944	17,963
Regular way financial asset purchase contracts	954,852	743,363
Other contingent commitments	77,014	347,609
	2,297,670	2,109,900

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 2011 and 2010 is as follows:

	THOUSANDS OF EUROS	
	2011	2010
Financial instruments entrusted by third parties	98,542,046	116,144,882
Conditional bills and other securities received for collection	2,211,084	2,059,501
Borrowed securities	317,547	393,448
	101,070,677	118,597,831

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.

Deposits provided or received as security or guarantee for the securities received or lent by the Confederación, respectively, are accounted for as a financial asset or a financial liability, respectively, and the interest associated therewith is recognised as interest and similar income or as interest expense and similar charges, respectively, in the consolidated income statement, by applying the corresponding effective interest rate.

Following is a detail of the fair value of the financial assets borrowed and lent by Group in securities lending transactions at 31 December 2011 and 2010:

	THOUSANDS OF EUROS	
	2011	2010
Securities lent by the Confederación-		
Equity instruments-		
Issued by credit institutions	56,923	18,436
Issued by other resident sectors	63,960	147,651
Issued by other non-resident sectors	168,618	11,142
Debt instruments-		
Issued by credit institutions	203,969	-
Issued by other resident sectors	35,019	-
Issued by other non-resident sectors	53,232	-
Issued by non-resident Spanish Public sector	20,689	-
	602,410	**177,229**

	THOUSANDS OF EUROS	
	2011	2010
Securities borrowed by the Confederación- (Note 30.4)		
Equity instruments-		
Issued by credit institutions	55,834	40,720
Issued by other resident sectors	74,620	293,326
Issued by other non-resident sectors	175,313	55,195
Debt instruments		
Issued by Public sector - Spain	11,780	4,207
	317,547	**393,448**

Finance income recognised by the Group in 2011 in relation to securities lent totalled EUR 37,446 thousand (2010: EUR 122,278 thousand) and is recognised under "Interest and Similar Income" in the consolidated income statement for 2011 (see Note 31).

In 2011, finance costs relating to securities borrowed amounted to EUR 89,735 thousand (2010: EUR 242,346 thousand) and were recognised under "Interest Expense and Similar Charges" in the consolidated income statement for 2011 (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 2011 and 2010, 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 2011 relate to claims affecting entities other than the Confederación.

	2011	2010
Number of complaints and claims received	50	64
Number of complaints and claims admitted for consideration	-	-
Number of complaints and claims resolved	-	-
Number of complaints and claims resolved in favour of the complainant	-	-
Number of complaints and claims resolved against the claimant	-	-
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	2,619,992	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:

	THOUSANDS OF EUROS	
PORTFOLIO IN WHICH THE SECURITIES WERE CLASSIFIED AT 31 DECEMBER 2010	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 2011 was a net loss of EUR 14,444 thousand.

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

No reclassification between financial instrument portfolios were made in 2011.

31. INTEREST AND SIMILAR INCOME

The breakdown of the most important interest and similar income earned by the Group in 2011 and 2010, by type of instrument giving rise to it, is as follows:

	THOUSANDS OF EUROS	
	2011	2010
Balances with central banks	927	1,179
Loans and advances to credit institutions	63,882	56,630
Loans and advances to customers		
Non-resident public sector	10	-
Money market operations through counterparties	7,984	1,283
Other resident sectors	6,034	2,594
Other non-resident sectors	259	88
Debt instruments	191,344	160,260
Finance income from securities lending transactions (Note 30.5)	37,446	122,278
Other interest	3,177	689
Rectification of income as result of hedging transactions	12,067	(1,229)
	323,130	343,772

Additionally, the breakdown of the amounts recognised under "Interest and Similar Income" in the consolidated income statements for 2011 and 2010, by type of financial instrument category giving rise to them, is as follows:

	THOUSANDS OF EUROS	
	2011	2010
Balances with central banks	927	1,179
Financial assets held for trading	45,227	69,878
Available-for-sale financial assets	96,859	55,042
Other financial assets at fair value through profit or loss	55,248	36,306
Loans and receivables	75,356	60,318
Securities lending transactions (Note 30.5)	37,446	122,278
Rectification of income as result of hedging transactions	12,067	(1,229)
	323,130	343,772

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 2011 and 2010, by type of instrument giving rise to them, is as follows:

	THOUSANDS OF EUROS	
	2011	2010
Bank of Spain	134	9,978
Other central banks	247	363
Deposits from credit institutions	33,390	28,089
Customer deposits	30,774	30,469
Money market operations through counterparties	53,261	11,046
Cost attributable to pension funds (Note 18.2)	921	276
Finance costs attributable to securities lending transactions (Note 30.5)	89,735	242,346
Other interest	1	4
	208,463	322,571

The breakdown of the amounts recognised under "Interest Expense and Similar Charges" in the consolidated income statements for 2011 and 2010, by type of financial instrument category giving rise to them, is as follows:

	THOUSANDS OF EUROS	
	2011	2010
Financial liabilities held for trading - Short positions	12,200	12,404
Financial liabilities at amortised cost	51,711	39,056
Securities lending (Note 30.5)	89,735	242,346
Other financial liabilities at fair value through profit or loss	53,895	28,485
Other liabilities	922	280
	208,463	322,571

33. INCOME FROM EQUITY INSTRUMENTS

The balance of "Income from Equity Instruments" in the consolidated income statement amounts to EUR 112,755 thousand at 31 December 2011 (31 December 2010: EUR 141,042 thousand). These amounts are mainly related to dividends on assets held for trading and dividends on loans granted by the Confederación.

34. FEE AND COMMISSION INCOME

Following is a detail of the fee and commission income earned in 2011 and 2010, classified on the basis of the main items giving rise thereto:

	THOUSANDS OF EUROS	
	2011	2010
Fee and commission income -		
Fees and commissions arising from contingent liabilities (Note 30.1)	11,070	5,912
Fees and commissions arising from contingent commitments	2,171	890
Fees and commissions arising from collection and payment services	58,114	60,565
Fees and commissions arising from securities services (*)	24,836	27,180
Fees and commissions arising from foreign currency and foreign banknote exchange	501	456
Other fees and commissions	7,817	7,682
	104,509	102,685

(*) In 2011, this item included, EUR 18,207 thousand relating to custody services in connection with securities of third parties deposited at the Confederation (2010: EUR 22,224 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 2011 and 2010, classified on the basis of the main items giving rise thereto:

	THOUSANDS OF EUROS	
	2011	2010
Fee and commission expense -		
Fees and commissions assigned to other entities and correspondents	24,089	19,469
Fee and commission expenses on securities transactions	9,217	9,139
	33,306	28,608

36. NET 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 2011 and 2010, by type of financial instrument giving rise to them, is as follows:

	THOUSANDS OF EUROS INCOME/(EXPENSES)	
	2011	2010
Financial assets and liabilities held for trading	(35,004)	(74,183)
Trading derivatives	(972)	(70,607)
Debt instruments	24,137	9,636
Equity instruments	(50,056)	(16,948)
Short positions	(6,868)	3,736
Other financial instruments at fair value through profit or loss	(10,577)	8,617
Reverse repurchase agreements	1,402	(3,930)
Deposits of the Bank of Spain	-	2,786
Repurchase agreements	(11,979)	9,761
Available-for-sale financial assets	(1,888)	2,793
Loans and receivables	964	2,820
Results of hedging instruments	(21,341)	5,680
Results of hedged items	17,122	(5,888)
	(50,724)	**(60,161)**

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 2011 and 2010 is as follows:

	THOUSANDS OF EUROS	
	2011	2010
Rental income (Note 14)	808	993
Costs recovered through their inclusion in the cost of intangible assets	511	1,044
Income from Confederación membership dues	14,389	16,806
Costs passed on to savings banks	17,451	26,377
Other income	49,459	41,923
	82,618	87,143

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.

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 2011 and 2010 is as follows:

	THOUSANDS OF EUROS	
	2011	2010
Wages and salaries	65,928	66,953
Social security costs	9,515	10,198
Insurance premiums (Note 2.11.1)	4,203	5,070
Termination Benefits (Note 2.11.3)	3,116	7,088
Contributions to defined contribution plans (Note 2.11.1)	772	4,484
Normal cost for the year of defined benefit obligations (Note 18.2)	59	1,957
Income from insurance policies	(1,551)	(108)
Training expenses	143	240
Other staff costs	796	792
	82,981	96,674

In 2011 and 2010, the average number of employees at the Group, by level, was as follows:

LEVEL	2011	2010
1 - LEVEL I	11	15
1 - LEVEL II	22	21
1 - LEVEL III	37	43
1 - LEVEL IV	82	95
1 - LEVEL V	67	61
1 - LEVEL VI	190	244
1 - LEVEL VII	76	81
1 - LEVEL VIII	119	111
1 - LEVEL IX	41	43
1 - LEVEL X	27	30
1 - LEVEL XI	53	50
1 - LEVEL XII	31	45
1 - LEVEL XIII	2	3
2 - LEVEL I	1	3
2 - LEVEL II	11	16
2 - LEVEL III	-	-
2 - LEVEL IV	2	1
2 - LEVEL V	1	2
OTHER	24	26
TOTAL	797	890

At 31 December 2011 the total number of employees was 700, of which 361 were men and 339 women (51.57% and 48.43%, 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 2011 and 2010 is as follows:

	THOUSANDS OF EUROS 2011	2010
Property, fixtures and supplies	5,214	5,386
IT equipment	39,400	38,606
Communications	4,263	4,091
Advertising and publicity	580	525
Technical reports	2,920	829
Surveillance and cash courier services	5,346	5,465
Insurance and self-insurance premiums	230	211
Governing and control bodies	1,420	1,140
Outsourced administrative services	10,684	10,658
Levies and taxes	1,522	1,501
Entertainment and travel expenses	1,744	2,084
Association membership fees	2,069	2,013
External personnel	2,151	2,774
Subscriptions and publications	4,691	4,645
Other administrative expenses	5,589	6,823
	87,823	86,751

The balance of "External Personnel" in 2011 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 2011	2010
Audits of the companies audited by firms belonging to the Deloitte worldwide organization and other reports related with the audit	128	129
Other reports reviewed by firms belonging to the Deloitte worldwide organization	155	148
	283	277
Other services (other than audits) conducted by firms belonging to the Deloitte worldwide organization	308	397
Total Services	591	674

Additional Provision Three. "Disclosure obligation" provided for in Law 15/2010, of 5 July -

Pursuant to Law 15/2010, of 5 July, amending Law 3/2004, of 29 December, on combating late payment in commercial transactions, which was implemented by the Spanish Accounting and Audit Institute (ICAC) Resolution of 29 December 2010, on disclosures to be included in the notes to financial statements with regard to the payment periods to suppliers in commercial transactions, it is hereby stated that:

- Given the activity carried on by the Group (financial business), the information presented in this Note on payment periods relates exclusively to payments to suppliers for the provision of sundry services and supplies to the Group, other than payments to depositors, which were made in all cases in strict compliance with the contractual and legal terms established for each of them, whether they were liabilities payable on demand or with deferred payment. Neither does this Note include information on payments to suppliers excluded from the scope of this disclosure obligation pursuant to the aforementioned ICAC Resolution, such as payments to non-current asset suppliers that are not considered to be trade creditors.

- With regard to the disclosures required by Law 15/2010, of 5 July, relating to trade suppliers and the suppliers of services to the Group, and considering the stipulations of Transitional Provision Two of the ICAC Resolution of 29 December 2010, set forth below is the information required by the aforementioned law, with the scope defined in the preceding paragraph:

	THOUSANDS OF EUROS	
	PAYMENTS DURING 2011 AND PAYABLE PAYMENTS AT YEAR ENDED 2011	
	AMOUNT	% (1)
Within maximum legal period (2)	111,678	100%
Other	-	-
Total 2011	111,678	100%
Exceeded weighted average terms of payments (as days)	-	-
Deferrals that exceed maximum legal period at year ended 2011	-	-

(1) Percentage of the total.

(2) The maximum payment period is, in each case, that corresponding to the nature of the goods or services received by the Group in accordance with Law 3/2004, of 29 December, on combating late payment 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 2011 and 2010 is as follows:

	THOUSANDS OF EUROS	
	2011	2010
Contribution to the Deposit Guarantee Fund (Note 1.10)	105	154
Investment Real Estate Operating Expenses	97	102
Other	2,940	1.321
	3,142	1,577

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 2011 and 2010 is as follows:

	THOUSANDS OF EUROS NET (ADDITIONS)/ REVERSALS (CHARGED)/ CREDITED TO CONSOLIDATED INCOME	
	2011	2010
Debt instruments (Note 24.8)-		
Available-for-sale financial assets	689	(4,671)
Loans and receivables	9,743	(43,369)
	10,432	**(48,040)**
Equity instruments-		
Available-for-sale equity instruments	(5,626)	-
	(5,626)	-
	4,806	(48,040)

42. DEPRECIATION AND AMORTISATION

The detail of "Depreciation and Amortisation" in the consolidated income statements for 2011 and 2010 is as follows:

	THOUSANDS OF EUROS	
	2011	2010
Depreciation of tangible assets (Note 14)	6,809	6,843
Amortisation of intangible assets (Note 15)	827	858
	7,636	7,701

43. RELATED PARTY TRANSACTIONS

At 31 December 2011, the demand deposits held by the Confederación's senior executives, the members of its Board of Directors and related entities and individuals totalled EUR 467 thousand (2010: EUR 898 thousand), and the loans granted to them amounted to EUR 792 thousand (2010: EUR 731 thousand). These amounts bore interest of EUR 13 thousand (2010: EUR 13 thousand) and EUR 4 thousand (2010: EUR 3 thousand), which were recognised under "Interest and Similar Income" and "Interest Expense and Similar Charges", respectively, in the consolidated income statement for 2011. At 31 December 2011 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 2011 and 2010 and in the consolidated income statements for 2011 and 2010 is as follows (Note 2.1):

	THOUSANDS OF EUROS	
	2011	2010
Asset:		
Loans and receivables	19	12
Liabilities:		
Financial liabilities at amortised cost	1,207	261
Income statement:		
Other operating expenses	242	237

44. VENTS 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 2011

			PROPORTION OF OWNERSHIP INTEREST (%)			THOUSANDS OF EUROS ENTITY DATA AT 31 DECEMBER 2011 (*)			
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	267	31	236	34
CEA Trade Services Limited	Hong Kong	Foreign trade	100	-	100	18	14	4	-

(*) These companies' financial statements at 31 December 2011 have not yet been approved by their shareholders at the respective Annual General Meetings.

Subsidiaries included in the Group at 31 December 2010

			PROPORTION OF OWNERSHIP INTEREST (%)			THOUSANDS OF EUROS 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	-

APPENDIX II

Jointly controlled entities at 31 December 2011

			PROPORTION OF OWNERSHIP INTEREST (%)			THOUSANDS OF EUROS ENTITY DATA AT 31 DECEMBER 2011 (*)			
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	14,770	10,177	4,593	3,010

(*) These companies' financial statements at 31 December 2011 have not yet been approved by their shareholders at the respective Annual General Meetings.

Jointly controlled entities at 31 December 2010

			PROPORTION OF OWNERSHIP INTEREST (%)			THOUSANDS OF EUROS ENTITY DATA AT 31 DECEMBER 2011 (*)			
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

EXTERNAL AUDIT REPORT

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Torre Picasso
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España

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Translation of a report originally issued in Spanish based on our work performed in accordance with generally accepted auditing standards in Spain and of consolidated financial statements originally issued in Spanish and prepared in accordance with IFRSs as adopted by the European Union (see Notes 1.2 and 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 Subsidiaries composing, together with the Confederación, the Confederación Española de Cajas de Ahorros Group ("the Group"), which comprise the consolidated balance sheet at 31 December 2011 and the related consolidated income statement, consolidated statement of recognised income and expense, consolidated statement of changes in total equity, consolidated statement of cash flows and notes to the consolidated financial statements for the year then ended. The preparation of these consolidated financial statements is the responsibility of the Confederación's Board of Directors 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 the audit regulations in force in Spain, which require examination, by means of selective tests, of the evidence supporting the consolidated financial statements and evaluation of whether their presentation, the accounting principles and policies applied and the estimates made, comply with the applicable regulatory financial reporting framework.

In our opinion, the accompanying consolidated financial statements for 2011 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 2011 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 2011 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 2011. 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 accounting records of Confederación Española de Cajas de Ahorros and Subsidiaries.

