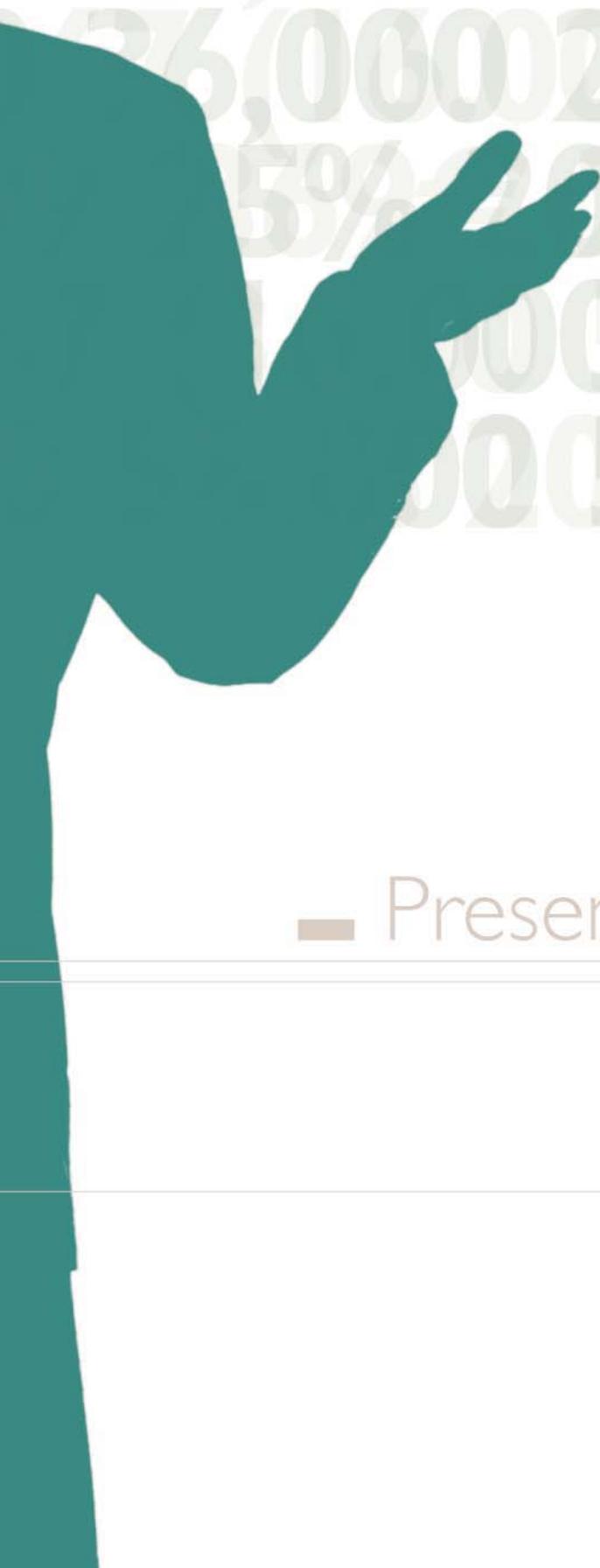
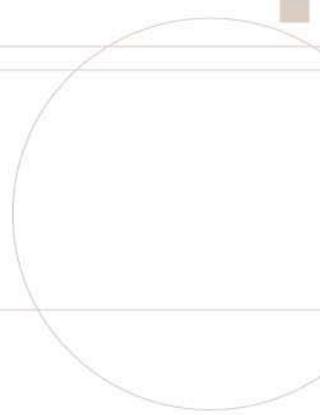


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— Presentation



Spanish Cajas” the IMF highlights savings banks’ contribution to extending financial services and to the high level of competition in the Spanish financial sector; their close relations with the community and their support for social, cultural and educational projects, as well as their extensive branch network and their intense sense of regional identity.

//////// Defence of the corporate model of the Spanish savings banks before the European Union has also reaped its rewards. The European Parliament, in its report “Towards Further Consolidation in the Financial Services Industry”, defends and promotes the existence of a healthy diversity in terms of size and ownership structure among European financial institutions. The report also asserts that this diversity ensures that the financial needs of European corporations, SMEs and consumers are met. This is an evident recognition of the invaluable role of the savings banks in meeting these objectives.

I honestly believe that our members can be satisfied with the work performed and the commitments we have undertaken for the future. This annual report is a faithful testimony to the professionalism and efficiency with which CECA’s employees face new challenges daily. I am sure that, true to this strategy, 2007 will be another excellent year for CECA and for Spain’s savings banks.

Juan R. Quintás Seoane

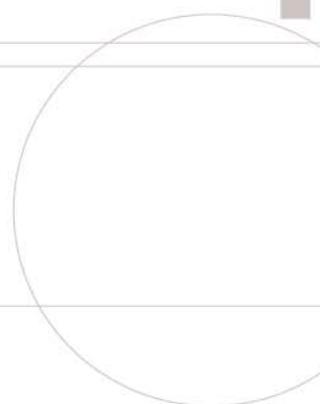
Chairman - Managing Director

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■ Self-Definition

Vision
Mission
CECA's Principal objectives
History of CECA



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

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

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

/////// To act as a centre for counselling on legal, administrative, tax, technical and investment matters and as a supervisory body in relation to changes affecting savings in general and the activities and operations of member banks in particular. For this purpose, the Confederation is responsible for drawing up the statistical data pertaining to the savings banks, providing consultancy services in organisational matters, the promotion of savings and of the member banks, and any other action which helps secure the goals and interests of the Confederation and its members.

/////// To cooperate with the financial authorities in enhancing management at savings banks and their compliance with financial regulations.

////////// IN 1971, THE CONFEDERATION TOOK
OVER MANY DUTIES OF INSTITUTO DE CRÉDITO
DE LAS CAJAS DE AHORROS. //////////

With this, CECA ceased to be the merely representative institution that it had been until then and a new phase began in which it took on the services, operations and financial functions of a credit institution. In 1976 a research unit was set up, the work of which subsequently served as a basis for the reform of the Spanish financial system.

////////// IN 1976, A RESEARCH UNIT WAS
SET UP, THE WORK OF WHICH SUBSEQUENTLY
SERVED AS A BASIS FOR THE REFORM OF THE
SPANISH FINANCIAL SYSTEM. //////////

At that time, in addition to recruiting new professionals, new training policies were introduced in the sector and the training school (*Escuela Superior de Cajas de Ahorros - ESCA*) was opened.

With the liberalisation of the Spanish financial system in 1977, savings banks recovered their traditional model of independence and full operational capacity (having been significantly undermined by the interventionist attitude taken by public powers from 1940 onwards, which was especially evident in the regulation of obligatory investments). The legislative changes implemented in the late seventies and early eighties had a significant effect on savings banks, from the standpoint of both operating procedures and organisation, since savings banks and banks were placed on an equal operational footing, deposit interest rates were liberalised, the process to eliminate compulsory investment ratios began and a new configuration of the governing bodies was put in place with the participation of depositors, employees, founding entities and local scientific, cultural or charitable institutions.

The most recent milestones were the Financial Law of 2002 and the Transparency Act of 2003. The Financial Law's objective was three-fold: to promote cooperation through the Confederation, to make further strides in professionalizing management of savings banks, and to facilitate their access to capital markets. The Transparency Act increased savings banks' disclosure requirements to the State, regulatory bodies and the public. Since its entry into force, savings banks publish annual corporate governance reports to explain and divulge their governing bodies' decision-making processes.

In 2006, the Confederation's Board of Directors approved a change in its organisational structure, with effect on 1 January 2007, as a result of the retirement of the Deputy General Manager of the Members' Area. Accordingly, a new area was created comprising the Members' Area and the General Secretariat, in order to strengthen capacity for action and negotiation with public administrations and regulatory and supervisory bodies. At the same time, the Confederation's institutional sphere has been strengthened, with the Community Welfare and Institutional Relations Division now directly dependent upon the Chairman's Office-Directorate General. The remaining changes affect the auditing and control area, which is separated from the risk area, in compliance with the recommendations of various supervisory bodies, and also the strengthening of the COAS area.



Corporate Governance: ■ Governing Bodies

- Corporate governance
- Structure and functions of the governing bodies
- Changes in senior management at the savings banks
- Group business structure
- Other information regarding governance



Each of the savings banks is represented in the General Assembly by its chairman or a member of its Board of Directors and its Director General. The Managing Director of the Confederation is also a member of the General Assembly.

**////////// THE GENERAL ASSEMBLY, COMPRISING
ALL SAVINGS BANKS, IS CECA'S SUPREME
GOVERNING AND DECISION-MAKING BODY. //////////**

At December 31, 2006, the General Assembly of CECA comprised the following members:

///////// Chairman:

Juan Ramón Quintás Seoane

///////// General Assembly Members:

Vicente Sala Belló

Roberto López Abad

Feliciano Blázquez Sánchez

José Manuel Espinosa Herrero

José Manuel Sánchez Rojas

José Antonio Marcos Blanco

Narcís Serra Serra

José María Loza Xuriach

Ricardo Fornesa Ribó

Isidro Fainé Casas

Xabier de Irala Estevez

Guillermo Ibáñez Calle

José Ignacio Mijangos Linaza

Santiago Ruiz Díez

José María Arribas Moral

José María Achirica Martín

Jesús Medina Ocaña

José M^a Portillo Melo

Juan Moreno Gutiérrez

José Ruíz Ortiz

Juan Pedro Hernández Moltó

Ildefonso Ortega Rodríguez-Arias

Arcadi Calzada Salavedra

Aleix Gimbernat Martí

Antonio María Claret García García

Ildefonso Pastrana Sánchez-Crespo

José Luis Ros Maorad

Félix Pérez Rodríguez

José Antonio Arcos Moya

Dionisio Martín Padilla

Mauro Varela Pérez

José Luis Méndez López

It is the responsibility of CECA's General Assembly, among other functions laid down in the bylaws, to appoint the members of the Board of Directors and the members of the Monitoring Committee, and to approve the annual report and the annual accounts.

CECA's General Assembly meets twice yearly, once in each calendar half of the year. It also holds an extraordinary meeting whenever such a meeting is called by the Board of Directors or at the request of the Monitoring Committee, of two savings bank federations or of a group of federated savings banks representing at least one-tenth of the total votes of the savings banks belonging to the Confederation.

In 2006, the General Assembly of CECA held two ordinary meetings, on 19 April and 13 December. All CECA member banks were represented at the two Assemblies held in 2006.

A fortnight before the first Ordinary General Annual Assembly was held, the Directors General were provided with a report detailing the Confederation's progress in 2005, as well as the annual balance sheet, income statement and proposed allocation of earnings.

In 2006, the CECA General Assembly approved, among others, the following resolutions:

////////// **93rd ORDINARY GENERAL ASSEMBLY**

19 April 2006

//////// Approval of the Chairman's Report.

//////// Approval of the Monitoring Committee Reports:

/// on economic-financial performance.

/// approving the annual accounts for 2005.

//////// Approval of annual budget and CECA membership dues for 2007.

//////// Appointment of controllers to approve the minutes for the Assembly.

//////// Appointment of the external auditor of the Confederation's 2007 annual accounts.

● 3.2.2 BOARD OF DIRECTORS

////////// THE ADMINISTRATION AND REPRESENTATION OF CECA IS ENTRUSTED TO THE BOARD OF DIRECTORS. //////////

The administration and representation of Confederación Española de Cajas de Ahorros is entrusted to the Board of Directors. The Board of Directors of CECA has a minimum of 17 members and a maximum of 35, elected by the General Assembly in accordance with the following criteria:

//////// One member per autonomous region.

//////// Other members allocated in a greater number to autonomous regions in which the savings banks having their registered office there manage an amount of customer funds according to the scale laid down in the bylaws.

//////// The Managing Director of Confederación Española de Cajas de Ahorros.

//////// One member proposed by Confederación Española de Cajas de Ahorros (designated by the Board of Directors).

The Board of Directors appointed Juan Ramón Quintás Seoane as its Chairman, at its meeting on 17 May 2006. In accordance with the Bylaws, the Chairman of the Board is also the Chairman of the Confederation and the General Assembly.

The Chairman of the Board of Directors attended all the meetings held in 2006. The Confederation's General Secretary also attended the sessions of the Board, in his capacity as Non-Executive Deputy-Secretary, with neither voice nor vote.

At 31 December 2006, the composition of the Board of Directors was as follows:

////// Chairman:

Juan Ramón Quintás Seoane

////// Deputy Chairmen:

Ricardo Fornesa Ribó

Braulio Medel Cámara

Miguel Blesa de la Parra

Vicente Sala Belló

////// Secretary:

Carlos Egea Krauel

////// Members:

Miguel Sanz Sesma

Jose Manuel Sanchez Rojas

Manuel Menéndez Menéndez

Juan Manuel García Falcón

José María Loza Xuriach

Jesús Cabezón Alonso

Pedro Batle Mayol

Didac Herrero Autet

Amado Franco Lahoz

Aleix Gimbernat Marti

Fernando Beltrán Aparicio

Gregorio Rojo García

José Luis Olivas Martínez

Julio Fernández Gayoso

Juan Pedro Hernández Moltó

Jordi Mestre González

Luis Pascual Navarrete Mora

Santos Llamas Llamas

/// To inform the General Assembly about the budgets and allowances allocated to community welfare projects, and to monitor compliance with projected investments and expenses.

/// To propose the suspension of the enforceability of resolutions adopted by the Board of Directors, when it deems that they violate current legislation or unfairly and seriously affect the asset situation, results or standing of the Confederation or member savings banks.

/// To ask the Chairman of the Confederation to hold an extraordinary General Assembly, in the aforementioned circumstances and in any circumstances in which it considers this to be necessary.

/// To perform the duties of Audit Committee. In accordance with the provisions of the Spanish Securities Markets Law, all entities issuing securities which are admitted for trading on official secondary markets must have an Audit Committee. The legislation provides that, given the special configuration of the savings banks, the duties of an audit committee may be undertaken by the Monitoring Committee.

/// To ensure the transparency of the procedures for the appointment and renewal of members of the Monitoring Committee and the Board.

The Monitoring Committee meets whenever it is called upon to do so by its Chairman, and at least once per quarter.

In 2006 the Monitoring Committee met monthly on eleven occasions.

In 2006, the following persons have appeared before this body:

/// CECA's external auditor; to report to the Committee on the main regulatory changes which affect the framework in which the annual accounts were drawn up and to explain the content of the audit reports concerning the Confederation's 2005 individual and consolidated annual accounts.

/// The Internal Audit Director; to present to the Committee the necessary information for this body to draft the required half-yearly reports.

/// The Head of Regulatory Management, to explain the lines of action undertaken in 2006 in compliance risk management, as well as those planned for 2007, in accordance with the recommendations set forth by the Basel Committee in this connection.

/////// At Caixa d'Estalvis de Sabadell

General Manager:

Jordi Mestre González

/////// At Caja de Ahorros de la Inmaculada de Aragón

Chairman

Rafael Alcazar Crevillén

Group business structure

3.4

CECA's corporate investments are aimed at furthering its strategic mission. Its main investees are:



AHORRO CORPORACIÓN, S.A.: 13.87%

Financial services holding and securities and equities company



AHORRO Y TITULIZACIÓN, SOCIEDAD GESTORA DE FONDOS DE TITULIZACIÓN, S.A. 50,00%

Mortgage securitisation fund manager



B3 BOLSAS Y MERCADOS ESPAÑOLES: 0,72%

Financial markets and systems holding company

Except for AHORRO Y TITULIZACIÓN, CAJA ACTIVA, S.A., and CEA TSL, the Confederation owns less than 20% of the companies detailed above and none of them is listed. The list of investee activities highlights how all of them are focused on complementing and expanding the range of financial activities and services provided by the Confederation.

CECA does not have a branch network in Spain. Its only operative branch is located at Calle Alcalá, 27 in Madrid. Since 1988, the Confederation has had one operative branch in London which channels savings banks' transactions in international markets, and a number of field offices in various European capitals.

Other information regarding governance

3.5

As regards CECA's corporate governance, various bodies structure the main decision-making processes at the Confederation. The Management Committee plays a pivotal role here, assisting the Managing Director; as does the Assets and Liabilities Committee, which is responsible for the information, management, monitoring and control of risks.

The Monitoring Committee specialises in compliance risk management at CECA.

● 3.5.1 MANAGEMENT COMMITTEE

CECA's Management Committee is the most senior body assisting the Confederation's General Management. As well as this assistance, the Management Committee has the following basic responsibilities, without prejudice to the other duties assigned to it by the Board of Directors:

- /// To report to the Board on the progress of the company's risk policy, in line with market trends and situation.

- /// To evaluate the risks deriving from the likely performance of the balance sheet items and, consequently, assess their influence on the Confederation's net interest revenues.

- /// To establish the management, monitoring and control procedures for credit, market (interest rate, exchange rate and price) and liquidity risk at the entity, approved by the Board of Directors.

- /// To issue general policies within the framework of the Confederation's risk policy, in relation to credit, market (interest rate, exchange rate and price) and balance sheet liquidity risk, in their entirety.

- /// To evaluate market situation.

- /// To know the cash positions in euros and other currencies.