DELOITTE, S.L.
Registered in ROAC under no. S0692

Francisco Celma

25 January 2012

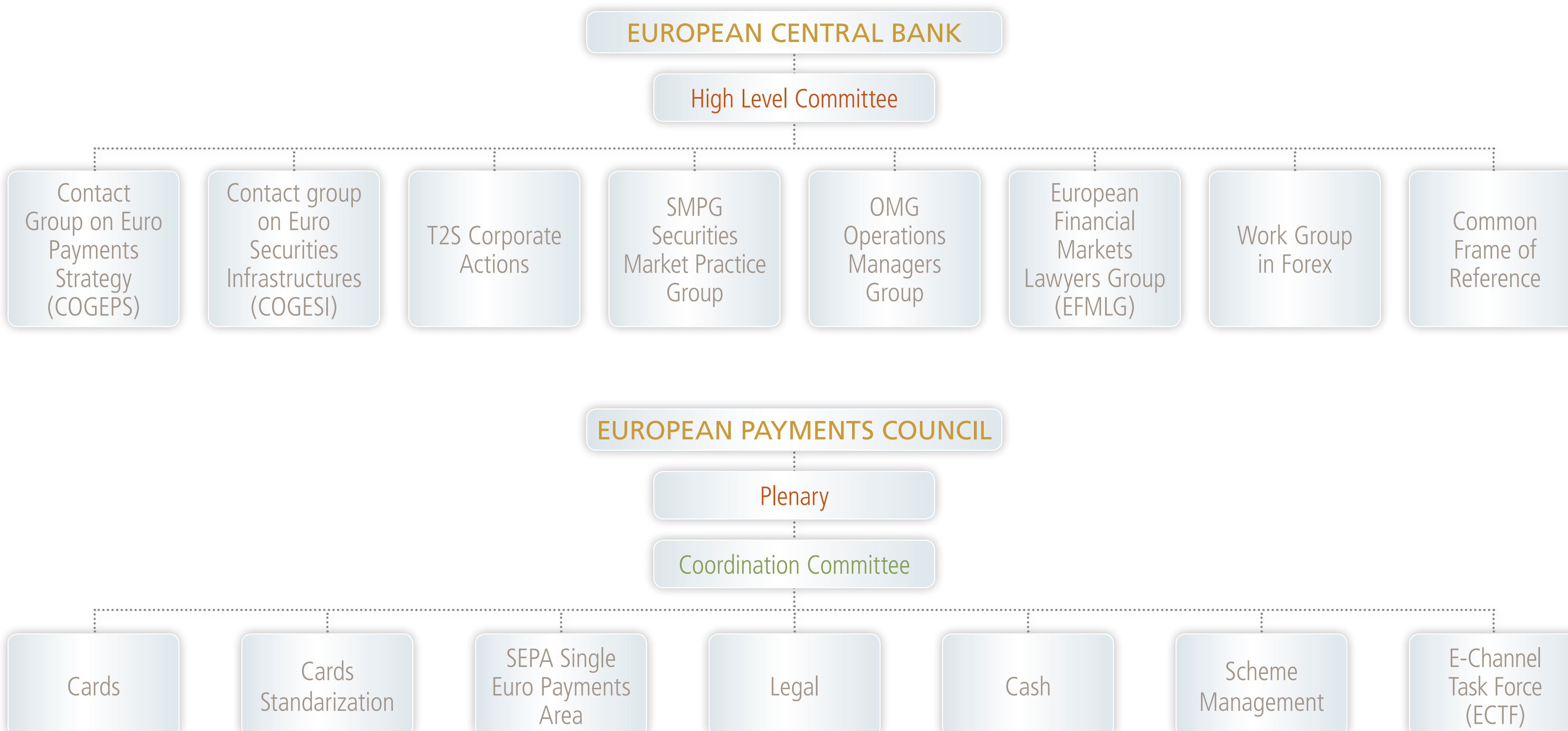
Deloitte, S.L. Inscrita en el Registro Mercantil de Madrid, tomo 13.650, sección 8ª, folio 188, hoja M-54414, inscripción 96ª. C.I.F.: B-79104469
Domicilio social: Plaza Pablo Ruiz Picasso, 1, Torre Picasso, 28020, Madrid

06 NATIONAL AND INTERNATIONAL PROJECTION

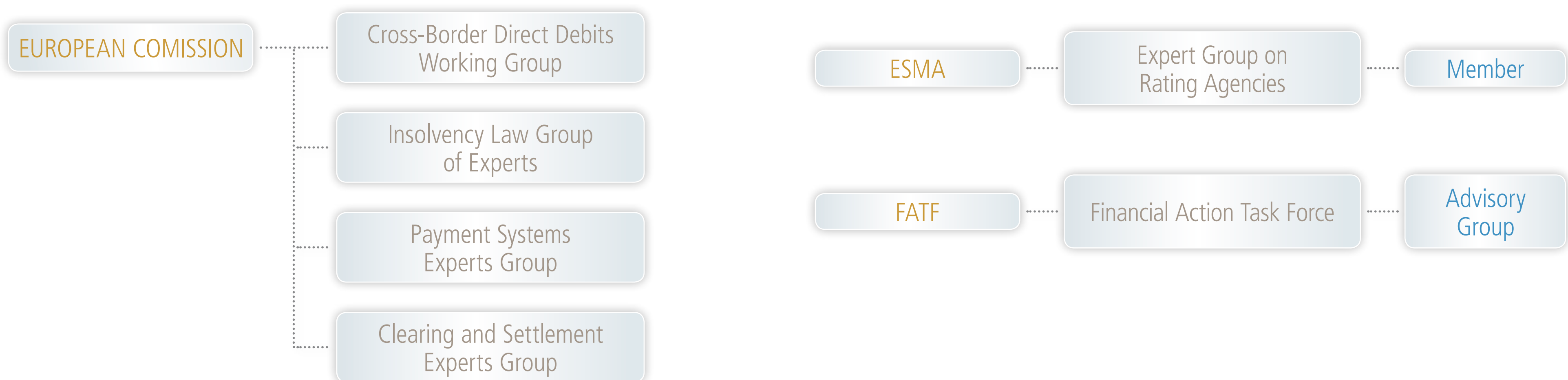
- International forums in which CECA represents savings banks and their groups
- National forums in which CECA represents savings banks and their groups

6.1. International forums in which CECA represents savings banks and their groups

6.1.1. Official organisations



Only the most important forums and those that were particularly active in 2011 are included here.

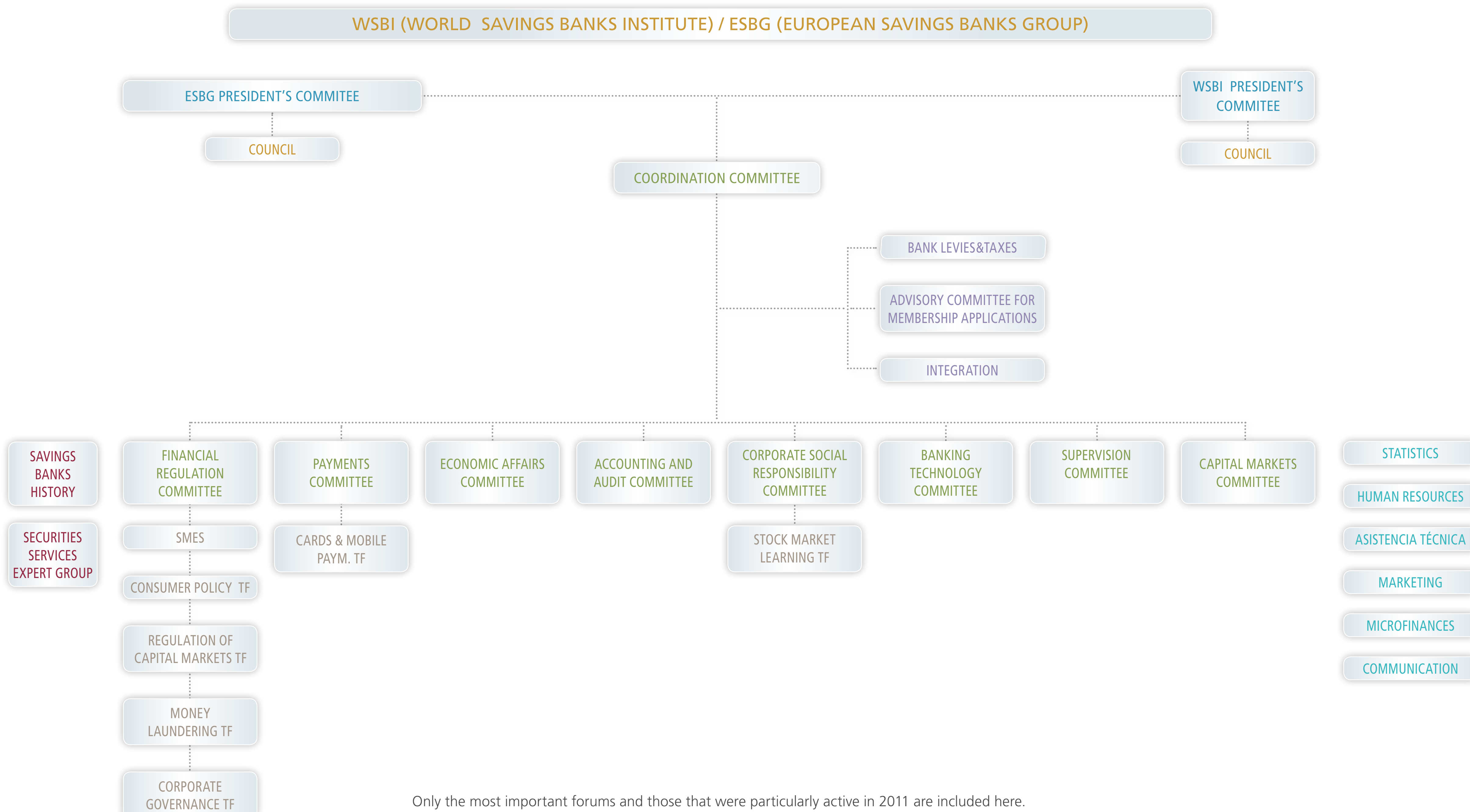


Only the most important forums and those that were particularly active in 2011 are included here.

6.1.2. Organisations representing interests

Only the most important forums and those that were particularly active in 2011 are included here.

International forums in which CECA represents savings banks and their groups



Only the most important forums and those that were particularly active in 2011 are included here.

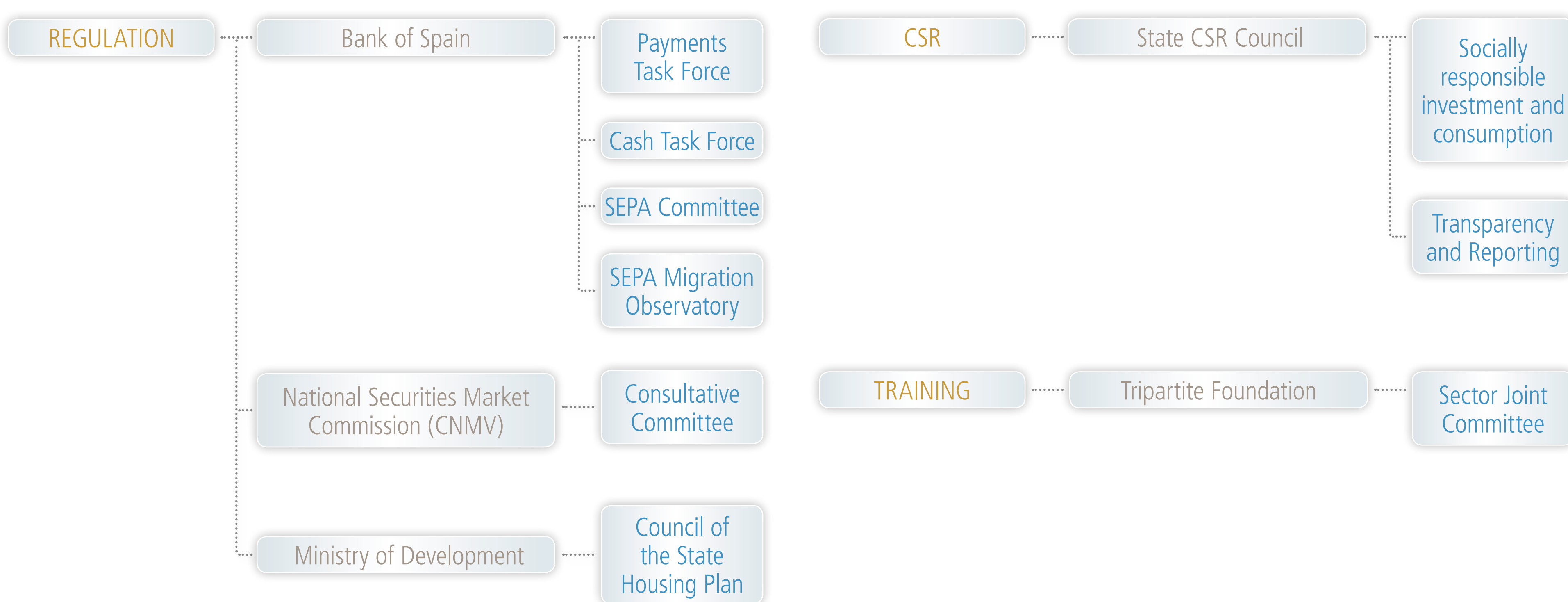
6.1.3. Other forums

ACCOUNTING	EFRAG European Financial Reporting Advisory Group	Member
SOCIAL CREDIT	European Council of REPOS	Member
	Committee Director EURIBOR	ESBG Representative
	Money Market & Liquidity Working	Member
CERTIFICATIONS	European Committee for Standarization (CEN)	AFNOR WORKSHOP XFS/JXFS
	XBRL	Representative
SOCIAL CREDIT	International Association of Collateral Loan and Social Institutions	Member
CSR	Global Report Iniciatives (GRI)	Member
MARKETING	European Financial Management & Marketing Association (EFMA)	Member

Only the most important forums and those that were particularly active in 2011 are included here.

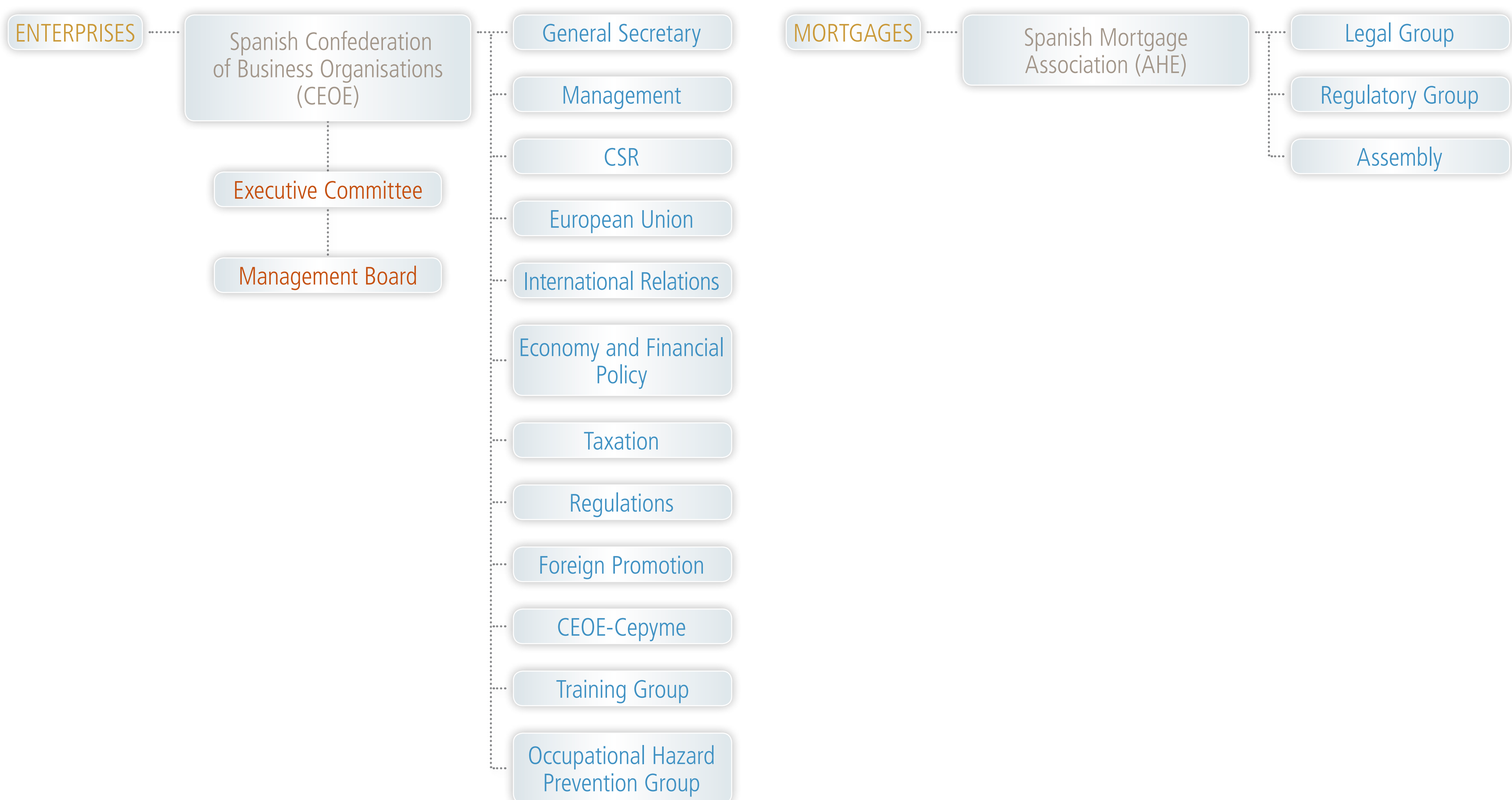
6.2. National forums in which CECA represents savings banks and their groups

6.2.1. Official organisations



Only the most important forums and those that were particularly active in 2011 are included here.

6.2.2. Organisations representing interests



Only the most important forums and those that were particularly active in 2011 are included here.

6.2.3. Other forums

ADVERTISING	Spanish Advertisers Association	Member Media Committee
EFFICIENCY	National Property and General Services Committee	Secretary
CSR	Spanish Socially Responsible Investment Forum (SPAINSIF)	Chairman; Member EUROSIF Council
TELECOMMUNICATIONS	Telecommunications and IT Systems Users Association (AUTELSI)	Member Telecommunications Development Committee
FINANCE	Madrid Financial Centre	Informal Group of Financial Associations (GIAF)
DEPOSITARIES	Depositaries Association (ADEPO)	Member
MARKETS	Association of Financial Markets	Member
BUSINESS	Spanish Business Continuity Consortium (CECON)	Coordination critical sectors and institutions; Standards and Good Practices
SENIOR MANAGEMENT	Gartner Group	Members of the EXP Forum: Senior Executives

Only the most important forums and those that were particularly active in 2011 are included here.

CECA has made an exhaustive surveillance of the different regulatory initiatives with potential effects on savings banks

The Confederation of Spanish Savings Banks participates, on behalf of Spanish savings banks and other member institutions, in numerous national and international forums, heeding at all times the statutory objectives set out in this Report.

There was intense regulatory activity in these forums in 2011.

CECA has made an exhaustive surveillance of the different regulatory initiatives with potential effects on savings banks. The extensive regulatory agenda can be structured into four basic areas:

- The first includes measures geared to guarantee the stability of the Financial System. The most important event in the past year was the start-up of the new Supervisory Architecture. The new Supervisory Authorities have been operating since 1 January 2011: EBA (European Banking Authority) in London, ESMA (European Securities and Markets Authority) in Paris and EIOPA (European Insurance and Occupational Pensions Authority) in Frankfurt. The creation of these three authorities has taken the shift of decision-making centres one step further: not only has the regulatory function moved from Madrid to Brussels, but the supervisory function has now also moved away. CECA has taken several actions in respect of the new interlocutors and held meetings with the most important persons with a view to maintaining its dialogue capacity with the new supervisory authorities.

Adaptation to the new marketing principles will increase the costs of financial institutions

Within the same area, there have also been purely regulatory initiatives, such as the revision of the Directive on Deposit Guarantee Schemes and the creation of a European crisis-solving framework.

- The second is a block of new aspects in key legislation, in which mention should be made of the transposition of Basel III into European laws. Over the past year initiatives have been put into practice forcing a much faster adaptation to the new requirements. In this line, both Royal Decree-Law 2/2011 of 18 February on Reinforcement of the Financial System (which introduced a "prime capital", or high quality capital, requirement of 8-10%, to be met by 30 September 2011), and the stress test and recapitalization plan for European banks (requirement of 9% Core Tier 1 to be met by 30 June 2012) far exceed the requirements stipulated in Basel III and the CRD4, bringing the implementation calendar forward considerably.
- The third is a set of new regulatory aspects referring to how banking products are marketed, with the ultimate aim of protecting customers, as both investors and borrowers. Adaptation to the new marketing principles will increase the costs of financial institutions. This includes initiatives such as the revision of the MiFID Directive (Markets in Financial Instruments Directive); PRIPs (Packaged Retail Investment Products) or the Directive on credit agreements relating to residential property (known as the Directive on responsible lending and borrowing) or the Transparency Order (Order EHA/2899/2011 of 28 October on transparency and customer protection in banking services).
- The last area focuses on the proposals regarding Corporate Governance and Social Responsibility, such as the creation of products to combat financial exclusion, non-financial reporting, the adopting of sound corporate governance rules or financial education.

Monitoring of regulatory changes is the basis for representing the interests of the savings banks sector, performed through intensive analysis of the impacts of the different proposals, and dialogue and negotiation with the regulators.

For further information, see Annex 1 hereto.

07 STRATEGIC FORUMS FOR SECTOR COLLABORATION

- COAS
- Representational forums

COAS

- Standardisation and Payment Systems
- Business Development and Efficiency
- Technology, Innovation and Quality

REPRESENTATIONAL FORUMS

PUBLIC PROFILE FORUMS

- Marketing Commission
- Communication Commission
- Customer Service Committee

LEGAL AND REGULATORY FORUMS

- Sector Regulation Compliance Committee
- Legal Advisory Committee
- Capital Adequacy Group
- Mortgage Market Expert Group
- Taxation Committee
- Anti-Money Laundering Operative Group

PLANNING, ACCOUNTING AND AUDIT FORUMS

- State Auditor Coordinating Committee
- Accounting Committee
- Management Planning and Control Committee

WELFARE FORUMS

- National Social Work Committee
- National Pawnbroking Institutions Committee
- Sector CSR Committee

OTHER FORUMS

- Research Committee
- Historical Archives Group
- Statistics Group
- National Quality Committee

* Only the most important forums and those that were particularly active in 2011 are included here.

Collaboration with the authorities to enhance the efficiency of reporting and collection systems

CECA has fostered the creation of a network of strategic forums covering the managerial and counselling duties comprising the activity structure of an enterprise.

Those that have been particularly important in 2011 are described below.

COAS COMMITTEE FOR ORGANISATION, AUTOMATION AND SERVICES

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 and other member institutions, providing the necessary technical assistance and assessing the needs deriving from the development of joint services.

Standardisation and Payment Systems

- Continuation of the process of migration of domestic transactions to SEPA.
- Development of the forthcoming EU Regulation regulating the definitive migration of domestic systems to the new European standards, known as *end-date*.
- Collaboration with the authorities to enhance the efficiency of reporting and collection systems.
- Completion of development of the mechanism for automated information interchange with the General Council of the Judiciary for official requests, court orders and summons.
- Integration of managers of Auxiliary Deposit Systems (ADS) for banknotes, with considerable benefits in cash distribution.
- With regard to the use of postal service, the scope and extent of the new Postal Act has been analysed.

Business Development and Efficiency

- The fourth *Sector Customer Loyalty Study* is the largest customer data base in the sector (with over twelve million private customers).
- New Prevention *Models for the Departure of Customers and Partial Flight of Deposits.*
- The *Customer Mobility and Multi-Channelling Project* has defined the new relationship with multi-channel customers, the route per entity, trends and developments of channels.
- Delivery of the first diagnosis phase of the *Core services streamlining project (Core Project).* Its implementation has enabled identification, classification and quantification of the resources employed for *core* tasks, *non-core*/not outsourceable tasks and *no-core*/outsourceable tasks.

The data base on entities' sales strength provides a comparative diagnosis of the commercial activity of networks

Technology

- The sector project *FATCA (Foreign Account Tax Compliance Act)* aims to respond to the new requirements of the US tax authorities.
- *IT Benchmarking and Reporting Systems Core:* these projects seek to help the new savings banks groups to redefine their data processing centres, identifying the most suitable outsourcing models to meet the channels to be faced by the entities produced out of the integration processes.
- The *Process Digitalization* project is a natural continuation of the *Digitalized Signature* project. Savings in 2010 for the average entity in the sector have been estimated at EUR 609,000 in direct costs, EUR 803,966 in indirect costs and a reduction in the use of paper of 271 tonnes a year.

Digitalized signatures allow an average entity to save EUR 600,000 a year in direct costs and 800,000 in indirect costs

REPRESENTATIONAL FORUMS

1. Public Profile Forums

Marketing Commission

- Analysis of trends and opportunities for undertaking projects in collaboration with other entities.

Communication Commission

- Study of how regulatory changes and the restructuring and recapitalization processes of savings banks and their banks affect the reputation of the sector.

Customer Service Committee

- Analysis and drafting of pleadings for Order EHA/2899/2011 of 28 October on transparency and customer protection in banking services.

The Communication Commission has analysed how regulatory changes and restructuring processes affect the reputation of the Sector

Over 7,000 new documents were includedin 2011 on the CECA tax website, which now has 2,413 users and 80,000 documents

2. Legal and Compliance Forums

Legal Advisory Committee

- Creation of a Work Group to prepare pleadings for the Bill reforming the Insolvency Act.
- Proposed legislation to solve the problems arising as a result of the integration processes of savings banks in connection with the registration fees chargeable for the entry of mortgage cancellations, subrogations and novations, by virtue of the chain of title principle.

Sector Regulation Compliance Committee

- This Committee led the sector project *Corporate Defense,* aiming to facilitate the adaptation by savings banks and other members to the latest reform of the Penal Code.
- The Committee acted as an information point on the situation of hybrid instrument issues for retailers.

Taxation Committee

- Individual advice on problems arising in the formal aspects of the different consolidation systems, preparation of a proposed preliminary agreement on payments in kind for loans to the employees of savings banks and analysis of the tax on deposits in Andalusia.

Tax Website

- Savings banks and other members of CECA can find tax information on the tax website, which is updated daily. During 2011 more than 7,000 new documents were added, bringing the total to over 80,000 documents, all commented on and with the possibility of making related searches among them. It has 2,413 users, who are all employees of the savings banks sector.

Capital Adequacy Group

- Study and compilation of information to assist in the international representation of interests on capital adequacy (Basel III, CRD4, stress test).

Mortgage Market Expert Group

- The most important projects were the monitoring of the Sustainable Economy Act, which included the concept of responsible lending for the first time; The Order on Transparency and Customer Protection in Banking Services; and the Consumer Credit Contracts Act.

3. Planning, Accounting and Audit Forums

Management Planning and Control Committee

- Analysis of the strategic planning scorecard and the impact of restructuring and the recent regulatory changes on the financial situation of savings banks.

State Auditor Coordinating Committee

- Preparation of audit programmes, including especially: auditing of key accounting processes (calculation of generic, specific or equity provisions), prevention of data loss and cooperative working model.

Analysis of the strategic planning scorecard and the impact of restructuring on the financial situation of savings banks

The Pawnbrokers online Auctions Portal is now two years old and has 5,300 users

Accounting Committee

- Study of new aspects in the International Accounting Standards, especially the draft replacement of IAS 39 on financial instruments in the recognition and measurement of impairment of assets, including among the most controversial aspects the expected estimate at maturity, regular re-estimation and the instability that the proposed transfer between risk levels would bring to the income statement.
- Analysis of changes introduced in Circular 3/2008 on the determination and control of minimum equity and Circular 3/2011 on additional contributions to the Deposit Guarantee Scheme.
- Analysis of repercussions of the changes on financial statements and liquidity.

4. Welfare Forums

National Social Work Committee

- Issuance of a report on future strategies defining the Social Work to be carried out in forthcoming years.

Sector CSR Committee

- New Sector CSR model, which includes the preliminary design of a sector action plan. The actions contemplated include those related with non-financial reporting and the indicators for measuring specific aspects to strengthen the sector brand.

Pawnbroking Institutions Committee

- The Pawnbrokers online Auctions Portal, *www.subastasmontes.es,* had been operating for two years by December 2011, with over 5,300 registered users.

The Accounting Committee has analysed the repersussions of changes on financial statements and liquidity

Collaboration with the Bank of Spain in the creation of the historical archives of savings banks

5. Other Forums

Research Committee

- Forum to discuss the economic situation and financial markets, and to analyse the current situation and financial prospects of the savings bank sector.

Historical Archives Group

- Promotes the creation and maintenance of the historical archives of savings banks.

Statistics Group

- Analysis of the future of sector statistics with the new map of savings banks and the different configurations of savings banks groups.

National Quality Committee

- In 2011 work was done on the V Edition of the *Customer Satisfaction Benchmarking on the Spanish Market Project,* this time focusing on the segment of private customers from a multi-channel point of view.

08 STRUCTURES AND SERVICES

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

During 2011, CECA provided strong support for savings banks consolidation processes, especially IPS, aiming to ensure that the new central companies were organised and able to start operating with all the necessary guarantees. This support was possible thanks to the know how of the Confederation's teams and the capacity of the different services to adapt.

During 2011, CECA provided strong support for savings banks consolidation processes

The Confederation publishes the financial statements of its members

8.1. ASSOCIATION SERVICES AND TECHNICAL ADVICE

The Confederation compiles and analyses data on the sector and the financial system in general, both as required by the Bank of Spain and other institutions and as established by savings banks to supplement official data. It makes the necessary EDP tools 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: statistical bulletin, quarterly report, comparative analysis. More detailed reports are issued on particularly important matters.

The Confederation publishes via the corporate web site the separate and consolidated financial statements of each and all of its members: balance sheets, income statements, statements of changes in equity and statements of cash flows, making this information available to the public in pdf and XBRL formats.

CECA also compiles and distributes the members' own publications and has a constantly updated documentation centre on all issues relating to sector activity, and a Historical Document Fund.

The Confederation also monitors regulatory activity, with a monthly publication, *Panorama Regulatorio* [Regulatory Panorama], in which it summarises the most important aspects of the national and international agenda. It has also developed *Regina análisis,* a web tool for the management, analysis and impact of the regulation on credit institutions, to make it easier for those institutions to follow the different initiatives.

Members and the public may access the CECA financial legislation data base, which contains financial provisions and draft legislation.

It also provides the *Documentation and Consultation Service,* which aims to respond to any issues that may arise within a credit institution with regard to international capital requirement standards and their transposition to Spanish law, as well as *ad hoc* reports or research.

(Regina Análisis *is a web tool for the management, analysis and impact of regulation on credit institutions*)

CECA puts the private fixed income securities electronic trading platform at the disposal of savings banks and other member institutions

8.2. FINANCIAL AND SUPPORT SERVICES

8.2.1. Securities

CECA has an active participation in the work groups set up by IBERCLEAR and CNMV for the reform of the clearing, registration and settlement system on the Spanish market to adapt it to the European Central Bank project TARGET2 Securities (single settlement platform for the European securities market). These changes are contemplated in Act 32/2011 of 4 October amending the Securities Market Act.

DEPOSITS BY CASH VALUE

TYPE OF SECURITY	2010	2011	Variation 2010/2011
Private Fixed Income	51,809	45,472	-12.23%
Equities	13,316	12,013	-9.78%
Public Debt	4,442	3,965	-10.74%
Foreign Securities	34,825	29,753	-14.57%
Total Deposited	104,392	91,203	-12.63%

(AMOUNTS EXPRESSED IN MILLION €)

TOTAL TRANSACTIONS SETTLED

TYPE OF SECURITY	2010	2011	Variation 2010/2011
Private Fixed Income	256,520	421,324	64.25%
Equities	1,008,430	1,036,398	2.77%
Public Debt	56,626	47,012	-15.49%
Foreign Securities	198,691	179,118	-9.85%
Total Deposited	1,519,267	1,683,852	10.83%

(AMOUNTS EXPRESSED IN MILLION €)

Joint management of Social Security Treasury accounts to provide a service for customers of savings banks and other members

8.2.2. Centralised Account Administration

One of its most important activities as manager of central operating services for savings banks is its joint management of the Social Security Treasury accounts to service customers of savings banks and other members. 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 4,116 accounts opened for LAE, in which the Confederation is sole manager.

As a result of the savings banks consolidation process, current accounts have been opened for all the banks created by them on separation of the banking business. The service of furnishing guarantees for savings banks and the new banks created has also grown.

8.2.3. Exchange and Clearing Centre

Within the application of payment management through reverse factoring, called *Finversión,* this application has been adjusted to adapt the information on payment of invoices handled through reverse factoring to the beneficiary identification requirements established in the Spanish Payment Services Act and the SEPA Scheme; and in turn to provide standardised support for the management of payments to cross-border suppliers. Internet access for members to information on their resident transactions in CECA has also been improved.

In addition to the direct, personal attention to the concentration of the sector and access to banking service, fostering the operational integration of the members participating in those processes, considerable efforts have been made to broaden the types of customers in the representation in clearing systems.

The Exchange and Clearing Centre has also been adapted internally to the project for centralising exchanges within the National Electronic Clearing System (SNCE), modernising and enhancing the efficiency of the payment operations process and their settlement through that system.

Finally, measures have been systematically taken to boost the migration to SEPA by CECA and the savings banks it represents.