- /// To prevent liquidity tensions.

- /// To analyse the performance of public data.

The Assets and Liabilities Committee is chaired by the Managing Director of the Confederation and the Vice-Chairman acts as Deputy General Manager of the Operating-Financial Area. It has eight members and the Head of the Legal Department acts as Secretary.

To ensure adequate coordination of all the Confederation's units involved in compliance risk management, as well as to guarantee an efficient information flow system, CECA has a dual-level committee structure:

/// In the lower level are specialist committees by subject: the Prevention of Money Laundering Committee, the "ad hoc" Surveillance Committee for Compliance with the Internal Code of Conduct in the Securities Market Area and the Data Protection Committee.

/// On the upper level is a Compliance Committee with horizontal competencies in compliance risk. Members of this committee are appointed by the Board of Directors.

● Compliance Committee

The Compliance Committee was set up at a meeting of CECA's Board of Directors on 18 January 2006.

The Compliance Committee has the following powers and responsibilities:

/// Promote implementation of compliance risk control at the Confederation.

////////// **THE COMPLIANCE COMMITTEE WAS
CREATED IN 2006 WITH THE FUNDAMENTAL PURPOSE
OF PROMOTING COMPLIANCE RISK CONTROL.** //////////

/// Identify and evaluate, with the assistance of the Regulatory Management Department, matters relating to compliance risk, as well as plans for management thereof. Within the framework of this process:

/ Perform periodic monitoring of compliance risk management.
Accordingly, the Compliance Committee meets at least once every quarter.

In 2006, it met five times and approved CECA's new Statute of the Function of Compliance and its Compliance Policy. These documents, later approved by the Board of Directors, contain the basic guidelines to be followed regarding compliance, at both functional and organisational level, and respond to the best international standards issued by the Basel Committee. Furthermore, the Compliance Committee has supervised the process of drawing up these new regulations (specifically, revision of the Prevention of Money Laundering Manual and the new Internal Code of Conduct). Finally, the Board of Directors delegated to this Committee the task of coordinating all necessary actions to devise the plan to adapt CECA to MiFID (Markets in Financial Instruments Directive).

● Other Committees

In regard to rules of conduct, the Internal Code of Conduct in the sphere of the Securities Market, approved by the Board of Directors on 16 July 2003, regulates the "ad hoc" body for surveillance of its compliance in the Confederation, and currently comprises five members, all of whom are Confederation executives. It is the responsibility of this body to receive and examine the reports referred to in the regulations, to resolve cases of conflicts of interest and, in general, to ensure compliance with the regulations. Periodically, and in any other cases it deems necessary, it reports to the Board of Directors in regard to its degree of application and in regard to any relevant incidents.

In 2006 the "ad hoc" body met five times to analyse and prevent potential conflicts of interest (especially by means of monthly declarations of securities transactions undertaken by personnel subject to the Internal Code of Conduct). Furthermore, it verified the effectiveness of insider information controls by means of Chinese walls.

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■ Management Report ■

Business performance and compliance with 2006 targets
Income statement
Risk management
Market risk assessment
Subsequent events
Research and development
Business outlook
Approval of the 2006 annual accounts



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% 99€ 25,99 25% 2006 5€ 5,70

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 listed in Note I to the consolidated financial statements for the year ended 31 December 2006.

Since CECA represents approximately 99.96% of the assets and 99.21% of the profit attributed to the Group at 31 December 2006, the data and comments contained in this directors' report relate only to CECA.

Business performance and achievement of targets in 2006

4.1

Viewed from the perspective of the business targets set and achieved, which are highlighted below, 2006 can be regarded as an excellent year. Thus, with regard to the earnings target, CECA reported net profit of EUR 53,822 thousand, 98.60% above budget, enabling it to cater for the requirements of its welfare projects, provide an effective return of 14.54% on the member savings banks' participation certificates, and make an allocation to reserves that contributed to the 19.40% year-on-year rise in eligible capital.

As regards CECA's general strategic lines of action, 2006 saw implementation of the following measures aimed at complying with the objectives approved by the 92nd General Assembly on 14 December 2005:

Institutional representation and development: the Welfare Fund study committee prepared a proposal addressing strategic criteria for welfare projects; the impact of tax reform on savings banks' financial products was analysed and justified; progress was made towards enhancing regulatory risk management and the industry's compliance function; and CECA coordinated the pilot process in Spain for the GRI Financial Services Sector supplement. Also within this line of action, CECA promoted and disseminated the image

of the Spanish savings bank industry, both in the media and through its projection abroad.

Efficiency: actions were undertaken aimed at reviewing and rationalising certain operating processes and control and risk services and at increasing productivity in the use of technological resources.

Growth: the objective of increasing the level of activity of financial, operational and technological services in order to achieve economies of scale and that of extending the range of risk control products were met. Also, 2006 saw the culmination of the work on the FEDECRÉDITO modernisation project in El Salvador.

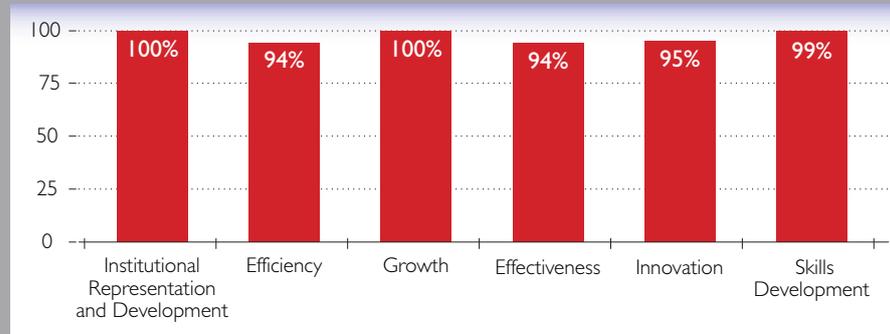
Effectiveness: the quality of the services provided to savings banks was increased, and the applications of the operational, financial, technological, management support and dealing room transaction processing services were expanded and enhanced.

Innovation: in addition to the projects developed under the auspices of COAS (CECA's Organisation, Automation and Service Committee), which are discussed in the Research and Development section of this directors' report, CECA launched a series of new financial products and services, including new types of securities lending, a new version of its Electronic Trading and Information System (SICE), new operational services and new channels.

Skills development: 2006 witnessed the commencement, through COAS, of an industry-wide strategic project on the fundamental variables involved in human resource management. Actions were undertaken aimed at enhancing the management of regulatory, financial and operational risks, improving management information and technological infrastructure, and optimising the operational service control systems. Lastly, work continued on the implementation of the integral human resource management system.

The degree of compliance with the strategic lines in 2006 was as follows:

% Performance



Income Statement

4.2

INCOME STATEMENT

Thousands of Euros

	2006	Budget	Variance	%
Financial margin (*)	92,288	65,436	26,852	41.04
Net fee and commission income	74,842	69,005	5,837	8.46
Gross income	167,130	134,441	32,689	24.31
Other operating income	73,701	63,040	10,661	16.91
Operating expenses	-160,704	-158,093	-2,611	1.65
Net operating income	80,127	39,388	40,739	103.43
Other gains and losses	-2,747	-112	-2,635	-
Profit before tax	77,380	39,276	38,104	97.02
Income tax	-23,558	-12,175	-11,383	93.49
Profit for the year	53,822	27,101	26,721	98.60

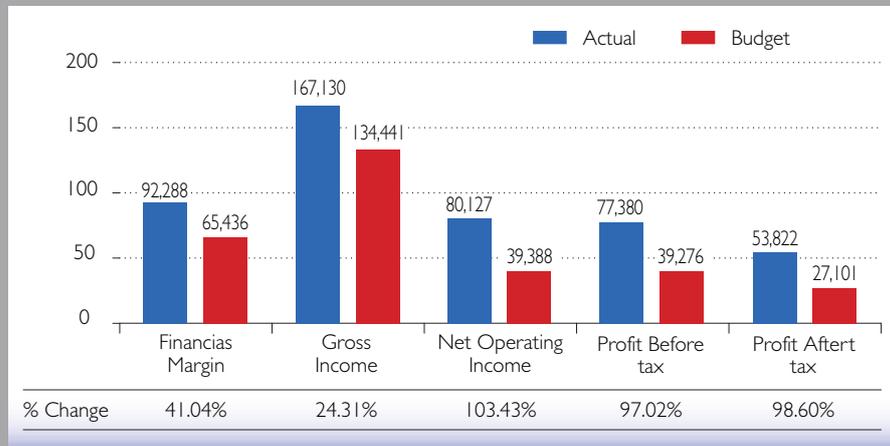
(*) Including net gains/losses on financial assets and liabilities.