Boosting of the migration to SEPA by CECA and the savings banks it represents

CONCEPT	AÑO 2010	AÑO 2011	VARIATION
CROSS-BORDER CHEQUE INTERCHANGE / CURRENCY CLEARANCE			
Cheques handled	301,118	258,671	-14.10%
SWIFT MESSAGES EXCHANGED			
Transactions handled	3,033,639	2,872,475	-5.31%
NON-SEPA FUND TRANSFER ORDERS (TARGET/EBA)			
Transactions handled	1,117,694	890,961	-20.29%
Nominal value	827,472.76	662,734.78	-19.91%
INTERCHANGE OF SEPA TRANSFERS (EBA & SNCE)			
Transactions handled	46,543,496	77,737,864	67.02%
Nominal value	98,977.73	136,237.59	37.64%
INTERCHANGE OF TRADITIONAL TRANSACTIONS THROUGH SNCE			
Transactions handled	742,042,576	683,697,486	-7.86%
Nominal value	576,674.15	473,710.91	-17.85%

(AMOUNTS EXPRESSED IN MILLION €)

Improvements in monitoring of liquidating values and redesigning of the management of historic environments

8.2.4. Depositary

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		2010	2011
CI	Equity	3,600	3,015
	Number	88	79
PF	Equity	2,300	2,078
	Number	76	64
TOTAL	Equity	5,900	5,093
	Number	164	143

(AMOUNTS EXPRESSED IN MILLION €)

CECA performs the duties of depositary for collective investment undertakings and pension funds

Similarly, when the depositaries are savings banks, CECA provides support and shares the applications with the institutions participating in the project.

Several developments have been undertaken during the year to assist and improve the performance of savings banks' duties, including especially:

- Adaptation to the requirements of the CNMV Circular 6/2010 of 21 December on derivatives trading of undertakings for collective investment.
- Evolution and improvements in monitoring of liquidating values.
- Redesigning of the management of historic environments.

CONCEP	2010	2011
Number of savings banks	13	11
Number of UCI & PF	375	440

8.2.5. Discount Centre

Several projects were developed during the year to achieve two basic goals: on the one hand comply with the changes in interbanking laws and regulations and on the other optimise procedures to enable savings banks to reduce their operating costs:

- Implementation of a new image transfer procedure for non-truncated bills to enable members, through the receiving of daily files, to improve the handling and verification of presentations received through the Commercial Paper Sub-System (SNCE007).
- Adaptation of operations deriving from the raising of the truncation limit to 100,000.00€ in the Commercial Paper Sub-System (SNCE007).
- Participation in all mergers during the year that affected the Bills Portfolios.

CECA has maintained an active cooperation with the work groups of the Spanish Payment Systems Company (IBERPAY) and other interbank entities.

Actions have also been coordinated with the Quality Management Department to improve the service provided, including the new form of transaction settlement through different sections of a benchmark index, according to the maturity of the bills.

Adaptation of operations deriving from the raising of the truncation limit to 100,000.00 € in the Commercial Paper Sub-System

Service of integration of different Cash Rooms in very short spaces of time

In the Discount Centre, where documents related with this activity are handled, the following figures have been recorded:

CONCEPT	2011
Incoming bills	7,882,792
Nominal value of incoming bills	18,759
Bills deposited	690,613
Nominal value of bills deposited	2,198

(AMOUNTS EXPRESSED IN MILLION €)

8.2.6. Integral Cash Management System

This 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. Through the corrective and evolutive maintenance service provided by CECA they are adapted to changes in regulation and to new products as they are developed on the markets. The service provided by CECA enables the integration of different Cash Rooms in very short spaces of time, reaching very high levels of standardisation and automation.

CECA has decided to join all the Central Counterparty (CCP) Clearing Houses where Spanish public debt instruments are traded

8.2.7. Markets Room

In 2011 the Cash Department of the Confederation focused its activity primarily on the shortage of liquidity on the market and solutions to remedy this situation. In this regard, CECA decided to join all the Central Counterparty (CCP) Clearing Houses in which there is liquidity and Spanish public debt instruments are traded.

CECA has been a member of MeffClear, the Spanish CCP, for several years, but it was also one of the first Spanish undertakings to join the LCH (London Clearing House), which is the Central Counterparty Clearing House (CCP) with the greatest liquidity concentrated in Spanish securities trading.

CECA has also joined the French part of LCH, i.e. LCH Paris and, finally, it decided to join also EurexRepo, the German CCP.

It operated in all four CCP in 2011, especially in LCH, through which it has been able to minimise the liquidity problem caused by the European debt crisis and, therefore, act as financial backer for its institutional customers, both savings banks and other financial institutions, banks, broker-dealers, etc.

The economic recession and high volatility of the markets have affected Treasury business with institutional customers

TREASURY BUSINESS WITH INSTITUTIONAL CUSTOMERS

NO. TRANSACTIONS

2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
149,449	152,520	159,803	182,609	195,842	205,587	198,879	154,703	142,220	115,093

VOLUMES (EUR million)

2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
556,513	515,645	538,207	653,783	621,244	745,876	989,721	1,385,405	1,193,654	561,014

The volumes traded by CECA with its institutional customers dropped again in 2011. The reasons for this decline are, on the one hand, the economic recession, which has once again affected the needs of customers of savings banks and other member institutions, and similar institutional customers, for interest and exchange rate hedging; and on the other hand, the high volatility on the market, especially during the summer, which always causes a decline in trading. The specific figures are EUR 561,013.93 million, 53% down year on year.

The number of transactions has also fallen, due to the same reasons mentioned in the preceding paragraph on volumes in euros of overall transactions. To be more precise, some 115,093 transactions were made in 2011, 19% fewer than those made in 2010.

2011 saw a sharp increase in the volume of banknote purchases and sales with Latin America, where CECA is trying to open up new markets.

A total of 5,000 branches joined the Direct Service to Branches in 2011

The good performance of tourism also boosted the volumes of banknotes bought and sold.

More than 5,000 new branches joined the Direct Banknotes Service to Branches, bringing the total number of branches served to 25,000.

Euro transactions fell by 3% due to the present crisis.

In total, volumes bought and sold increased by 61% to almost EUR 3,000 million, with more than 250,000 remittances.

CECA retained its status of market maker for government debt during 2011, in both Treasury bills and bonds. It also became a direct member of the SEND platform, through which prices are exchanged electronically for fixed-income issues placed on the retail market.

Finally, the CECA Treasury business institutional customers diversification process stepped up during 2011, as the contribution by customers that were not savings banks to commercial activity increased considerably: “non-savings banks” customers now account for sixty per cent of contributions and savings banks and other member institutions for the remaining forty per cent. This contrasts with the 2009 figures, for example, when the figures were exactly the other way round.

The Plan to Boost the International Activity assists Spanish companies in their foreign trade

8.3. OTHER WHOLESALE FINANCIAL SERVICES

8.3.1. Products and services and foreign development

Since internationalisation is a key factor for the future of the Spanish economy, the Confederation of Spanish Savings Banks contributed towards it in 2011 through the strategic development of the *Plan to Boost the International Activity:* a dynamic, flexible and efficient plan accessible for all Spanish undertakings which, in their foreign trade, need the best know-how, tools and services at competitive prices.

The most prominent lines of foreign trade business in 2011 included a 95% year-on-year growth in the number of international guarantees and bonds furnished, a true reflection of the present economic situation and the assistance provided by our sector to exports by Spanish undertakings.

Collaboration agreement with Industrial and Commercial Bank of China (ICBC) to channel business between customers interested in the Chinese and Spanish economies

During the same period, revenue from transactions handled by our members through the *Pan-European Direct Debit Service*, which covers the handling of these exports to France, Germany, Italy and Portugal, increased by 16%.

The handling of import documentary credits issued through the Hong Kong affiliate CEA TSL for more than twenty countries in Asia and Oceania also grew; and the Doc Express service was consolidated, through which the checking of the documents corresponding to import and export documentary credits is outsourced to CECA professionals.

CECA continues to handle, mainly for foreign financial institutions, the collection through the different clearing houses 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 promoting the enhanced efficiency of the correspondent banking network, based on the development of products and services present in the current business environment, and streamlining the international payment policy taking account of the laws in place and an increasingly more competitive and global market.

Aware of the economic power of Asia, CECA signed a collaboration agreement with Industrial and Commercial Bank of China (ICBC) in 2011, with a view to channelling business between customers interested in the Chinese and Spanish economies. This initiative is included within the *CECA Internationalisation Plan* and complements similar agreements previously signed with financial institutions all over the world.

The number of overseas pensions handled has increased by 7%

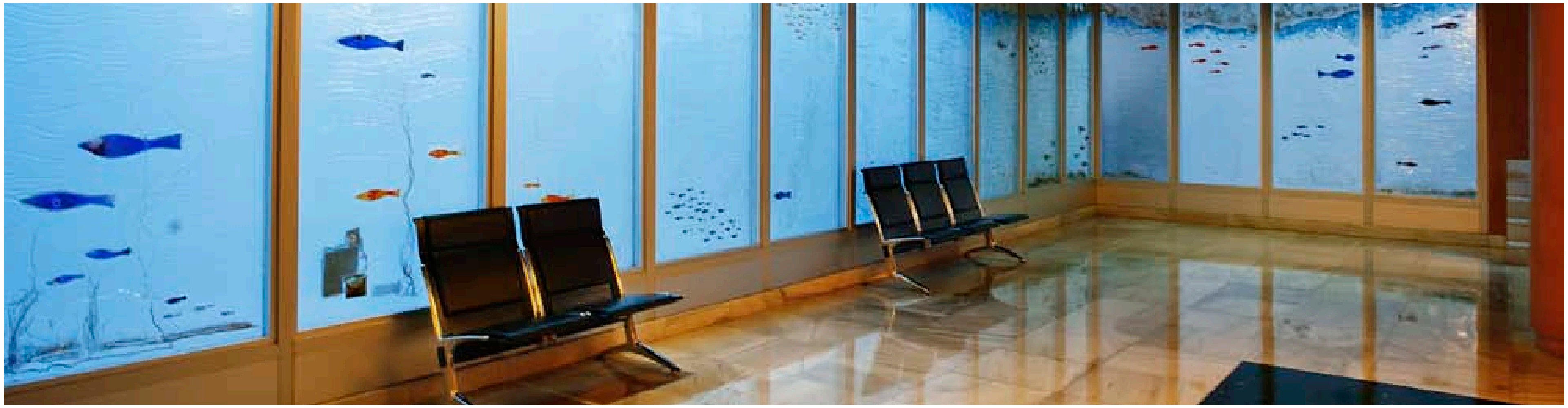
As a result of the increase in trade and direct investment between the two countries, the ICBC has opened its first branch in Spain with a view to improving the efficiency of the services it provides for its customers in this country. CECA has been commissioned to represent the Spanish branch of ICBC in the Spanish Electronic Clearing System. That representation entails the integral management and processing of payments made and received by ICBC.

CECA was also one of the first entities to open accounts in Remimbi, to give all institutions operating through CECA the opportunity to benefit from this and increase their shares in the domestic market.

Money transfers increased by 22% in 2011, with a 20% growth in the amounts transferred to Spain by non-resident customers. Simultaneously, the number of overseas pensions handled increased by 7% year on year, paying out more than EUR 860 million.

In its support for internationalisation of business corporations, the overseas network of CECA representative offices continued offering services from the search for trading partners to the selection of intermediaries, including actions in respect of trade fairs and commercial missions. It also provides support to boost the international business of our institutions on the financial markets, attracting business and participating as legal agents in debt transactions.

Non Deal Rood Show *for investors in the major financial centres in Asia and the Middle East*



8.3.2. Capital market

CECA focused its activity in this area on collaborating with savings banks and other members to optimise their liquidity, find alternatives for access to financing and obtain funding on the best possible terms.

To achieve these goals, CECA has participated as manager, underwriter, payment agent or liquidity counterparty of 97 government-backed issues and 320 other issues, in which 43 members of the Confederation and 6 large enterprises participated, for an overall sum of EUR 91,878 million.

On an institutional level and with a view to explaining the new regulatory scenario and the consolidation processes affecting the sector, and to sound out the interest in possible capital issues by the new savings bank groups, a *Non Deal Road Show* was presented to investors in the major financial centres in Asia and the Middle East. The presentations were attended by investors representing more than half the global equity investments worldwide, especially the principal Sovereign Funds of China, Abu Dhabi, Kuwait, Qatar, Hong Kong and Singapore.

The EURO 6000 system allows the interchange of transactions effected by 13.4 million cards, 14,430 ATMs, and 242,000 POS terminals

8.4. TECHNOLOGICAL SERVICES

8.4.1. Means of payment

CECA manages the EURO 6000 system processing centre, which allows the interchange of transactions effected by 13,400,000 cards, 14,430 ATMs, or cashpoints, and 242,000 point-of-sale (POS) terminals using this system. In 2011, over 746 million transactions were processed, which is a year-on-year increase of 3.2%. The availability of the service during the year, weighted according to the actual traffic from time to time, was 99.99%.

The project for migration of the technical infrastructure to the EMV standard has now been completed in both ATMs and POS terminals. In the issuer segment, i.e. replacement of cards using magnetic strips to cards incorporating EMV chips, the migration efforts resulted in extension of chip technology to 88% of total cards issued by the end of 2011.

The Espía System enables the detection of fraudulent transactions and direct online interaction with the transaction authorisation systems

In addition to the basic interchange services, users of the PECA and SAT services were offered greater support flexibility to be able to make full use of the functions and improvements available through use of the EMV standard. Both services, which enable savings banks and other CECA members to manage all payment products, are fully approved under the strictest security requirements, including the use of anti-fraud tools based on neural networks. Over 138 million transactions were processed in PECA and SAT in 2011.

The savings banks in the EURO 6000 system are leaders on the market in anti-fraud measures, thanks to the effectiveness of their teams, assisted by another key tool provided by CECA for means of payment, namely the *Espía* [lit.: "spy"] system. New capacities were incorporated in this system in 2011 for detecting fraudulent transactions, enabling its direct online interaction with the transaction authorisation systems.

Users of the CARD service also have at their disposal a group of CECA experts and systems, which monitor and deal with any incidents in payment systems. Work continued in 2011 on improving the intercommunication mechanisms between the teams of experts and the savings banks commercial networks, to optimise the decentralised monitoring and handling of incidents.

VISA and MasterCard have acknowledged on their official websites that CECA meets all the security requirements established in the PCI DSS standard

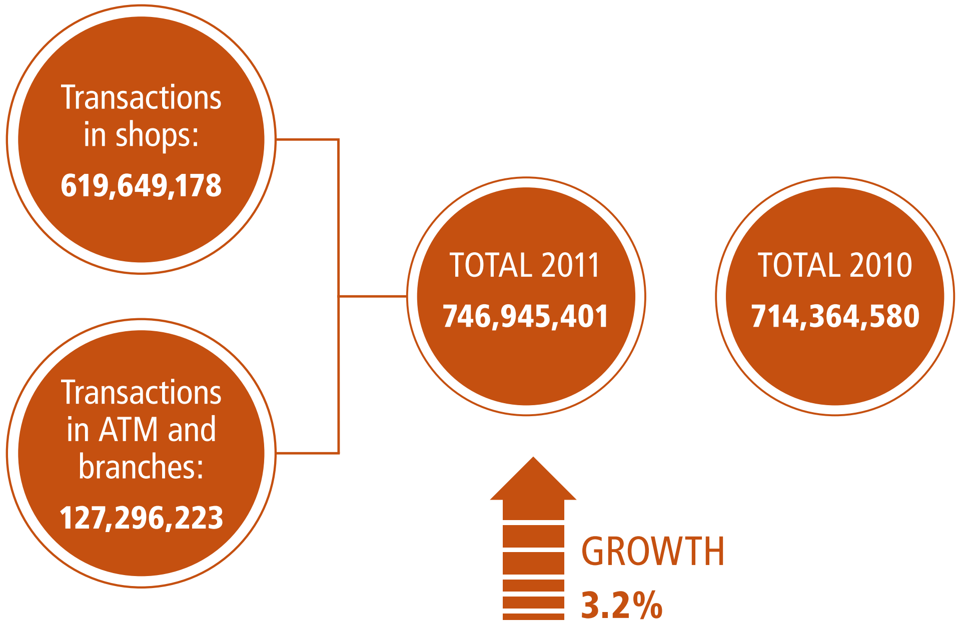
The guarantee of continuity of the online authorisation service is one of the basic pillars of security in card transactions. The *Escudo* [lit.: "shield"] system was put into operation in 2008, guaranteeing the uninterrupted functioning of the card transaction interchange services. As well as being able to act in the adverse contingencies affecting the usual technological platform, this system is flexible for the savings banks and other members to participate in the authorisation processes, allowing actions on behalf of the savings banks and other institutions or fully maintaining their role as issuers in the transaction authorisation process.

Just as in previous years, VISA and MasterCard have acknowledged on their official websites that CECA meets all the security requirements established in the PCI DSS standard. This compliance has been checked by an external auditor, in accordance with the rules and procedures of the PCI Security Standards Council.