● FINANCIAL MARGIN

In 2006 the financial margin exceeded the budget by EUR 26,852 thousand (41.04%). This result represents a net margin of 0.70% on assets and was achieved thanks, on the one hand, to the successful management of the investment of equity (ROE: 6%), and, on the other, to the increase in treasury and capital markets intermediation activity resulting from the extension of the range of products to cater for the requirements of the savings banks and their customers.

FINANCIAL MARGIN

Thousands of Euros



////////// IN 2006 FINANCIAL MARGIN EXCEEDED THE BUDGET BY EUR 26,852 THOUSAND (41.04%). //////////

● OTHER GAINS AND LOSSES

Other gains and losses include a net provision for contingencies of EUR 5,548 thousand, a gain of EUR 685 thousand on the sale of property and net extraordinary gains not allocable to 2006 amounting to EUR 2,116 thousand.

////////// A NET PROVISION OF EUR 5,548
THOUSAND WAS RECOGNISED IN 2006. //////////

● PROPOSED DISTRIBUTION OF PROFIT

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

Thousands
of Euros

Return on participation certificates	3,235
To Welfare Fund	4,487
Fundación de las Cajas de Ahorros (FUNCAS)	
To reserves	46,100
Profit for the year (profit after tax)	53,822

● CREDIT RATINGS

The ratings assigned to the Confederación in 2006 by the international agencies Fitch Ratings and Moody's ratified the high levels achieved in 2005.

FITCH RATINGS

Short Term FI+	Long Term AA-	Individual B	Legal 2
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MOODYS

Short Term P1	Long Term Aa3	Solvency B-
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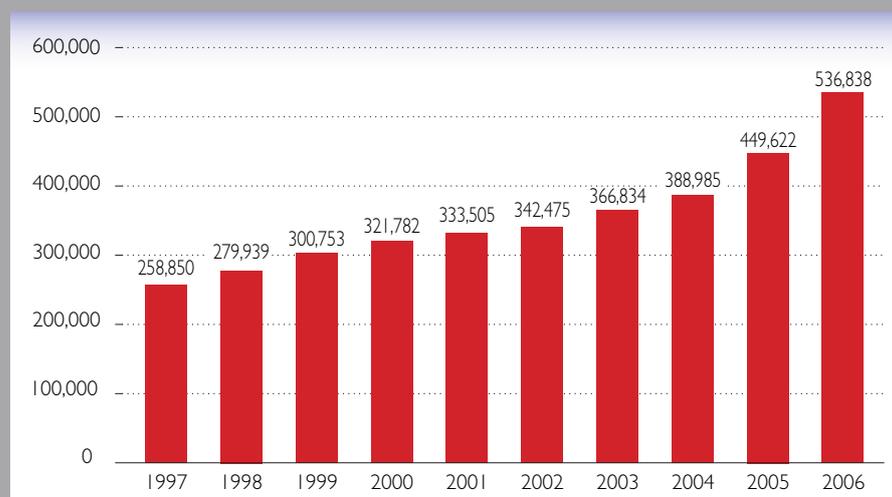
////////// CAPITAL AMOUNTED TO
EUR 536,838 THOUSAND AT 31 DECEMBER 2006,
UP 19.4% ON 2005. //////////

● CAPITAL

Eligible capital amounted to EUR 536,838 thousand at 31 December 2006, up 19.40% on 2005. The variations in the last ten years were as follows:

CAPITAL

Thousands of Euros



Risk management

4.3

Risk management constitutes a basic objective for the Confederación. In 2006 a series of measures were taken aimed at improving organisational tools and structures in order to optimise risk monitoring and control procedures. Risk management at CECA is independent from the business areas.

The maximum levels of risk to be assumed are established and authorised by the Board of Directors at the proposal of the Asset-Liability Committee.

● CREDIT RISK

Due to the nature of its activity, CECA classifies credit risk into the following categories: principal risk, replacement or counterparty risk, issuer risk, liquidation or delivery risk and country risk.

In keeping with its foundational object, CECA has a very low credit risk profile compared with that of other financial institutions. This is evidenced by the fact that its most significant credit-risk-generating activities, in terms of their importance to the balance sheet, are the interbank business (63%) and transactions involving government debt securities (17%).

////////// IN KEEPING WITH ITS FOUNDATIONAL
OBJECT, CECA HAS A VERY LOW CREDIT RISK
PROFILE COMPARED WITH THAT OF OTHER
FINANCIAL INSTITUTIONS. //////////

The analysis and monitoring function is based mainly on counterparty ratings, which are used to strategically define the level of risk that can be assumed with each counterparty. By taking into account these ratings, the guarantees, the borrower's equity position and the product, CECA is able to classify the transaction and adopt the appropriate decisions at the relevant decision-making levels.

Credit risk is monitored through active portfolio management, the main aim of which is to detect, sufficiently in advance, any counterparties that are experiencing difficulties. Through an early-warning system, these customers are included in a list of customers requiring special surveillance. As in risk analysis, ratings constitute the primary basis for the monitoring process.

In addition, as part of the monitoring of the credit risk assumed in market operations, the adherence of these operations to the supporting contractual documentation is actively managed and monitored. Thus, substantially all the risk assumed in operations involving derivative instruments, repos, sell/buy backs and securities lending agreements is covered through the use of standard ISDA/CMOF, GMRA and GMSLA agreements, respectively, the terms of which envisage the possibility of offsetting outstanding collection and payment flows between the parties for all transactions covered by the agreements.

The control process comprises all management tool-related activities. It involves the control of all established credit and counterparty risk limits, the inclusion of new product, customer, country and economic group parameterisations, and the maintenance of existing parameters.

CECA calculates credit risk exposure by applying the standardised approach provided for in current regulations. As a general rule, it is calculated as the sum of the current exposure or market value 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.

● MARKET RISK

Market risk is the risk of loss to which the entity is exposed as a result of adverse changes in the prices of market variables.

Based on the nature of these variables, the following significant market risk factors can be distinguished for CECA:

//// Interest rate risk

//// Currency risk

//// Share and index price risk

//// Volatility risk

////////// THE SIGNIFICANT MARKET RISK FACTORS FOR CECA ARE: INTEREST RATE RISK, CURRENCY RISK, SHARE AND INDEX PRICE RISK AND VOLATILITY RISK. //////////

The basic measure of market risk at CECA is value-at-risk (VaR), which includes, uniformly and taking into account the effect of diversification, all the significant risk factors mentioned above.

Furthermore, CECA calculates other supplementary risk measures, such as unit sensitivity to the various risk factors.

Measurement of market risk

4.4

● VALUE-AT-RISK (VAR)

CECA calculates value-at-risk using the so-called parametric methodology; all significant risk factors for the entity are included and their volatilities and correlations are calculated using at least one year's market data observations. By using this methodology, supplementary VaR measures can be obtained,

such as component VaR, which measures the contribution of each risk factor and product to total risk exposure. Thus, information can be obtained on risk concentration, by factor; and on the contribution of each product included in the portfolio to total risk.

In order to capture the specific risk exposure of the private-sector fixed-income portfolio, the calculations include specific interest rate curves based on the industry and credit rating of the issuer. With regard to the equities portfolio, CECA is currently working on the calculation of VaR using historical simulation in order to capture the specific risk exposures of its various positions.

Derivatives transactions are included in the VaR calculations for the various activities. More specifically, for non-linear positions, a first-order risk approximation is used. As mentioned above, CECA is working on the calculation of VaR using historical simulation; under this methodology, the risk exposure of non-linear positions will be captured using a full revaluation approach. In any case, trading in these products is generally based on back-to-back transactions with customers in the market (transactions arranged on the same terms but with opposite signs that offset market risk).

In order to ascertain the accuracy of the VaR measure, the actual results obtained on the various portfolios are checked daily and the causes of any possible excess are analysed, thus facilitating periodic back-testing.

In addition, as new feature, CECA is conducting experimental calculations of risk/return measures, specifically return on VaR (RoVaR), with a view to using them both as a support tool for the efficient allocation of capital and as additional evidence of the accuracy of the model.

● SENSITIVITIES

Sensitivity is a quantification of the variation in the value of a position or portfolio as a result of unit changes in the risk factors (variables that have an impact on that value).

The changes analysed are as follows:

//////// **Interest rate:** one basis-point variation in each maturity period of each of the model's interest rate curves.

//////// **Equities price:** one-unit variation in the price of each of the securities.

//////// **Currency:** one-percent variation in the exchange rate for each currency combination.

//////// **Volatility:** ten-point variation for each of the risk factors, broken down by vertex, currency and value.

This depth of analysis makes it possible to assess the impact of non-uniform variations on rate structures, volatilities, exchange rates and values, and to evaluate the degree of risk concentration. Furthermore, using measures of this kind the potential loss for an entity in the event of extreme market fluctuations (stress scenarios) can be extrapolated immediately.

● VARIATIONS IN VaR

In 2006 the VaR of the trading portfolio fluctuated between a high of EUR 1.06 million and a low of EUR 0.31 million, giving an average VaR for the year of EUR 0.58 million. At 2006 year-end, VaR stood at EUR 0.77 million.

Generally speaking, VaR experienced a downward trend in 2006, as shown in the graph below:



● STRUCTURAL RISK

Structural risk is defined as the risk that a change in interest rates can have an adverse effect on the income statement or on the market value of the on-balance-sheet assets and liabilities as a result of differences between the maturity or repricing dates of assets, liabilities and derivatives. The most frequent sources of structural risk are as follows:

////// **Repricing risk** is the most common form of structural risk and arises from timing differences in the maturity (for fixed rate) or repricing (for floating rate) of on-balance-sheet financial instruments.

////// **Basis risk** is the risk that results from the lack of a perfect market-curve correlation between financial instruments with similar repricing conditions.

The ALCO, which is responsible for analysing and monitoring CECA's balance sheet, assesses the risk inherent in its structure and evaluates the impact of this risk on the financial margin. To this end, various data are prepared, including most notably a classification, by maturity or repricing dates, of the assets, liabilities and derivatives, an analysis of the terms to maturity of the financial instruments, and a simulation of changes in the financial margin, using interest rate volatility in the currencies in which the investments, liabilities and derivatives are denominated.

////////// THE MOST FREQUENT FORMS
OF STRUCTURAL RISK ARE RESET RISK
AND BASIS RISK. //////////

● LIQUIDITY RISK

Liquidity risk is defined as the difficulty in obtaining sufficient funds to cater for timing mismatches between cash inflows and outflows, as a result of the repayment or redemption of financial instruments, and to meet transaction settlement commitments.

Liquidity risk is analysed using simulations of liability flow behaviour and of the potential realisation of on-balance-sheet asset products. The ALCO can set limits for the maturity mismatches of these flows.

////////// AS A MEASURE TO PREVENT LIQUIDITY
RISK, BILATERAL CREDIT FACILITY AGREEMENTS
HAVE BEEN ENTERED INTO WITH OTHER
FINANCIAL INSTITUTIONS. //////////

As a measure to prevent liquidity risk, CECA has entered into bilateral credit facility agreements with other credit institutions under which the parties mutually undertake to provide loans in order to solve temporary liquidity problems.

● OPERATIONAL RISK

In 2006 work continued on the identification of the main operational risks of the various structural units and the plan for the review and updating of secondary controls was successfully implemented.

As a result of the outcome of the initial assessment of the risk exposure of the various departments, 779 plans for the improvement of primary controls were processed, leading to the implementation of a total of 319 new controls.

The degree of coverage achieved by the primary controls in CECA's various areas averaged 88.85% prior to the development and implementation of the improvement plans and 92.30% thereafter:

////////// A SPECIFIC UNIT WAS CREATED TO DEVELOP THE PROCEDURES FOR THE IDENTIFICATION, ANALYSIS, CONTROL AND REPORTING OF OPERATIONAL RISK. //////////

Furthermore, with a view to establishing the principles for the adequate management of operational risk, CECA's Board of Directors approved the "Operational Risk Control Framework", which defines the organisational structure, the delegation of responsibilities and the management policies for operational risk. In order to plan, organise and coordinate the implementation of the management system throughout the organisational structure, a specific unit was created which in 2007 will develop the procedures for the identification, analysis, monitoring, control and reporting of operational risk.

Significant events subsequent to year-end

4.5

No significant events have occurred subsequent to year-end.

Research and development

4.6

The following research and development projects, coordinated by COAS's Technological Architecture and Innovation Committee, were conducted in 2006:

● FINANCIAL STATEMENT REPORTING SYSTEM

2006 witnessed the successful completion of implementation of the tool developed in conjunction with the savings banks that facilitates preparation of financial statements in accordance with Bank of Spain Circular 4/2004 on adoption of International Financial Reporting Standards. This tool, equipped with a set of intelligent parameterisable engines that automatically generate the financial statements on the basis of each savings bank's accounting information and contracts, entails a very significant reduction in the time and resources required to prepare the financial statements and furnishes full supporting evidence for the calculations performed.

////////// 2006 SAW THE COMPLETION OF
IMPLEMENTATION OF THE TOOL DEVELOPED IN
CONJUNCTION WITH THE SAVINGS BANKS TO
PREPARE FINANCIAL STATEMENTS IN ACCORDANCE
WITH BANK OF SPAIN REQUIREMENTS. //////////

In the second half of 2006, a Support Unit was set up at CECA to assist the savings banks in functional and technical aspects and to perform the tasks required to ensure alignment of the tool with the changes resulting from updates issued by the Bank of Spain and other supervisory bodies, thus enabling the savings banks using the system to significantly reduce the cost and effort involved in addressing the impact of regulatory changes.

////////// CECA AND NOTARIES LINKED
UP THEIR ELECTRONIC NETWORKS
TO EXPEDITE FINANCIAL TRANSACTIONS. //////////

● **ELECTRONIC LINK-UP FOR THE CONTROL AND
REGISTRATION OF LOANS AND GUARANTEES**

In keeping with the objective of improving process efficiency and effectiveness at savings banks, this project achieved technological integration with notaries through a link-up system enables entities to provide an automated service for the arrangement of personal loans (and any other financial product instrumented in a commercial agreement executed before a notary) and mortgage loans. This solution expedites the administrative procedures involved and makes it possible for the cash amount of loans to be made available in a much shorter time than that required using traditional procedures. Thus, dealings with notaries will be conducted through the electronic exchange of messages and documents, using leading-edge security and electronic signature systems. In order to facilitate this exchange, CECA has furnished the savings banks interested in using the system with a common platform that guarantees the availability and security of the connection and includes value-added functions.

● BUSINESS PROCESS MANAGEMENT SYSTEMS

In view of the interest shown by the savings banks in business process management (BPM) technologies, CECA organised the 2nd BPM Symposium, which featured the participation of technology and organisation consultants and experts. Also, two technological models were prepared, for direct application in the savings bank business, to address the impact of the new MiFID Directive. In what represented a new development, CECA organised two interactive workshops to gauge the status of process management at the entities. Based on the results of these workshops, it will prepare a personalised report for each savings bank, showing their current situation and providing advice on how to embark upon a BPM project.

● STANDARDISATION OF SELF-SERVICE BANKING

As part of the role played by COAS in the specification and definition of standards, the savings banks, within the framework of the Self-Service Standardisation Project, drafted clarifying proposals for the standard published by the European Committee for Standardisation (CEN) - XFS Group governing the development of self-service (ATM and other) devices.

Most of these proposals were accepted by the XFS Group and included in the standard. As a result, the savings banks were able to develop a tool for the approval of these devices that will entail a significant saving in maintenance costs and lead to standardisation of the self-service networks, resulting in potential synergies.

Growth. As regards technological services, CECA plans to disseminate among savings banks the PECA, CARD and WOSA mobility services, payment systems consultancy, and new SAP, Business Intelligence and UNIX or WINTEL outsourcing services, and to launch electronic invoicing. In operational services, CECA intends to increase the number of transactions channelled through CEA Hong Kong, the number of those handled by the London branch, and the number of users of the supervision and control tool for investment and pension funds. In financial services, CECA's goal is to increase banknote trading and the volume of financial transactions, to boost the participation of savings banks in, and their management of, securities issues, and to extend the CEAMI platform for Spanish savings banks' operations in international markets. As far as its range of risk control products is concerned, CECA plans to offer risk solutions for savings banks and to cooperate in consultancy projects.

Quality. Various plans will be undertaken in 2007 to improve the quality of the technological, operational, financial and control services provided to savings banks and thus enhance the perception of quality reflected in the related surveys. As regards its services for federated savings banks, CECA aims to improve the general communication and marketing information furnished individually to each savings bank, to centralise the statistical information requested by it from the savings banks (at all times respecting the principles of confidentiality and secrecy), and to set up a real estate watchdog for savings banks and the Spanish microfinance network.

Innovation. In the area of technological services, CECA plans to implement measures in the electronic banking platforms, to enhance reliability in card interchange and merchant acquisition functionalities and technologies, and to develop architectures to support domestic and international payments. The actions envisaged for operational services include the start-up of the auxiliary currency deposit system, the adaptation of interchange and settlement applications to cater for SEPA products, and the coverage for savings banks of the EBA direct debit service. As regards financial services, CECA aims to develop new structured products, provide coverage for the so-called "inverse mortgage" and create volatility in automatic FX and trading.