In its efforts to support card transaction acquirer services, CECA continued in 2011 to develop an important set of initiatives with the aim of improving the technical support platform, permitting remote monitoring and adjustment of terminals; communication systems, enabling connection through any type of protocol and conversion between them. Innovating developments have also been put at the disposal of savings banks, based on the iPhone and Android platforms, permitting these mobile devices to act as portable payment terminals.

eMisión offers a large quantity of important details regarding customers' behaviour in the use of cards

CECA also supports the issuer business. In 2011 several specific consultancy projects were carried out to determine the choice of the DDA security level when issuing EMV cards and broaden the range of products for no contacts use, including in this category not only cards but also mobile telephones. A new phase of the *eMisión* project was also carried out. Through the use of *data-mining* tools, this project offers participating savings banks and other member institutions 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.



Putting into operation of the electronic banking services of Banca Cívica and Banco Mare Nostrum

8.4.2. New channels

In 2011, the multi-channel electronic banking platform processed 770,095,954 important financial transactions effected by 1,399,316 users a month, with an availability of 99.97%, weighted by the actual traffic at any one time.

CECA has become a key player in the development of a unified identity in financial groups through consolidation of the savings banks, enabling their virtual worlds to be merged swiftly and transparently for customers. Among the noteworthy actions in this area, the electronic banking services of Banca Cívica and Banco Mare Nostrum and the corporate website of the latter have been put into operation.

Along the same lines, the integration branch terminal of the Liberbank group was put into operation in 2011. The development of the Intranet of the Liberbank group can also be included in the area of collaboration and support for savings banks consolidation processes.

42,219 transactions were made through the gateway with the General Council of Spanish Notaries, e-notario project

There was a significant increase in attacks on electronic banking services during 2011, with some 677 cases of attacks on entities present in the service being detected and solved using the Internet fraud monitoring tool provided by CECA for its members. In an effort to improve its capacity and make it useable for secure e-commerce, this activity has been consolidated with the monitoring of e-banking, so it is possible to effect card transactions in internet shops, considerably simplifying user authentication. An application has also been developed for iPhone, Android and Blackberry mobile devices to generate one-time passwords (OTP), in order to lower the present cost of sending text messages to make electronic banking transactions more secure.

Using its SOA platform, CECA has collaborated with financial institutions to facilitate their connectivity to the new information exchange gateways through web services, developing the corresponding protocols with the General Council of the Spanish Judiciary (CGPJ), The Inland Revenue Service *(AEAT/Agencia Tributaria)* or the Police Headquarters. Some 42,219 transactions were made via the handling of personal loans through the gateway with the General Council for Spanish Notaries *(e-notario project).*

A total of 110,087 securities trading transactions were processed in 2011 using the CECA New Channels infrastructure. Over the year, savings banks continued migrating their applications to the Broker 2.0 infrastructure, with considerable improvements in the architecture and presentation of the application.

A total of 8,471,125 electronic banking transactions using mobile devices

CECA also continued to offer *Contact Centre* services, assisting savings banks in the integration of their communication tasks. Some 450,852 calls were received on the CECA platform during 2011.

The growth of accesses to electronic banking using mobile devices shot up this year, linked to the growing evolution of the use of *smartphones*. CECA's mobile banking application has already been implemented by several savings banks and other members, which have put their personal electronic banking application at the disposal of their customers through the "shops" on those platforms. These applications will become an essential element for customer access, as greater functionality is progressively incorporated. During 2011 a total of 8,471,125 electronic banking transactions were made using mobile devices. At the same time, intensive use is still made of text messages (SMS), with 16,171,141 messages sent during the year.

A total of 5,458,248 transactions were made using the CECA virtual POS terminal

Customers have continued to join the e-invoice project, through which some 162,407 invoices were issued during 2011. Similarly, gateways have been integrated to enable interoperability with other e-invoice providers.

Further improvements have been made in campaign and trading management in the application *e-marketing 2.0.* They are already being used intensively by savings banks and other members in the necessary communications connected with the current integration processes. A total of 36,362 new contracts were made through this tool during 2011.

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. A total of 5,458,248 transactions were made in 2011.

CECA provides support for development of the Pan-European Direct Debits Service project, in which 32 savings banks and other CECA members participate directly or indirectly and which sent debits in 2011 to Germany, Italy, France and Portugal for EUR 94,122,886.

Finally, the property portal application has become the integration property portal for several financial groups in the process of consolidation.

Integration of the employees of the savings banks making up Banca Cívica in a single technical platform

8.4.3. Management support services

In the area of expenditure control, i.e. the services provided by CECA for savings banks and other members to support the Accounting, Management Control, Administration and General Services areas, noteworthy efforts have been made to implement the full platform in a very short space of time in Banca Cívica, which encompasses the operations of the four savings banks in the group.

This year CECA has focused on boosting the services in the Property Management Area, developing a new version of the existing module, which is a considerable improvement on its predecessor, in both presentation and functionality.

Boosting of the services in the property management area

In the area of Human Resources, the project of integrating the employees of the savings banks making up Banca Cívica in a single technical platform was successfully concluded in 2011. *Proyecto 9000* was considered strategic by the institution and it had to be implemented in just a few months.

Tasks were also carried out deriving from the restructuring of the savings banks receiving the personnel management support service, for example changes of company, notifications to the Social Security, etc.

Outsourcing of business processes also commenced through the performance of new tasks hitherto done by users of the savings banks and other members, with the prospect of promoting a new line of collaboration with customers in the area of personnel management and expenditure control, including the social work of savings banks.

enCuenta permits the monitoring and control of income and expenses by customers from their account and card movements

8.4.4. Business intelligence

The *Pulso* service has extended its sources of information, adding those from transactions with the INEM (Spanish Employment Institute) and REAS (Alternative Solidarity Economy Network). Users have been provided with a vision of several institutions separately or grouped, adapted to the restructuring of the sector. It is also possible to analyse the interchange between integrated entities and the behaviour of shared customers.

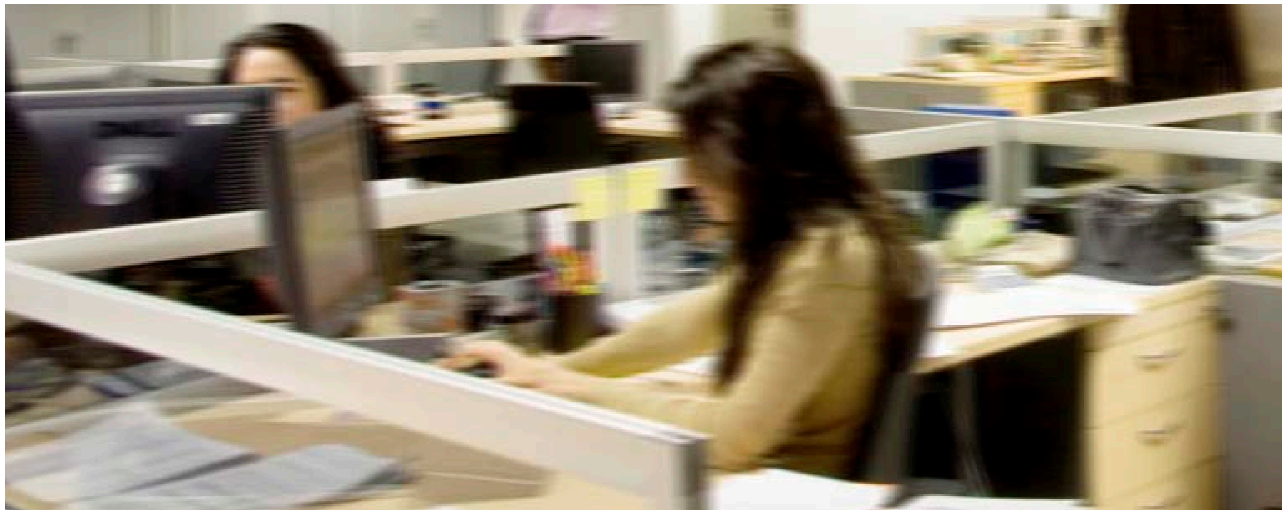
Five institutions currently make active, recurring use of the *eMailing* platform, which facilitates the composition, sending, control and monitoring of e-mail campaigns aimed at groups.

In the line of services for end customers, innovation has continued with the product *enCuenta,* which assists customers in making a detailed control of their income and expenses. One of the versions worthy of special mention is *enCuenta-Tarjetas,* geared at institutions specialising in the credit card market, both national and international. A website has been created *(www.en-cuenta.com)* to provide the service directly to end customers in the form of *cloud computing.*

The Transactions Console enables shops with a virtual POS terminal to monitor all card transactions they process

In its support to EURO 6000, and within the *Espejo* ["mirror"] project, CECA has developed an interface permitting ad-hoc consultation of the payment transactions received daily from interchange between institutions, and the "on-us" operations of seven savings banks and other members at present. In the same line of collaboration with EURO 6000, a version of *TPV Móvil* ["Mobile POS Terminal"] has been developed to enable shops to charge transactions to cards using mobile devices (iPhone and Android telephones).

A *Transaction Console* has also been developed to enable shops with a Virtual POS Terminal to monitor online all the card transactions they process.



Operation of the private banking and personal banking system for eleven savings banks and two banks

8.4.5. Outsourcing services

The principal activities of the technological operation outsourcing service in 2011 were:

- Production service for transactions in Z/OS environments and Windows platforms for ten institutions in total.
- 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 and other member institutions.
- Infrastructure services such as the hosting of web sites, hosting of servers for savings banks and other member institutions, supplying of corporate access to internet, mail servers, etc.
- Provision of Distributed Services hardware and software in the form of *'Cloud Computing'*.

CECA acted as global consultant in six integration processes involving more than twenty savings banks

8.5. CONSULTANCY SERVICES

CECA continued collaborating in the savings banks integration processes during the year. More precisely, it acted as global consultant in six integration processes involving more than twenty savings banks.

In view of the evolution of the Sector, it has also participated in the processes of creating banks and subsequent separation of the financial business, defining the necessary activities (legal, operational and technological) and promoting their subsequent implementation.

In all the integration processes carried out in the sector, the Consultancy Unit has coordinated the integration of the services provided to the savings banks by CECA, according to the protocols defined by the head of each service. It has also backed savings banks in their relationships with different authorities and institutions, acting as a liaison whenever so required by the relevant savings bank.

Furthermore, in the new entities created, the Consultancy Unit has developed projects to improve their efficiency, including the following:

- Sizing of the workforce in central services and the branch network, adapted to the size of the new institution, considering the best practices within the sector.
- Integration/closing of branches to avoid overlapping as a result of the mergers/IPS, applying a shutdown protocol and model to minimise the impact on customers.
- Unloading of branch operations to unburden the commercial network of all those administrative tasks that contribute no value and increase the time they have for commercial business.
- Reduction of overheads, analysing and optimising the different expense items, with a significant effect on the savings banks'/members' income statements.
- Integral management of allocated assets to boost the sale of properties, expediting decision-making and control and simplifying the coordination of all the affected areas, this being an issue of considerable importance for the CECA members.

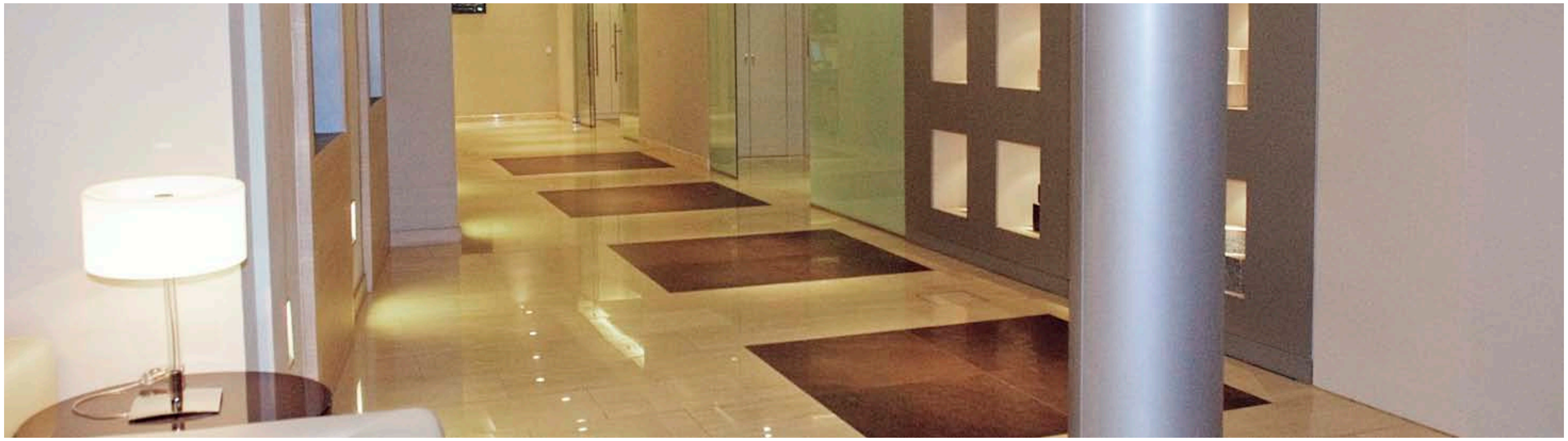
8.6. RISK SERVICES

8.6.1. Risk consultancy: risk management and acceptance models

Development was completed during 2011 of the new corporate rating model, based on a complete adaptation to the new Chart of Accounts (GAAP). The segmentation established in the rating system, together with the models developed for each segment, open a wide array of possibilities for processing by segment, at the same time enabling management of the segment from a global point of view.

Development of the new rating model was completed, based on adaptation to the new Chart of Accounts

In the field of tools, the evolutive maintenance service of *Asesor* and *Sibila* has come up to expectations in the solving of incidents and has, for the seventh year in succession, provided a new version of both tools. As a turning point in respect of tools, the new *Sibila* platform was developed in its reactive version in 2011. That platform is the natural evolution of *Asesor* and incorporates the best functions of this type of decision system support platforms, enabling users to position themselves, on a platform level, in a situation that is bound to give them numerous competitive benefits.



8.6.2. Collaterals Integral Management Centre

During 2010, the Collaterals Integral Management Centre extended the services offered to users of the risk platform, 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) and European master agreements (EMA) for repo and simultaneous transactions and global master securities lending agreements (GMSLA) and EMA for securities loans transactions. In addition, the necessary developments have been made to integrate the management of securities as collateral and the full integration with the Risks Platform.

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.

The Collaterals Integral Management Centre handles all kinds of collateral agreements

The services provided are linked to the centralised maintenance and development of data processing tools and guidance

8.6.3. Operational risk support unit

These 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, a risk indicators and action plans tool 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.

8.6.4. Risk management applications unit

These services are concerned with the support, maintenance and development of the risks platform *Adaptiv* as a tool for controlling market and counterparty risks and the risks entailed in the calculation of management results.

Several initiatives have also been taken to implement the best practices in market risk and counterparty risk and the necessary information is made available to users to enable them to comply with the requirements established by the Bank of Spain regarding risk management related with treasury business.

Adaptiv is a tool for controlling market and counterparty risks and the risks entailed in the calculation of management results

Quality control of the measurements used by managers for the assets making up the liquidating values of the funds they manage

8.6.5. Pricing Department and methodologies

This centralises the measurement of financial products handled from the Cash Room for use in accounts, risk measurement and collateral management departments, providing the member's counterparties with independent measurements of the products contracted.

It also provides depositaries with a confirmed valuation of their assets, enabling quality control of the measurements used by managers for the assets making up the liquidating values of the funds they manage, and monitoring and checking of the methods used by managers, providing methodological backing whenever so required.

The ESCA is a benchmark in corporate training

8.7. TRAINING SERVICES

Savings Banks College (ESCA) 2011

TRAINING SERVICES

In-Person Training	80	Seminars	62
		Long Specialist Courses	6
		Conventions	12
Distributive Training	1,230	Distance	32
		Online	1,038
		In Company	160
TOTAL PROGRAMMES	1,310		

PARTICIPANTS

In-Person Training	665	Seminars	349
		Long Specialist Courses	86
		Conventions	230
Distributive Training	75,048	Distance	818
		Online	71,939
		In Company	2,291
TOTAL PARTICIPANTS	75,713		

09 HUMAN CAPITAL

- Labour relations
- Development
- Human Resources Management

9.1. LABOUR RELATIONS

On 13 April 2011, the Board of Directors of the Confederation of Spanish Savings Banks validated the Early Retirements Collective Agreement signed on 7 April 2011 between the representatives of the Confederation of Spanish Savings Banks and the workers' legal representatives.

The purpose of this collective agreement is to regulate an early retirement plan to enable an adequate reorganisation of the workforce and achieve a vital streamlining of services in view of the new sector map.