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, 2006, and the auditor's report prepared by Deloitte, S.L. resolved unanimously at its meeting today to inform the General Assembly that it has approved the aforementioned financial statements and also propose that they be approved by the General Assembly.

March 28, 2007



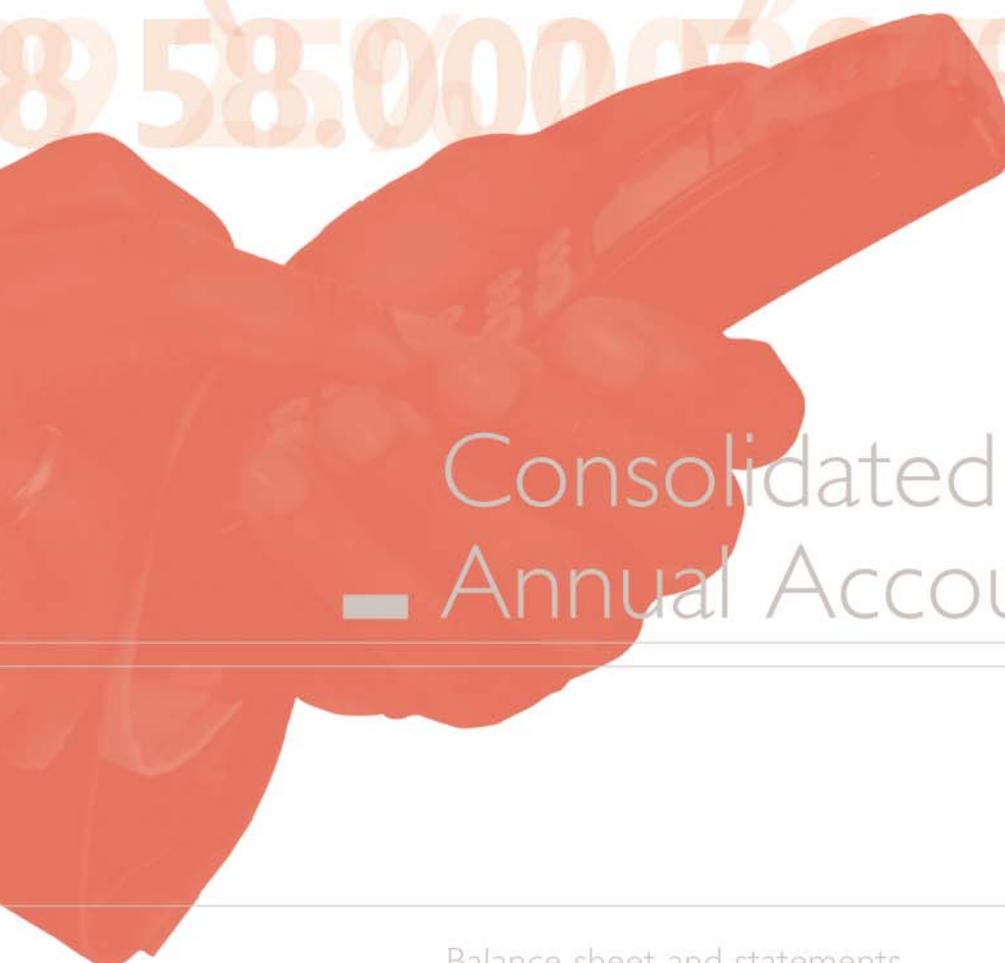
The Secretary,

Signed: Antonio María Claret García García

Approved
The Chairman

Signed: Rafael Jeré Villagrasa

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Consolidated Annual Accounts

Balance sheet and statements
Auditor's report

Confederación Española de Cajas de Ahorros and Companies Composing
the Confederación Española de Cajas de Ahorros Group.
Consolidated Financial Statements and Directors' Report for the Year Ended
31 December 2006.

Confederación Española de Cajas de Ahorros Group

CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER 2006 AND 2005 (NOTES 1 to 5)

ASSETS
Thousands
of Euros

	2006	2005 (*)
1 Cash and balances with central banks (Note 7)	53,333	64,627
2 Financial assets held for trading (Note 8)	4,044,754	3,660,625
2.1 Loans and advances to credit institutions	-	-
2.2 Money market operations through counterparties	-	-
2.3 Loans and advances to customers	-	-
2.4 Debt instruments	3,190,133	2,654,574
2.5 Other equity instruments	6,369	3,145
2.6 Trading derivatives	848,252	1,002,906
Memorandum item: Loaned or advanced as collateral	2,211,331	1,822,760
3 Other financial assets at fair value through profit or loss	-	-
3.1 Loans and advances to credit institutions	-	-
3.2 Money market operations through counterparties	-	-
3.3 Loans and advances to customers	-	-
3.4 Debt instruments	-	-
3.5 Other equity instruments	-	-
Memorandum item: Loaned or advanced as collateral	-	-
4 Available-for-sale financial assets (Note 9)	406,648	396,849
4.1 Debt instruments	282,269	297,591
4.2 Other equity instruments	124,379	99,258
Memorandum item: Loaned or advanced as collateral	168,972	159,101
5 Loans and receivables (Note 10)	9,227,039	8,164,497
5.1 Loans and advances to credit institutions	8,798,095	7,784,772
5.2 Money market operations through counterparties	-	-
5.3 Loans and advances to customers	107,809	156,545
5.4 Debt instruments	5,144	15,431
5.5 Other financial assets	315,991	207,749
Memorandum item: Loaned or advanced as collateral	1,313,403	1,192,718
6 Held-to-maturity investments	-	-
Memorandum item: Loaned or advanced as collateral	-	-
9 Changes in the fair value of the hedged items in portfolio hedges of interest rate risk	-	-
10 Hedging derivatives	-	-
11 Non-current assets held for sale (Note 11)	161	1,334
11.1 Loans and advances to credit institutions	-	-
11.2 Loans and advances to customers	-	-
11.3 Debt instruments	-	-
11.4 Equity instruments	-	-
11.5 Tangible assets	161	1,334
11.6 Other assets	-	-
12 Investments (Note 12)	-	61
12.1 Associates	-	61
12.2 Jointly controlled entities	-	-
13 Insurance contracts linked to pensions	-	-

Continued

Confederación Española de Cajas de Ahorros Group

CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER 2006 AND 2005 (NOTES I to 5)

ASSETS
Thousands
of Euros

Continued

	2006	2005 (*)
14 Reinsurance assets	-	-
15 Tangible assets (Note 13)	113,040	114,967
15.1 Property, plant and equipment for own use	111,650	114,665
15.2 Investment property	1,390	-
15.3 Other assets leased out under an operating lease	-	-
15.4 Assigned to welfare projects	-	302
Memorandum item: Acquired under a finance lease	-	-
16 Intangible assets (Note 14)	10,724	14,684
16.1 Goodwill	-	-
16.2 Other intangible assets	10,724	14,684
17 Tax assets (Note 23)	27,446	31,942
17.1 Current	89	318
17.2 Deferred	27,357	31,624
18 Prepayments and accrued income (Note 15)	6,375	6,940
19 Other assets (Note 16)	18,806	17,996
TOTAL ASSETS	13,908,326	12,474,522
MEMORANDUM ITEMS		
1 Contingent liabilities (Note 27)	174,200	167,218
1.1 Financial guarantees	174,200	167,218
1.2 Assets earmarked for third-party obligations	-	-
1.3 Other contingent liabilities	-	-
2 Contingent commitments (Note 27)	2,637,351	1,848,056
2.1 Drawable by third parties	533,406	725,857
2.2 Other obligations	2,103,945	1,122,199

(*) Presented for comparison purposes only.
The accompanying Notes I to 42 and Appendixes I to III are an integral part of the consolidated balance sheet at 31 December 2006.

Confederación Española de Cajas de Ahorros Group

CONSOLIDATED INCOME STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2006 AND 2005

(NOTES I to 5)

Thousands
of Euros

	Income /(Expenses)	
	2006	2005 (*)
1 Interest and similar income (Note 28)	347,252	213,241
2 Interest expense and similar charges (Note 29)	(305,922)	(180,655)
3 Income from equity instruments (Note 30)	10,412	10,373
A NET INTEREST INCOME	51,742	42,959
4 Share of results of entities accounted for using the equity method (Note 31)	(9)	(3)
4.1 Associates	(9)	(3)
4.2 Jointly controlled entities	-	-
5 Fee and commission income (Note 32)	95,488	88,097
6 Fee and commission expense (Note 33)	(20,473)	(18,391)
7 Insurance activity income	-	-
7.1 Insurance and reinsurance premium income	-	-
7.2 Reinsurance premiums paid	-	-
7.3 Claims paid and other insurance-related expenses	-	-
7.4 Reinsurance income	-	-
7.5 Net provisions for insurance contract liabilities	-	-
7.6 Finance income	-	-
7.7 Finance expense	-	-
8 Gains/losses on financial assets and liabilities (net) (Note 34)	18,716	2,435
8.1 Held for trading	9,711	(548)
8.2 Other financial instruments at fair value through profit or loss	-	-
8.3 Available-for-sale financial assets	9,005	2,984
8.4 Loans and receivables	-	(1)
8.5 Other	-	-
9 Exchange differences (net)	21,345	20,623
B GROSS INCOME	166,809	135,720
10 Sales and income from the provision of non-financial services	-	-
11 Cost of sales	-	-
12 Other operating income (Note 35)	80,206	72,364
13 Personnel expenses (Note 36)	(68,870)	(64,317)
14 Other general administrative expenses (Note 37)	(83,441)	(74,957)
15 Depreciation and amortisation	(12,629)	(12,129)
15.1 Tangible assets (Note 13)	(6,794)	(7,208)
15.2 Intangible assets (Note 14)	(5,835)	(4,921)
16 Other operating expenses (Note 38)	(1,094)	(648)
C NET OPERATING INCOME	80,981	56,033
17 Impairment losses (net) (Note 39)	1,403	(2,207)
17.1 Available-for-sale financial assets	87	496
17.2 Loans and receivables	1,487	(2,703)
17.3 Held-to-maturity investments	-	-
17.4 Non-current assets held for sale	(171)	-
17.5 Investments	-	-
17.6 Tangible assets	-	-
17.7 Goodwill	-	-
17.8 Other intangible assets	-	-
17.9 Other assets	-	-
18 Provisions (net) (Note 18)	(6,899)	1,132
19 Finance income from non-financial activities	-	-
20 Finance expenses of non-financial activities	-	-
21 Other gains (Note 40)	3,389	6,714
21.1 Gains on disposal of tangible assets	685	4,538
21.2 Gains on disposal of investments	-	-
21.3 Other	2,704	2,176
22 Other losses (Note 40)	(491)	(494)
22.1 Losses on disposal of tangible assets	-	-
22.2 Losses on disposal of investments	-	-
22.3 Other	(491)	(494)
D PROFIT BEFORE TAX	78,383	61,178
23 Income tax (Note 23)	(24,130)	(15,138)
24 Mandatory transfer to welfare projects and funds	-	-
E PROFIT FROM ORDINARY ACTIVITIES	54,253	46,040
25 Profit from discontinued operations (net)	-	-
F CONSOLIDATED PROFIT FOR THE YEAR	54,253	46,040
26 Profit attributed to minority interests	-	-
G PROFIT ATTRIBUTED TO THE GROUP	54,253	46,040

(*) Presented for comparison purposes only.
The accompanying Notes I to 42 and Appendices I to III are an integral part of the consolidated income statement for 2006.

Confederación Española de Cajas de Ahorros Group

CONSOLIDATED CASH FLOW STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2006

AND 2005 (NOTES I to 5)

Thousands
of Euros

	2006	2005 (*)
I. CASH FLOWS FROM OPERATING ACTIVITIES		
Consolidated profit for the year	54,253	46,040
Adjustments to profit:		
Depreciation of tangible assets (+)	63,865	7,353
Amortisation of intangible assets (+)	6,794	7,208
Impairment losses (net) (+/-)	5,835	4,921
Net provisions for insurance contract liabilities (+/-)	(1,403)	2,207
Provisions (net) (+/-)	-	-
Gains/losses on disposal of tangible assets (+/-)	6,899	(1,132)
Share of results (losses) of entities accounted for using the equity method (net of dividends)	(685)	(4,538)
Taxes (+/-)	9	3
Other non-monetary items (+/-)	6,671	15,138
Adjusted profit	39,745	(16,454)
Net (increase)/decrease in operating assets:		
Financial assets held for trading:	(562,823)	(643,814)
Loans and advances to credit institutions	-	-
Money market operations through counterparties	-	-
Loans and advances to customers	-	-
Debt instruments	(559,599)	(712,858)
Other equity instruments	(3,224)	69,044
Trading derivatives	-	-
Other financial assets at fair value through profit or loss:	-	-
Loans and advances to credit institutions	-	-
Money market operations through counterparties	-	-
Loans and advances to customers	-	-
Debt instruments	-	-
Other equity instruments	-	-
Available-for-sale financial assets:	3,559	47,080
Debt instruments	9,027	46,506
Other equity instruments	(5,468)	574
Loans and receivables:	(1,059,905)	(2,834,364)
Loans and advances to credit institutions	(1,012,046)	(2,703,921)
Money market operations through counterparties	-	-
Loans and advances to customers	50,096	(54,345)
Debt instruments	10,287	10,285
Other financial assets	(108,242)	(86,383)
Other operating assets	4,265	3,210
	(1,614,904)	(3,427,888)
Net increase/(decrease) in operating liabilities:		
Financial assets held for trading:	653,878	345,640
Deposits from credit institutions	-	-
Money market operations through counterparties	-	-
Customer deposits	-	-
Marketable debt securities	-	-
Trading derivatives	-	-
Short positions	653,878	345,640
Other financial liabilities at fair value through profit or loss:	-	-
Deposits from credit institutions	-	-
Customer deposits	-	-
Marketable debt securities	-	-
Financial liabilities at fair value through equity:	-	-
Deposits from credit institutions	-	-
Customer deposits	-	-
Marketable debt securities	-	-
Financial liabilities at amortised cost:	823,742	3,054,553
Deposits from central banks	113,739	85,230
Deposits from credit institutions	705,799	1,814,022
Money market operations through counterparties	(10,258)	(181,229)
Customer deposits	(76,377)	857,560
Marketable debt securities	-	-
Other financial liabilities	90,839	478,970
Other operating liabilities	17,001	16,977
	1,494,351	3,417,170
Total net cash flows from operating activities (I)	(2,165)	42,675

(Continued)

Introduction, basis of presentation of the consolidated financial statements and other information

01

● 1.1 INTRODUCTION

Confederación Española de Cajas de Ahorros ("the Confederación") is an entity subject to the rules and regulations applicable to banks 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 Confederation's official website (www.ceca.es) and at its registered office.

The Confederación is the national association to which all federated popular savings banks belong. It is a community welfare institution whose purpose is to promote, facilitate and increase the domestic and international operations of its member savings banks. Its philosophy is based on the significant socio-economic importance of savings and seeks to safeguard the general and reciprocal interests of its members.

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.

● 1.2 BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

Under Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002, all companies governed by the law of an EU Member State and whose securities are admitted to trading on a regulated market of any Member State must prepare their consolidated financial statements for the years beginning on or after 1 January 2005 in conformity with the International Financial Reporting Standards previously adopted by the European Union ("EU-IFRSs"). The Confederación voluntarily availed itself of the enabling provisions of corporate legislation and prepared the consolidated financial statements for 2005 in accordance with EU-IFRSs. Therefore, the Group is required to prepare its consolidated financial statements for the year ended 31 December 2006 in conformity with EU-IFRSs.

In order to adapt the accounting system of Spanish credit institutions to the new standards, the Bank of Spain issued Circular 4/2004, of 22 December, on Public and Confidential Financial Reporting Rules and Formats.

The Group's consolidated financial statements for 2006 were prepared by the Confederación's directors (at the Board Meeting on 21 March 2007) in accordance with EU-IFRSs and taking into account Bank of Spain Circular 4/2004, using the basis of consolidation, accounting policies and measurement bases described in Note 2, and, accordingly, they present fairly the Group's equity and financial position at 31 December 2006, and the results of its operations, the changes in consolidated equity and the consolidated cash flows in 2006. These consolidated financial statements were prepared on the basis of the accounting records of the Confederación and of each of the other Group entities and include the adjustments and reclassifications required to unify the accounting policies and measurement bases used by the Group (Note 2).

Although these estimates were made on the basis of the best information available at 31 December 2006 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 2005**

As required by the applicable standards, the information relating to 2005 contained in these notes to the consolidated financial statements is presented with the information relating to 2006 for comparison purposes only.

● **1.5 AGENCY AGREEMENTS**

Neither at 2006 and 2005 year-end or at any other time during those years did the consolidated entities 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 2006 and 2005, none of the Group entities had ownership interests of 5% or more in the share capital or voting power of other Spanish or foreign credit institutions.

● 1.9 DEPOSIT GUARANTEE FUND

The Confederación participates in the Deposit Guarantee Fund. The contributions made to this scheme amounted to approximately EUR 387 thousand in 2006 (2005: EUR 377 thousand), and the related expense was recognised under "Other Operating Expenses" in the accompanying consolidated income statement (Note 38).