Early retirement, on the terms offered, is a formula for terminating employment, with voluntary acceptance by the employee, who aims to secure a given level of income.

The aim of the early retirement plan approved is to adjust the workforce to the new sector map

59% of the workforce received training during the year, with an investment per employee trained of over 400 euros

9.2. DEVELOPMENT

a. Executive development

The first Executive Symposium was held in 2011, promoted by the General Management and attended by the Chairman. The main purpose was to define strategies for action taking account of the sector restructuring process, the changes in the CECA Articles of Association and the present economic scenario. A total of 69 executives participated, together with the Executive Committee and General Management.

b. Training scheme

- The training budget was adapted to the adjustment in expenditure made by CECA this year.
- In-person training was predominant this year, encouraging specialised training tailored to meet the needs of the different areas within CECA.
- 59% of the workforce received training during the year, with a total of 15,135 hours training. Both figures have been adjusted to budget.
- Over 400€ was invested in each employee receiving training.
- The quality of training improved, with a satisfaction rate of 88%.

c. 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 (87% of the workforce), including new facilities in the service. During 2011, fourteen employees received training grants for official studies contemplated in the collective agreement.

9.3. HUMAN RESOURCES MANAGEMENT

Continuing CECA's policy of functional mobility and matching personal profiles with positions to be filled, the management and retaining of talent and adaptation of its organisational structure being strategic objectives for CECA, 75 internal movements were made during the year.

The total headcount in 2011 was:

680
- 353 men
- 327 women

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 105 candidates participated in the open selection processes. Finally, a total of 23 scholarship holders obtained university employment experience in CECA.

A total of 23 scholarship holders obtained university employment experience in CECA

10 SOCIAL WORK

- Savings Banks Foundation (FUNCAS)

The main aim of the Savings Bank Foundation (FUNCAS) is to contribute towards a better understanding of the present Spanish economic and social situation and to propagate this knowledge throughout Spanish society.

To achieve this, the Foundation:

i. makes a constant analysis of the economic situation and the evolution of the Financial System, done mainly by Foundation personnel;

ii. sponsors other research and studies by external collaborators: thirteen were concluded during 2011 and a further fourteen were being prepared at 31 December; and

iii. promulgates all this information and analyses through a large set of publications and through the organisation of and participation in courses, seminars and conferences, individually or in collaboration with savings banks and other institutions.

(The main aim of the Foundation is to contribute towards a better understanding of the present Spanish economic and social situation)

In the cultural area, the prize-winning stories in the XXXVI Hucha de Oro Competition were published

Among the work done by the different Departments and Offices operating within FUNCAS, we highlight the analysis of the economic situation and forecasts of the evolution of the Spanish economy, the analysis of sector economic growth and the macroeconomic situation in the Autonomous Communities, the definition of indicators of the Financial System and the work on opinions and attitudes of Spaniards.

The Foundation publishes books and four journals: *Papeles de Economía Española* [Papers on the Spanish Economy] *(quarterly), Perspectivas del Sistema Financiero* [Prospects of the Financial System] *(six-monthly), Cuadernos de Información Económica* [Economic Review] *(two-monthly)* and *Panorama Social* [Social Panorama] *(six-monthly).* Seven works have been published in the collection *Estudios de la Fundación* [Foundation Studies], including the three theses selected for the *Enrique Fuentes Quintana Prize.* In addition, eight books were published this year and seventy-three *Documentos de Trabajo* [Working Papers] *(see Annex III, which contains a list of all the FUNCAS publications).* In the cultural area, the prize-winning stories in the *XXXVI Concurso Hucha de Oro* [Golden Piggy Bank Short Stories Competition] were published.

The Foundation organises and participates in numerous public events, forty-seven in 2011. These events are attended by Foundation researchers, along with important scientific and public figures. Some of the events held during the year were the *Savings Banks Conference,* the lectures given by Miguel Boyer on *The Economy at the Beginning of 2011* and the lecture given by Joaquín Almunia on *Reforms and restructuring of the Financial System after Lehman Brothers.*

In the area of teaching, the Foundation directs the contents of the *Expert Course in Management of Financial Institutions,* sponsored by CECA within the collaboration arranged with the Carolina Foundation. FUNCAS also collaborates in the *Master and Doctorate in Banking and Quantitative Finance,* organised by the Universities of Valencia, Basque Country, Complutense of Madrid and Castilla-La Mancha.

Finally, FUNCAS is active in the area of environmental protection, jointly financing the FONDENA prize for those performing outstanding work in the field of protection and conservation of the flora and fauna of Spain and awarding five scholarships for students of the *Master in EUROPARK Protected Natural Spaces* - Spain.

FUNCAS directs the Expert Course in Management of Financial Institutions, in collaboration with the Carolina Foundation

11 ANNEXES

11.1. PRINCIPAL REGULATIONS APPROVED IN 2011

This annex of the annual report lists the State, regional and international financial regulations passed in 2011, with special mention of those in which the Confederation of Spanish Savings Banks participated in the public hearing, sending both its own comments and those received from the savings bank sector, to contribute towards improving the draft provisions before they were passed.

All the approved laws and regulations listed below can be consulted on the website *www.normativafinanciera.com*. This website includes the CECA financial regulation 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 that go through parliament.

We highlight the following out of a total of 488 laws and regulations published in 2011 and available on the Financial Regulation Data Base:

I. STATE LEGISLATION

- **1** Organic Law
- **10** Acts
- **5** Royal Decree-Laws
- **4** Royal Decrees
- **7** Circulars of the National Securities Market Commission
- **5** Circulars of the Bank of Spain
- **7** Resolutions of the Bank of Spain
- **1** Resolution of the Accounting and Audit Institute
- **1** Resolution of the National Securities Market Commission
- **2** Resolutions of the Secretary of State for Housing
- **6** Resolutions of the Fund for Orderly Bank Restructuring
- **1** Resolution of the Directorate General for the Treasury and Financial Policy

II. INTERNATIONAL LEGISLATION

- **5** Directives of the European Parliament and Council
- **16** Regulations of the European Union
- **9** Decrees of the European Central Bank
- **11** Decrees of the European Council
- **2** Decrees of the European Commission
- **1** Decree of the European Systemic Risk Board
- **9** Guidelines of the European Central Bank
- **2** Recommendations of the European Commission
- **1** Recommendation of the European Council

III. REGIONAL LEGISLATION

- **8** Regional Laws
- **3** Regional Decree-Laws
- **3** Regional Decree-Laws

Of all these, the Confederation of Spanish Savings Banks participated, with its comments and remarks obtained from the savings bank sector, in the following provisions:

- Collective Investment Undertakings Act 31/2011 of 4 October, amending Act 35/2003 of 4 November.
- Securities Market Act 32/2011 of 4 October amending Act 24/1988 of 28 July.
- Royal Decree 771/2011 of 3 June amending Royal Decree 216/2008 of 15 February on minimum capital requirements of financial institutions and Royal Decree 2606/1996 of 20 December on credit institution deposit guarantee schemes.
- CNMV Circular 3/2011 of 9 June partially amending Circular 1/2009 of 4 February on categories of Collective Investment Undertakings according to their investment vocation.

- CNMV Circular 7/2011 of 12 December on price lists and the contents of standard-form contracts.
- Bank of Spain Circular 2/2011 of 4 March for credit institutions on the wholesale funding ratio.
- Bank of Spain Circular 3/2011 of 30 June for institutions participating in deposit guarantee schemes, on additional contributions to deposit guarantee schemes.
- Bank of Spain Circular 4/2011 of 30 November for credit institutions on amendment of Circular 3/2008 of 22 May on determination and control of minimum capital requirements.
- Bank of Spain Circular 5/2011 of 30 November for credit institutions on amendment of Circular 4/2004 of 22 December on public and confidential financial reporting rules and model financial statements.
- Ministry of Finance and Economy Order EHA/2899/2011 of 28 October on transparency and customer protection in banking services.
- Ministry of Development Order FOM/646/2011 of 10 March amending Ministry of Housing Order VIV/1290/2009 of 20 May and setting the maximum volume of agreed loans to be granted in 2011 by credit institutions collaborating in the funding of the State Housing and Restoration Plan 2009-2012.
- Ministry of Development Order FOM/3045/2011 of 18 October classifying as preferential in 2011 the collaborating credit institutions selected for funding of the State Housing and Restoration Plan 2009-2012 and publishing the list of those credit institutions and of the other collaborating credit institutions.
- Canaries Savings Banks Act 10/2011 of 10 May of the Canary Islands.

11.2. PUBLICATIONS (CECA)

AGROCAJAS *Monthly*

Review of European agrarian legislation. Issues published in 2011 (299 - 310).

ANÁLISIS COMPARATIVO *Quarterly*

Comparison of basic data relating to financial institutions 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.

BALANCES DE LAS CAJAS DE AHORROS *Monthly*

Public balance sheet of each savings bank and aggregate balance sheet for the sector.

BOLETÍN COAS *Four-monthly*

Brief review of the latest news on new technologies for 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 *Quarterly*

Public income statement for each savings bank and the aggregate income statement for the sector.

Restricted publication, available exclusively for savings banks.

In electronic file

ESTADOS FINANCIEROS CONSOLIDADOS DE LAS CAJAS DE AHORROS — *Quarterly*

Consolidated public balance sheet and income statement for each savings bank.

INFORME ESTADÍSTICO — *Quarterly*

Statistical Report. Compilation of all quarterly aggregate statistical information available for the savings banks sector. Breakdown by provinces of the basic data and number of branches.

RESULTADOS DE LOS GRUPOS CONSOLIDADOS DE LAS CAJAS DE AHORROS — *Quarterly*

Analysis of the aggregate results of financial savings banks groups.

REVISTA "AHORRO" — *Monthly*

Savings bank sector journal. Issues published in 2011 (471 - 479).

Restricted publication, available exclusively for savings banks.

In electronic file

OTHER PUBLICATIONS

Digital publications (for savings banks only)

BOLETÍN FISCAL *Daily*

Review of tax laws, legal theory and case law relevant to savings banks.

BOLETÍN MELANIA DE LA ESCA *Two-monthly*

News on company management, training and leadership.

BOLETÍN MELANIA DE INSTITUCIONES INTERNACIONALES *Monthly*

News on function of Institutional Relations and monitoring of European financial legislation.

BOLETÍN MELANIA DE NEGOCIO Y CLIENTE *Quarterly*

News on Marketing, advertising, web function, financial products and services, prices, quality and customer satisfaction, communication, image, corporate reputation and customer service function.

BOLETÍN MELANIA DE OPERACIONES *Six-monthly*

News on operations management.

BOLETÍN MELANIA DE PROSPECTIVA *Six-monthly*

Reports and insights forecasting the long-term social, political and financial situation.

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 REGULACIÓN, AUDITORÍA Y RIESGOS *Six-monthly*

News on function of regulation, juridical risk, legal risk, compliance risk, internal and external auditing, money laundering, compliance and risk management (credit, market and operational).

BOLETÍN MELANIA DE SEGURIDAD *Weekly*

News on financial security, security products, issues and interviews concerning these aspects.

BOLETÍN MELANIA DE SERVICIOS GENERALES E INMUEBLES *Six-monthly*

News on property function, branch network, purchases, maintenance and user services.

BOLETÍN MELANIA DE SISTEMA FINANCIERO *Four-monthly*

News on mergers & acquisitions, cross-effects of the systemic regulation of savings banks, banks and cooperatives, credit and property crises, strategic management of financila institutions.

BOLETÍN MELANIA DE TECNOLOGÍA Y PROCESOS *Four-monthly*

News on scope of resources and organisation. Technology, organisation, channels and banking structures.

FACSÍMILES DE BILLETES EXTRANJEROS *Daily*

Facsimiles of foreign banknotes operative 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 2011:
  España en la era de la innovación; (2011), no. 127.
- June 2011:
  El turismo en España; (2011), no. 128.
- October 2011:
  Aspectos económicos y sociales de la dependencia; (2011), no. 129.
- January 2012:
  El futuro del sector bancario; (2011), no. 130.

Prospects of the Financial System

- May 2011:
  Cuestiones fiscales de las entidades de crédito; (2011), no. 101.
- September 2011:
  Basilea III y los nuevos retos de la regulación de solvencia (2011), no. 102.
- January 2012:
  Agencias de calificación crediticia; (2011), no. 103.

Economic Review

February 2011:
2010: Un proceso dispar de recuperación autonómica; (2011), no. 220.

April 2011:
Sin novedad en el débil frente de la recuperación; (2011), no. 221.

June 2011:
Atonía económica con incertidumbre política; (2011), no. 222.

July 2011:
Cuando llegue… ¿Noviembre?; (2011), no. 223.

October 2011:
El ahorro que no nos llega; (2011), no. 224.

December 2011:
Deberes para la próxima legislatura; (2011), no. 225.

Social Panorama

September 2011:
Retos actuales de la sociedad española; (2011), no. 13.

January 2012:
El ocio de los españoles; (2011), no. 14.

Foundation Studies

February 2011:
Imposición efectiva sobre las rentas del capital corporativo: medición e interpretación. El Impuesto de Sociedades en España y en los países de la Unión Europea en el cambio de milenio (Serie Análisis) / *José Félix Sanz Sanz, Desiderio Romero Jordán y Begoña Barruso;* (2011), no. 52.

June 2011:
¿Es rentable educarse? Marco conceptual y principales experiencias en los contextos español, europeo y en países emergentes (Serie Economía y Sociedad) / *José Luis Raymond (Coordinador);* (2011), no. 53.

May 2011:
La dinámica exterior de las regiones españolas (Serie Economía y Sociedad) / *José Villaverde Castro y Adolfo Maza Fernández;* (2011), no. 54.

November 2011:
Efectos del *stock* de capital en producción y el empleo de la economía española (Serie Tesis) / *Carolina Cosculluela Martínez;* (2011), no. 55.

November 2011:
La prociclicidad y la regulación prudencial del sistema bancario (Serie Tesis)/ *Mario José Deprés Polo;* (2011), no. 56.

November 2011:
Ensayos sobre activos intangibles y poder de mercado de las empresas. Aplicación a la Banca española (Serie Tesis) / *Alfredo Martín Oliver;* (2011), no. 57.

Other Publications

April 2011:
Carteles de Economía Española, 1870-1960 / *Carlos Velasco Murviedro;* (2011).

May 2011:
La Igualdad de oportunidades en España. Aportación de la Obra Social de las Cajas de Ahorros / *Centro de Estudios Económicos Tomillo;* (2011).

May 2011:
Dos ensayos de actualidad sobre la economía española. La economía sumergida en España - El empleo público en España / *María Arrazola, José de Hevia, Ignacio Mauleón, Raúl Sánchez, Miguel Ángel Malo, Luis Garrido, Begoña Cueto;* (2011).

June 2011:
Cajas de Ahorros: Nueva normativa / *José María Méndez Álvarez-Cedrón (Coordinador);* (2011).

July 2011:
Las Cuentas Satélite de las fundaciones privadas al servicio de los hogares y de las Obras Sociales de las Cajas de Ahorros / *José Barea Tejeiro y José Luis Monzón Campos (Directores);* (2011).

November 2011:
La sostenibilidad del crecimiento económico en España / *Ernest Reig (Director);* (2011).

Digital Publications

WORKING PAPERS

February 2011:
Environment and Happiness: New evidence for Spain / *Juncal Cuñado y Fernando Pérez de Gracia;* (2011), no. 579.

February 2011:
Analysis of Emerging Barriers for e-learning Models. A case of study/ *Nuria Calvo y Paolo Rungo;* (2011), no. 580.

February 2011:
Unemployment, Cycle and Gender / *Amado Peiró, Jorge Belaire-Franch y María Teresa Gonzalo;* (2011), no. 581.

February 2011:
An Analytical Regions Proposal for the Study of Labour Markets: An Evaluation for the Spanish Territory / *Ana Viñuela Jiménez y Fernando Rubiera Morollón;* (2011), no. 582.

February 2011:
The Efficiency of Performance-based-fee Funds / *Ana C. Díaz-Mendoza, Germán López-Espinosa y Miguel Á. Martínez-Sedano;* (2011), no. 583.

February 2011:
Green and Good? The Investment Performance of US Environmental Mutual Funds / *Francisco J. Climent-Diranzo y Pilar Soriano-Felipe;* (2011), no. 584.

February 2011:
El fracaso de Copenhague desde la teoría de juegos / *Yolanda Fernández Fernández, M.ª Ángeles Fernández López y Blanca Olmedillas Blanco;* (2011), no. 585.

February 2011:
Tie me up, tie me down! the Interplay of the Unemployment Compensation System, Fixed-term Contracts and Rehirings / *José M. Arranz y Carlos García-Serrano;* (2011), no. 586.

April 2011:
Corporate social performance, innovation intensity and their impacts on financial performance: Evidence from lending decisions / *Andrés Guiral;* (2011), no. 587.

April 2011:
Assessment of the programme of measures for coastal lagoon environmental restoration using cost-benefit analysis / *José Miguel Martínez Paz y Ángel Perni Llorente;* (2011), no. 588.

April 2011:
Illicit drug use and labour force participation: A simultaneous equations approach / *Berta Rivera, Bruno Casal, Luis Currais y Paolo Rungo;* (2011), no. 589.

April 2011:
Influencia de la propiedad y el control en la puesta en práctica de la RSC en las grandes empresas españolas / *José Luis Godos-Díez, Roberto Fernández-Gago y Laura Cabeza-García;* (2011), no. 590.

April 2011:
Ownership, incentives and hospitals / *Xavier Fageda y Eva Fiz;* (2011), no. 591.

April 2011:
La liberalización del ferrocarril de mercancías en Europa: ¿éxito o fracaso? / *Daniel Albalate del Sol y María Luisa Sort García;* (2011), no. 592.

April 2011:
Do nonreciprocal preference regimes increase exports? / *Salvador Gil-Pareja, Rafael Llorca-Vivero y José Antonio Martínez-Serrano;* (2011), no. 593.

April 2011:
Towards a dynamic analysis of multiple-store shopping: Evidence from Spanish panel data / *Noemí Martínez-Caraballo, Manuel Salvador, Carmen Berné y Pilar Gargallo;* (2011), no. 594.

April 2011:
Base imponible y neutralidad del Impuesto de Sociedades: Alternativas y experiencias / *Lourdes Jerez Barroso*; (2011), no. 595.

April 2011:
Cambio técnico y modelo de negocio:las compañías de transporte urbano en España, 1871-1989 / *Alberte Martínez López;* (2011), no. 596.

April 2011:
A modified dickey-fuller procedure to test for stationarity / *Antonio Aznar y María-Isabel Ayuda;* (2011), no. 597.

April 2011:
Entorno institucional, estructura de propiedad e inversión en I+D: un análisis internacional / *Félix J. López Iturriaga y Emilio J. López Millán;* (2011), no. 598.

April 2011:
Factores competitivos y oferta potencial del sector lechero en Navarra / *Valero L. Casasnovas Oliva y Ana M. Aldanondo Ochoa;* (2011), no. 599.

April 2011:
Política aeroportuaria y su impacto sobre la calidad percibida de los aeropuertos / *Juan Luis Jiménez y Ancor Suárez;* (2011), no. 600.

April 2011:
Regímenes de tipo de cambio y crecimiento económico en países en desarrollo / *Elena Lasarte Navamuel y José Luis Pérez Rivero;* (2011), no. 601.

April 2011:
La supervivencia en las empresas de alta tecnología españolas: análisis del sector investigación y desarrollo / *Evangelina Baltar Salgado, Sara Fernández López, Isabel Neira Gómez y Milagros Vivel Búa;* (2011), no. 602.

April 2011:
Análisis económico y de rentabilidad del sistema financiero español, por tipo de entidades y tamaño, después de cuatro años de crisis y ante los retos de la reestructuración financiera / *Salvador Climent Serrano;* (2011), no. 603.

April 2011:
Does competition affect the price of water services? Evidence from Spain / *Germà Bel, Francisco González-Gómez y Andrés J. Picazo-Tadeo;* (2011), no. 604.

April 2011:
The effects of remoteness in japanese educational levels / *Jesús López-Rodríguez y Daisuke Nakamura;* (2011), no. 605.

April 2011:
The money market under information asymmetries and imperfectly competitive loan and deposit markets / *Aday Hernández;* (2011), no. 606.

April 2011:
The effects of airline and high speed train integration / *M. Pilar Socorro y M. Fernanda Viecens;* (2011), no. 607.

April 2011:
Consecuencias de la imbricación de los clientes en la dirección medioambiental: un análisis empírico / *Jesús Ángel del Brío González, Esteban Fernández Sánchez y Beatriz Junquera Cimadevilla;* (2011), no. 608.

April 2011:
Revenue autonomy and regional growth: An analysis for the 25 year-process of fiscal decentralisation in Spain / *Ramiro Gil-Serrate, Julio López-Laborda y Jesús Mur;* (2011), no. 609.

April 2011:
The accessibility to employment offices in the Spanish labor market: Implications in terms of registered unemployment / *Patricia Suárez, Matías Mayor y Begoña Cueto;* (2011), no. 610.

May 2011:
Time-varying integration in European government bond markets / *Pilar Abad, Helena Chuliá y Marta Gómez-Puig;* (2011), no. 611.

June 2011:
Production networks and EU enlargement: Is there room for everyone in the automotive industry? / *Leticia Blázquez, Carmen Díaz-Mora y Rosario Gandoy;* (2011), no. 612.

June 2011:
Los factores pronóstico económico, estructura productiva y capacidad de innovar en la valoración de activos españoles / *M.ª Begoña Font Belaire y Alfredo Juan Grau Grau;* (2011), no. 613.

June 2011:
Capital structure adjustment process in firms accessing venture funding / *Marina Balboa, José Martí y Álvaro Tresierra;* (2011), no. 614.

June 2011:
Flexibilidad contable en la valoración de instrumentos financieros híbridos / *Jacinto Marabel-Romo, Andrés Guiral-Contreras y José Luis Crespo-Espert;* (2011), no. 615.

June 2011:
Why are (or were) Spanish banks so profitable? / *Antonio Trujillo-Ponce (2011);* no. 616.

June 2011:
Extreme value theory versus traditional garch approaches applied to financial data: a comparative evaluation / *Dolores Furió y Francisco J. Climent;* (2011), no. 617.

June 2011:
La restricción de balanza de pagos en la España del euro. Un enfoque comparativo / *David Matesanz Gómez, Guadalupe Fugarolas Álvarez-Ude y Roberto Bande Ramudo;* (2011), no. 618.

June 2011:
Is inefficiency under control in the justice administration? / *Marta Espasa y Alejandro Esteller-Moré;* (2011); no. 619.

June 2011:
The evolving patterns of competition after deregulation / *Jaime Gómez Villascuerna, Raquel Orcos Sánchez y Sergio Palomas Doña;* (2011), no. 620.

June 2011:
Análisis pre y post-fusiones del sector compuesto por las Cajas de Ahorros españolas: el tamaño importa / *Antonio A. Golpe, Jesús Iglesias y Juan Manuel Martín;* (2011), no. 621.

June 2011:
Evaluating three proposals for testing independence in non linear spatial processes / *Fernando A. López-Hernández, M. Luz Maté-Sánchez-Val y Andrés Artal-Tur;* (2011), no. 622.

June 2011:
Valoración del mercado de los activos éticos en España: una aplicación del método de los precios hedónicos / *Celia Bilbao-Terol y Verónica Cañal-Fernández;* (2011), no. 623.

June 2011:
Happiness beyond material needs: the case of the mayan people/ *Jorge Guardiola, Francisco González-Gómez y Miguel A. García-Rubio;* (2011), no. 624.

June 2011:
Stock characteristics, investor type and market myopia / *Cristina Del Río-Solano y Rafael Santamaria-Aquilué;* (2011), no. 625.

July 2011:
Is mistrust under control in the justice administration? / *Alejandro Esteller-Moré*; (2011), no. 626.

July 2011:
Working capital management, corporate performance, and financial constraints / *Sonia Baños-Caballero, Pedro J. García-Teruel y Pedro Martínez-Solano;* (2011), no. 627.

July 2011:
On the optimal distribution of traffic of network ailines / *Xavier Fageda y Ricardo Flores-Fillol;* (2011), no. 628.

July 2011:
Environmental tax and productivity in a subcentral context: New findings on the porter hypothesis / *Jaime Vallés- Giménez y Anabel Zárate-Marco;* (2010), no. 629.

July 2011:
The impact of scale effects on the prevailing internet-based banking model in the US / *Alexandre Momparlera, Francisco J. Climent y José M. Ballester;* (2011), no. 630.

July 2011:
Student achievement in a cross-country perspective: A multilevel analysis of Pisa2006 data for Italy and Spain / *Tommaso Agasisti y José Manuel Cordero-Ferrera;* (2011), no. 631.

July 2011:
Banking liberalization and firms' debt structure: International evidence/ *Víctor M. González y Francisco González;* (2011), no. 632.

July 2011:
Public sector contingent liabilities in Spanish toll roads / *Carlos Contreras;* (2011), no. 633.

July 2011:
Fiscal Sustainability and Immigration in the Madrid Region / *Luis Miguel Doncel, Pedro Durá, Pilar Grau-Carles y Jorge Sainz;* (2011), no. 634.

July 2011:
Las desviaciones presupuestarias del gasto del Estado en el periodo 1990-2009: Un análisis desde las perspectivas agregada y de programas / *Valentín Edo Hernández;* (2011), no. 635.

July 2011:
A network approach to services internationalization / *Stefano Visintin;* (2011), no. 636.

July 2011:
Factors behind the presence of agricultural credit cooperatives in Spain, 1900-1935: An econometric model / *Ángel Pascual Martínez-Soto, Ildefonso Méndez-Martínez y Susana Martínez-Rodríguez;* (2011), no. 637.

October 2011:
La eficiencia técnica en la industria de agua latinoamericana medida a través de la función de distancia / *Ángel Higuerey Gómez, Lourdes Trujillo Castellano y María Manuela González Serrano;* (2011), no. 638.

October 2011:
Urban patterns, population density and the cost of providing basic infrastructure: a frontier approach / *Inmaculada C. Álvarez, Ángel M. Prieto y José L. Zofío;* (2011), no. 639.

October 2011:
A comparison of national vs. multinational firms' performance using a general equilibrium perspective / *María C. Latorre;* (2011), no. 640.

October 2011:
A computable general equilibrium evaluation of market performance after the entry of multinationals / *María C. Latorre;* (2011), no. 641.

October 2011:
Competition for procurement shares / *José Alcalde y Matthias Dahm;* (2011), no. 642.

November 2011:
Air services on thin routes: regional versus low_cost airlines / *Xavier Fageda y Ricardo Flores-Fillol;* (2011), no. 643.

November 2011:
Efficiency and stability in a strategic model of hedonic coalitions / *Antoni Rubí-Barceló;* (2011), no. 644.

November 2011:
An analysis of the cost of disability across Europe using the standard of living approach / *José-Ignacio Antón, Francisco-Javier Braña y Rafael Muñoz de Bustillo;* (2011), no. 645.

November 2011:
Estimating the gravity equation with the actual number of exporting firms / *Asier Minondo y Francisco Requena;* (2011), no. 646.

November 2011:
New public management-delivery forms, quality levels and political factors on solid management waste costs in Spanish local governments / *José Luis Zafra-Gómez, Diego Prior Jiménez, Ana María Plata Díaz y Antonio M. López Hernández;* (2011), no. 647.

November 2011:
El sector financiero como factor desestabilizador para la economía a partir del análisis de Hyman Minsky / *Isabel Giménez Zuriaga;* (2011), no. 648.

November 2011:
Determinantes de la prima de riesgo en las emisiones de bonos de titulización hipotecaria en España (1993-2011) / *Miguel Ángel Peña Cerezo, Arturo Rodríguez Castellanos y Francisco Jaime Ibáñez Hernández;* (2011), no. 649.

November 2011:
Does complexity explain the structure of trade? / *Asier Minondo y Francisco Requenaz;* (2011), no. 650.

November 2011:
Supplementary pensions and saving: evidence from Spain / *José-Ignacio Antón, Rafael Muñoz de Bustillo y Enrique Fernández-Macías;* (2011), no. 651.

November 2011:
The role of destination spatial spillovers and technological intensity in the location of manufacturing and services firms / *Andrés Artal-Tur, José Miguel Navarro-Azorín y María Luisa Alamá-Sabater;* (2011), no. 652.

November 2011:
El papel de los márgenes extensivo e intensivo en el crecimiento de las exportaciones manufactureras españolas por sectores tecnológicos / *Juan A. Máñez, Francisco Requena-Silvente, María E. Rochina-Barrachina y Juan A. Sanchis-Llopis;* (2011), no. 653.

November 2011:
Incumbents and institutions: how the value of resources varies across markets / *Lucio Fuentelsaz, Elisabet Garrido y Juan Pablo Maícas;* (2011), no. 654.

11.4. GLOSSARY

A

ABILAB
Innovation technologies laboratory of the Association of Italian Banks.

ACARL
Savings Banks Association for Labour Relations.

ADEPO
Depositaries Association.

ADSL
Asymmetric Digital Subscriber Line.

AEAT
Spanish Inland Revenue Service.

AEB
Association of Spanish Private Banks.

AENOR
Spanish Standardisation and Certification Association.

AFNOR
French Standardisation Association.

AHE
Spanish Mortgage Association.

AMUSE
Association of Members and Users f Swift in Spain.

AUTELsi
Spanish Association of Users of Telecommunications and IT Systems.

B

BCP
Business Continuity Planning.

BIC
Bank Identifier Code.

BSR
Business Social Responsibility.

C

CARD
Active Troubleshooting Centre.

CASER
Caja de Seguros Reunidos, Insurance and Reinsurance Company.

CEA TSL
Spanish Savings Banks (Trade Services Limited).

CECA
Confederation of Spanish Savings Banks.

CECON
Spanish Consortium of Business Continuity.

CEN/ECS
European Committee for Standardization.

CEOE
Spanish Confederation of Business Organisations.

CEPYME
Spanish Confederation of Small and Medium-Sized Enterprises.

CERO
Spanish Operational Risk Consortium.

CES
Social and Economic Council.

CESAME
Clearing and Settlement Advisory and Monitoring Expert Group.

CESR
Committee of European Securities Regulators.

CGPJ
General Council of the Judiciary.

CIL
Exchange and Settlement Centre.

CMOF
Master Financial Transactions Agreement.

CNMV
National Securities Market Commission.

COAP
Assets and Liabilities Committee.

COAS
Organisation, Automation and Service Committee.

CoC
Internal Code of Conduct.

COGEPS
Contact Group on Euro Payments Strategy.

COGESI
Contact Group on Euro Securities Infrastructures.

CSA
Credit Support Annex.

CSR
Corporate Social Responsibility.

D

DDA
Dynamic Data Authentication.

E

EBA
Euro Banking Association.

EAPS
European Association Payment system.

EBIC
European Banking Industry Committee.

EC
European Commission.

EC EG
European Commission Experts Group.

EC WG
European Commission Work Group.

ECTFm
E-channel Task Force.

EFMA
European Financial Management & Marketing Association.

EFMLG
European Financial Markets Lawyers Group.

EFRAG
European Financial Reporting Advisory Group.

EHA
Spanish Ministry of Economy and Finance.

EIOPA
European Insurance and Occupational Pensions Authority.

EMA
European Master Agreement.

EMV
Europay Mastercard Visa.

EPC
European Payments Council.

ESBG
European Savings Banks Group.

ESCA
Savings Banks College.

ESIC
Commercial Management and Marketing College.

ESMA
European Securities and Markets Authority.

EU
European Union.

EUFISERV
European Savings Banks Financial Services.

F

FATCA
Foreign Account Tax Compliance Act.

FATF
Financial Action Task Force (GAFI).

FROB
Fund for Orderly Bank Restructuring.

FUNCAS
Savings Banks Foundation.

G

GDP
Gross Domestic Product (PIB in Spanish).

GEOS
Operations and Support Management.

GIAF
Administration and Finance Research Group.

GMRA
Global Master Repurchase Agreement.

GMSLA
Global Master Securities Lending Agreement

GNUSE
National Group of SWIFT Users in Spain.

GRI
Global Reporting Initiative.

H

HR
Human Resources

I

IAS
International Accounting Standards.

IASB
International Accounting Standards Board.

IBERPAY
Spanish Payment Systems Company.

ICBC
Industrial and Commercial Bank of China.

ICCA
Savings Banks Credit Institute.

ICMA
International Capital Market Association.

IFRS
International Financial Reporting Standards

IMSERSO
Institute for the Elderly and Social Services.

INEM
Spanish Employment Institute.

ISDA
International Swaps and Derivatives Association.

I

ISR
Institute of Resource Sustainability.

ISSE
Information Security Solutions Europe.

J

JV
Joint Venture.

JXFS
JAVA / eXtensions for Financial Services.

L

LAE
Lotería y Apuestas del Estado (Spanish State Lottery Company).

LMP
Weighted Maximum Limits.

LORCA
Savings Banks Governing Bodies Act.

M

MiFID
Markets in Financial Instruments Directive.

N

NIF
Tax Registration Number.

NPV
Net Present Value.

O

OBS
Charitable and Social Work.

OCDE
Organisation for Economic Cooperation and Development.

OMG
Operations Managers Group

OTP
One-Time Password.

P

PCI DSS
Payment Card Industry Data Security Standard.

PECA
Savings Banks Electronic Payment.

PF
Pension Funds.

POS
Point of Sale.

PRIP
Packaged Retail Investment Products.

PYMEs
Pequeñas y Medianas Empresas (SMEs).

R

RAI
Register of Unpaid Acceptances.

REASS
Special Social Security Scheme for Agriculture.

S

SAT
Card Authorisation Service.

SDA
Auxiliary Cash Deposit System.

SEPA
Single Euro Payments Area.

SMEs
Small and Medium-Sized Enterprises.

SMPG
Securities Market Practice Group.

SMS
Short Messaging Service (text messages).

SNCE
Spanish Electronic Clearing System.

SOA
Service-Oriented Architecture.

SPS
SEPA Payment Schemes.

SWIFT
Society for Worldwide Interbank Financial Telecommunication.

T

TARGET
Trans-European Automated Real-time Gross Settlement Express Transfer System.

T2S
Target2 Securities.

U

UCI
Undertakings for Collective Investment (Coll.Investment Undertakings).

UCITS
Undertaking for Collective Investment in Transferable Securities.

UNACC
Spanish National Union of Credit Cooperatives.

UTE
Unión Temporal de Empresas (Joint Venture).

W

WSBI
World Savings Banks Institute.

X

XBLR
Extensible Business Reporting Language.

XFS
eXtensions for Financial Services.

11.5. CHRONOLOGY

17 January
Presentation of FUNCAS book: *Alerta y desconfiada. La sociedad española ante la crisis,* by Víctor Pérez-Díaz and Juan Carlos Rodríguez

18 January
EPC Cash Working Group. EPC - Brussels (Belgium)

18 January
Management Committee meeting.

19 January
Investment Committee meeting.

19 January
Executive Committee meeting.

19 January
Board meeting.

19 January
José María Méndez Álvarez-Cedrón appointed new CEO of CECA as from 26 February.

19 January
Meeting Financial and Housing Sectors with Ministry of Development. Min. Development - Madrid

19 January
Remuneration and Nomination Committee meeting.

20 January
COAS meeting.

22 January
WSBI-Strategic President's Committee meeting. Phuket, Thailand.

26 January
Control Committee meeting.

26 January
Signing of collaboration agreement between Industrial and Commercial Bank of China (ICBC) and CECA.

26/27 January
WSBI-ESBG Coordination Committee meeting. Brussels (Belgium)

1 February
Reception by H.M. Juan Carlos I of the Chairman of CECA. Zarzuela Palace - Madrid

1 February
Executive Committee meeting.

4 February
ESBG High-Level Business Cooperation Task Force meeting. Berlin (Germany).

8 February
Executive Committee meeting.

9 February
EPC Scheme Management Committee. EPC - Brussels (Belgium).

11 February
Executive Committee meeting.

16 February
Executive Committee meeting.

16 February
Board meeting.

16 February
Control Committee meeting.

16 February
103rd Ordinary General Assembly.

16 February
FUNCAS Cycle: *Pulling out of the crisis: current views,* with lecture *The economy at the beginning of 2011,* by Miguel Boyer Salvador

17 February
IV Forum FORINVEST; paper *Restructuring of the financial sector in Spain. The integration processes,* by José Antonio Olavarrieta. Valencia Fair.

17 February
COAS meeting.

21 February
Course on *Management of the Artistic Heritage of Companies and Institutions in the Current Context.*

22 February
ESBG Payments Committee meeting. Brussels (Belgium).

23 February
ESBG Corporate Social Responsibility Committee meeting. Brussels (Belgium).

24 February
EPC Cash Working Group. Brussels (Belgium)

26 February / 5 March
Road Show in Asia. Beijing, Singapore, Hong Kong and Tokyo

3 March
Presentation Issue no. 220 of *Cuadernos de Información Económica: 2010. An uneven process of regional recovery,* organised by FUNCAS and Caja Navarra. Caja Navarra - Pamplona (Navarra).

9 March
Executive Committee meeting .

9 March
Board meeting.

9 March
Remuneration and Nomination Committee meeting.

10 March
Presentation Issue no. 220 of C*uadernos de Información Económica: 2010. An uneven process of regional recovery,* organised by FUNCAS and Caja Cantabria. Caja Cantabria - Santander (Cantabria).

10 March
Awarding of Investment Prizes for The Best Financial Products 2010. Madrid Stock Exchange.

11-16 March
Road Show in Middle East. Dubai, Qatar, Abu Dhabi and Kuwait.

16 March
Seminar on Internal Reporting in Mergers & Acquisitions.

17 March
COAS meeting.

21 March
ESBG History of Savings Banks Study Group. Brussels (Belgium).

23 March
Control Committee meeting.

24 March
Management Committee meeting.

24 March
FUNCAS Cycle: *Pulling out of the crisis: current views,* with lecture *Reforms and restructuring of the financial system after Lehman Brothers,* by Joaquín Almunia.

30 March / 1 April
Stock Market Game 2011. Spanish Edition. Madrid Stock Exchange.

1-3 April
Stock Market Game 2011. European Edition. Paris (France).

5-6 April
XVIII Symposium of the Financial Sector, organised by Deloitte and ABC; closing speech by CECA's CEO. Eurobuilding - Madrid (SPAIN).

7 April
EPC Cash Working Group. Brussels (Belgium).

7 April
Symposium on *Employment, unemployment and poverty,* organised by FUNCAS.

11 April
Management Committee meeting.

13 April
Executive Committee meeting.

13 April
Board meeting.

13 April
FUNCAS Board of Trustees meeting.

13 April
III Conference on Financial Education

14 April
COAS meeting.

14-15 April
ESBG Financial Regulation Committee meeting. Stockholm (Sweden).

19-20 April
ESBG Banking Technology Committee meeting. Brussels (Belgium).

27 April
Mass for the Association of Retired CEOs of Savings Banks and CECA. Calatravas Church - Madrid (SPAIN).

28-29 April
WSBI-ESBG Coordination Committee meeting. Luxemburg (Luxemburg).

4 May
COAS Standardisation and Payment Systems Committee meeting.

6 May
ESBG-President's Committee. Warsaw (Poland).

6 May
ESBG -Board meeting. Warsaw (Poland).

6 May
ESBG -General Assembly. Warsaw (Poland).

11-13 May
XXVIII General Meeting of the International Association of Collateral Loan Institutions. Vienna (Austria).

12/13 May
ESBG Marketing Network meeting. Brussels (Belgium).

13 May
III Symposium on Reform of the Financial System, organised by KPMG and Expansión; speech by CECA's CEO. Hotel InterContinental - Madrid (SPAIN).

16 May
Management Committee meeting.

17 May
ESBG Youth Market Task Force meeting. Brussels (Belgium).

17 May
Launching of new functionalities of "Melania", the savings banks' knowledge management network.

18 May
Board meeting.

18 May
Investment Committee meeting.

18 May
Executive Committee meeting.

18 May
EPC Scheme Management Committee. Brussels (Belgium).

18-19 May
I International Forum Europe-China of the International Association of Collateral Loan Institutions (PIGNUS). Dalian - China.

19 May
COAS meeting.

19 May
ESBG Payments Committee meeting. Brussels (Belgium).

19/20 May
LXXI Savings Banks Legal Advisers Convention. Centro Cultural Cajastur - Oviedo (Asturias).

19/20 May
ESBG Banking Technology Committee meeting. Brussels (Belgium).

20 May
ESBG Corporate Social Responsibility Committee meeting. Lisbon (Portugal).

25 May
Control Committee meeting.

25 May
ESBG SME Business Cooperation Working Group. Brussels (Belgium).

26 May
II Technical Workshop on Balance Sheet and Liquidity Risk.

27 May
ESBG Accounting and Audit Committee meeting.Brussels (Belgium).

1 June
Executive Committee meeting.

1 June
Meeting of Panel of Judges for the *Enrique Fuentes Quintana Awards to Doctoral Theses.* Academic Year 2009-2010.

1 June
Innovation in Banking Technology Award by the journal "The Banker", in the category *Innovative Retail Banking Technology Project of the Year;* to the CECA Mosaico project, developed by COAS.

2 June
Management Committee meeting.

8 June
General Meeting of Spainsif, election of Inés García-Pintos (CECA) as Chairman for 2-year term.

8 June
VIII Edition of the *Prizes for Social Work of Savings Banks,* of the journal Inversión. Royal Mint - Madrid.

9 June
Awarding of *Financier of the Year Prize,* by the ECOFIN Forum, to the Chairman of CECA. NH Parque de las Avenidas - Madrid.

9 June
Savings Banks Reform Symposium, held to celebrate the publication of the FUNCAS book *Cajas de Ahorros: Nueva normativa.*

9-10 June
XIII Savings Banks Customer Services Convention.

9-10 June
ESBG High-Level Business Cooperation Task Force meeting. Paris (France).

13 June
Management Committee meeting.

13 June
Presentation FUNCAS book: *Carteles de Economía Española, 1870-1960,* by Carlos Velasco Murviedro.

15 June
Board meeting.

15 June
Executive Committee meeting.

16 June
COAS meeting.

16 June
Charity concert for the Lorca earthquake victims, sponsored by CECA and the savings banks. Former stadium La Condomina - Murcia.

16 June
WSBI - President's Committee meeting. Bali (Indonesia).

16 June
WSBI - Board meeting. Bali (Indonesia).

16 June
WSBI - General Assembly. Bali (Indonesia).

17 June
Cash and Capital Market Manager Workshop. Lisbon (Portugal).

21 June
Award of one of the *Prizes to the Best Innovations in the Sector,* of the Dintel Foundation to the tool Vigía, promoted by CECA. Palacio de la Misión. Casa de Campo - Madrid.

22 June
Control Committee meeting.

28 June
EPC Cash Working Group. Brussels (Belgium).

30 June / 1 July
WSBI-ESBG Coordination Committee meeting. Paris (France).

5 July
ESBG Supervision and Capital Requirements Committee meeting. Stockholm (Sweden).

5 July
Presentation: *Signature Digitalisation* to BCP. Lisbon (Portugal).

6 July
Executive Committee meeting.

7 July
Presentation of Issue no. 128 of the FUNCAS journal *Papeles de Economía Española: Tourism in Spain.*

12 July
ESBG - Strategic President's Committee meeting. Paris (France).

13 July
CECA/AEB/UNACC Organisations Committee meeting.
AEB - Madrid.

13 July
EPC Cash Working Group. Brussels (Belgium).

14 July
Presentation of FUNCAS book: *Cuentas satélites de las Fundaciones privadas al servicio de los hogares y de las Obras Sociales de las Cajas de Ahorros,* directed by José Barea and José Luis Monzón Campos.

15 July
Presentation FUNCAS study: *Equal Opportunities in Spain. Contribution by the Savings Banks' Social Work,* done by the Tomillos Economic Studies Centre.

20 July
Board meeting.

20 July
Extraordinary General Assembly, approving the new CECA Articles of Association.

20 July
Control Committee meeting.

20 July
Executive Committee meeting.

20 July
FUNCAS Board of Trustees meeting.

21 July
COAS meeting.

26 July
CECA Agreement with Lorca Council to mitigate the effects of the earthquake.

20 August
ESBG Payments Committee meeting. Paris (France).

30 August
ESBG Payments Committee meeting. Brussels (Belgium).

6 September
Presentation of project *Digitalised Signature* Finnish Savings Banks (Samlink). Caixabank - Barcelona.

7 September
Extraordinary Meeting of FUNCAS Board of Trustees.

7 September
Executive Committee meeting.

8 September
EPC Scheme Management Committee. Brussels (Belgium).

19 September
Management Committee meeting.

19-20 September
EPC Cash Working Group. Brussels (Belgium).

21 September
Executive Committee meeting.

21 September
Board meeting.

21 September
Investment Committee meeting.

21 September
Presentation of CECA Report on the reform of the mortgage market for the Analysis and Possible Reform of the Spanish Mortgage System Sub-Committee, of the Housing Commission of the Congress of Deputies (lower house of Spanish Parliament). Congress of Deputies - Madrid.

22 September
COAS meeting.

24 September
WSBI-ESBG Coordination Committee meeting. Washington (USA).

28 September
Control Committee meeting

28 September
MICROSOFT-Large Enterprises Forum. Alicante

3 October
Award of the *Reporting Transparency Prize* by El Nuevo Lunes, in category of business and financial organisations, to CECA. Hotel Melia Princesa - Madrid.

4 October
ESBG History of Savings Banks Study Group. Brussels (Belgium).

6 October
ESBG - President's Committee meeting. Brussels (Belgium).

6 October
ESBG - Board meeting. Brussels (Belgium).

6 October
2nd Spainsif Annual Event of the Spanish Socially Responsible Investment Forum. Economic & Social Council (CES) - Madrid.

6-7 October
ESBG High-Level Business Cooperation Task Force meeting. Stockholm (Sweden).

7 October
Presentation Issue no. 13 of FUNCAS journal *Panorama Social: Challenges currently facing Spanish society.*

18-19 October
ESBG Business Cooperation Event. Brussels (Belgium).

19 October
Board meeting

19 October
Executive Committee meeting.

19 October
ESBG Corporate Social Responsibility Committee meeting. Brussels (Belgium).

19 October
Actualidad Económica *Savings Banks' Social Work Prizes. Barcelona.*

20 October
Social Work Convention. La Caixa - Barcelona.

20 October
I Seminar on Efficiency: Streamlining of Operating Costs.

20 October
VII Technical Workshop on Market and Operational Risk .

20-21 October
XXX Financial Institutions Security Officers Convention.

26 October
Control Committee meeting.

27 October
COAS meeting. La Caixa - Barcelona.

27-28 October
Pawnbrokers Assembly.

27-28 October
XXXI Convention of Heads of Technical Areas of Organisation, IT and New Services. COAS Seminars 2011. Caixaforum - Barcelona.

2 November
EPC Cash Working Group. Brussels (Belgium).

2 November
New Channels Seminar. CaixaForum, Madrid.

3 November
Comité de Dirección.

3 November
Presentation of Issue no. 224 of FUNCAS journal *Cuadernos de Información Económica: Our savings don't go far enough*.

3-5 November
Standing Committee meeting of International Association of Collateral Loan Institutions. Mexico.

7 November
Gartner Symposium 2011. Barcelona.

7-8 November
ESBG Marketing Network meeting. Vienna (Austria).

8 November
Investment Committee meeting.

8 November
ESBG Capital Market Regulation Work Group. Brussels (Belgium).

9 November
ESBG Supervision and Capital Requirements Committee meeting. Brussels (Belgium).

10 November
ESBG Accounting and Audit Committee meeting. Prague (Czech Republic).

11-12 November
VII Legislation Compliance Convention. Chinchón (Madrid).

15-16 November
ESBG Banking Technology Committee meeting. Brussels (Belgium).

15 November
ESBG Payments Committee meeting. Brussels (Belgium).

16 November
EPC Scheme Management Committee meeting. Brussels (Belgium).

18 November
WSBI - President's Committee. Marrakech (Morocco).

18 November
WSBI - Board meeting. Marrakech (Morocco).

21 November
Management Committee meeting.

22 November
Award of *VIII Fondena Prize* for nature protection, sponsored by FUNCAS.

23 November
Executive Committee meeting.

23 November
Board meeting.

23 November
Remuneration and Nomination Committee meeting.

24 November
COAS meeting.

24 November
II Efficiency Seminar: Enhancement and optimising of sales force productivity.

24 November
LXV Meeting of Savings Banks Tax Experts.

24 November
ESBG Payments Committee meeting. Brussels (Belgium).

24-25 November
ESBG Financial Regulation Committee meeting. Brussels (Belgium).

25 November
Closing Seminar of *X Course Expert in Financial Institution Management 2011,* developed within the FUNCAS-Carolina Foundation collaboration.

25 November
Signing of protocol for action between CECA and the Ministry of Presidency for the recovery of Lorca and stimulation of its economic activity.

28 November
FUNCAS Advisory Council meeting.

29 November
Signing of Agreement with General Management of the European Foundation for IT Society.

30 November
Control Committee meeting.

30 November
FUNCAS *Enrique Fuentes Quintana Awards to Doctoral Theses,* with presentation of the award-winning theses 2009-2010.

1 December
III Seminar on the Current Financial Situation in the European Union, organised by FUNCAS and CECA.

9 December
ESBG - Strategic President's Committee meeting. Brussels (Belgium).

13-14 December
Communication Convention. La Caixa - Barcelona.

15 December
COAS meeting.

21 December
Executive Committee meeting.

21 December
Board meeting.

21 December
Control Committee meeting.

21 December
104th Ordinary General Assembly.

21 December
FUNCAS Board of Trustees meeting.

* In cases where there is no indication the city of celebration, the events have taken place at the Headquarters of the Confederation of Spanish Savings Banks, Madrid.

11.6. HEAD OFFICES, BRANCHES AND REPRESENTATIVE OFFICES

CONFEDERACIÓN ESPAÑOLA DE CAJAS DE AHORROS

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.

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

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 (BELGIUM)

FRANCE
21, Avenue Pierre 1er de Serbie
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)

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