● 1.10 EVENTS AFTER THE BALANCE SHEET DATE

From the balance sheet date to the date on which these consolidated financial statements were authorised for issue there were no events significantly affecting them.

Accounting policies and measurement bases

02

The accounting policies and measurement bases applied in preparing the Group's consolidated financial statements for 2006 were as follows:

● 2.1 CONSOLIDATION

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 Parent 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.

2.1.3. Associates

“Associates” are defined as entities over which the Confederación is in a position to exercise significant influence, but not control or joint control, usually because it holds -directly or indirectly- 20% or more of the voting power of the investee.

In the consolidated financial statements, 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 (Note 2.14).

At 31 December 2005, the Confederación considered Europay España, S.C. to be an associate. This company was classified as a non-current asset held for sale at 31 December 2006 (Note 11) and there were no other associates at that date.

● 2.2 FINANCIAL INSTRUMENTS

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.

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 international 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 scantily 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 consolidated 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.

/ **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 derivatives not designated as hedging instruments, including those separated from hybrid financial instruments pursuant to the applicable standards.

/ **Other financial assets and liabilities at fair value through profit or loss** include hybrid financial instruments that simultaneously include an embedded derivative and a host contract, that are not held for trading and that comply with the requirements of the applicable standards to record the embedded derivative and the host contract separately although it is not possible to perform such separation.

The category “Other financial assets at fair value through profit or loss” also includes financial assets not held for trading that are managed jointly with liabilities under insurance contracts measured at fair value or with derivative financial instruments whose purpose and effect is to significantly reduce exposure to variations in fair value; and those that are managed jointly with financial liabilities and derivatives for the purpose of significantly reducing overall exposure to interest rate risk.

The category “Other financial liabilities at fair value through profit or loss” also includes life insurance liabilities, if any, linked to certain investment funds, when the financial assets to which they are linked are also measured at fair value through profit or loss.

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 consolidated entities generally intend to hold the loans and credits granted by them until their final maturity and, therefore, they are presented in the consolidated balance sheet at their amortised cost.

The interest accrued on these assets is recognised under “Interest and Similar Income” in the consolidated income statement. Exchange differences on securities included in this portfolio denominated in currencies other than the euro are recorded as set forth in Note 2.3. Any impairment losses on these securities are recognised as explained in Note 2.6.

/// **Available-for-sale financial assets:** this category includes debt instruments not classified as held-to-maturity investments 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 measured at fair value adjusted by 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 of financial assets with no fixed maturity, which are recognised in the consolidated income statement when they 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 2.6.

At 31 December 2006 and 2005 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.

These financial liabilities are initially measured at fair value adjusted by the amount of the transaction costs that are directly attributable to the issue of the financial liability. Subsequently, these financial liabilities are measured at amortised cost.

The interest accrued on these liabilities is recognised under "Interest Expense and Similar Changes" in the consolidated income statement. Exchange differences on liabilities included in this portfolio denominated in currencies other than the euro are recorded as explained in Note 2.3.

No transfers of financial instruments between the various portfolio categories described in this Note were made in 2006 or 2005.

● 2.3 FOREIGN CURRENCY TRANSACTIONS

2.3.1. 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, of the equivalent euro value of the asset and liability balances in the consolidated balance sheets at 31 December 2006 and 2005 denominated in foreign currency is as follows (in thousands of euros):

2.3.2. Translation of foreign currency balances

Translation of foreign currency to the functional currency: foreign currency transactions performed by consolidated entities or entities accounted for using the equity method are initially recognised in their respective 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 on the date when the fair value was determined.
- 4 Income and expenses are translated at the exchange rate prevailing at the transaction date.

2.3.3. Exchange rates applied

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.

2.4.2. Commissions, fees and similar items

Fee and commission income and expenses, which must not 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 at fair value through profit or loss, are recognised in the 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 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.

2.4.3. Non-finance income and expenses

These are recognised for accounting purposes on an accrual basis.

● 2.5 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.

2.6.1. 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.

Possible 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, etc.

When there is objective evidence that the negative differences arising on measurement of these assets are due to impairment, they are removed from the 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) - Available-for-sale Financial Assets". 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 (Net) - Available-for-Sale Financial Assets".

Similarly, the impairment losses arising on measurement of debt instruments classified as "non-current assets held for sale" which are recorded 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".

2.6.3. Equity instruments classified as available for sale

The impairment losses on equity instruments included in the available-for-sale financial asset portfolio is the positive difference between their acquisition cost and their fair value less any impairment loss previously recognised in the 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 2.6.2), with the exception that any reversal of these losses is recognised in equity under "Valuation Adjustments - Available-for-Sale Financial Assets".

2.6.4. Equity instruments measured at cost

The amount of the impairment losses on equity instruments carried at cost is the 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.

The Group'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 income by the Group 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 all its pension obligations to its former and current 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 and for employees hired by the Confederación after 29 May 1986, respectively).

In 2003 the defined benefit pension subplan was converted into a defined contribution scheme for most serving 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 2006 the accrued expense for the contributions to be made to the external pension fund, relating to defined contribution plans, amounted to EUR 5,841 thousand (2005: EUR 5,657 thousand), and this amount was recognised under "Personnel Expenses" in the consolidated income statement (Note 36).

2.8.2. Other long-term benefits

2.8.2.1. 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 will be excluded from further offers in subsequent years.

At 31 December 2006, 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 10,767 thousand (31 December 2005: EUR 13,949 thousand), which was recognised under "Provisions - Provisions for Pensions and Similar Obligations" in the consolidated balance sheet (Note 18). Of this amount, EUR 10,766 thousand (31 December 2005: EUR 13,949 thousand) relate to early retirement obligations incurred as a result of the aforementioned agreement dated 2 April 2001, and EUR 1 thousand (31 December 2005: EUR 2 thousand) to early retirement obligations to employees who retired prior to the agreement. At 31 December 2006, this provision covered the full amount of the Confederación's early retirement obligations. The obligations covered by this internal provision were calculated by an independent actuary, using a discount rate of 3.86%, PERM-2000-P mortality tables and a 2% increase in reviewable pre-retirement salaries.

2.8.2.2. Death and disability

The Group's commitments for death or disability of current employees are included in the benefits covered by the aforementioned provision for pensions.

● 2.9 INCOME TAX

The expense for Spanish corporation tax and other similar taxes applicable to the foreign consolidated entities is recognised in the consolidated income statement, except when it results from a transaction recognised directly in 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 recognised as a result of temporary differences and tax credit and tax loss carryforwards (Note 23).

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 date they are recognised. 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.

Deferred tax liabilities are recognised for all taxable temporary differences. However, a deferred tax liability is recognised for taxable temporary differences arising from investments in subsidiaries and associates and from interests in joint ventures, except when the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

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:

- /// Deferred tax assets are only recognised to the extent that it is considered probable that the consolidated entities will have sufficient future taxable profit available 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. Law 35/2006, of 28 November, on Personal Income Tax and partially amending the Corporation Tax, Non-Resident Income Tax and Wealth Tax Laws, published on 29 November 2006 in the Official State Gazette, establishes, inter alia, a reduction over two years in the standard tax rate for corporation tax purposes, which for years ended on or before 31 December 2006 was 35%, as follows:

Tax Periods Beginning After	Tax Rate
I January 2007	32.5%
I January 2008	30.0%

Accordingly, in accordance with the current legislation, in 2006 the Group re-estimated the deferred tax assets and liabilities and the tax carryforwards recognised in the consolidated balance sheet on the basis of the year in which the related reversal will foreseeably take place; as a result, a net charge of EUR 630 thousand was recognised under “Income Tax” in the consolidated income statement (Note 23).

Also, a net credit of EUR 2,425 thousand was recognised in equity under “Valuation Adjustments - Available-for-Sale Financial Assets” in the consolidated balance sheet relating to the impact of the change in the standard tax rate on items previously charged or credited to the equity item “Valuation Adjustments”.

● 2.10 TANGIBLE ASSETS

2.10.1. 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, on 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 - Tangible Assets” 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 consolidated entities assess 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 has to be re-estimated). When necessary, the carrying amount of property, plant and equipment for own use is reduced with a charge to “Impairment Losses (Net) - Tangible 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 consolidated entities recognise the reversal of the impairment loss recognised in prior periods with the related credit to “Impairment Losses (Net) - Tangible Assets” in the consolidated income statement and adjust 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 “Other General Administrative Expenses” in the consolidated income statement in the year in which they are incurred. Finance costs incurred in the financing of items of property, plant and equipment for own use are charged to the consolidated income statement on an accrual basis and are not capitalised.

2.10.2. Assigned to welfare projects

“Tangible Assets - Assigned to Welfare Projects” in the consolidated balance sheet includes the carrying amounts of the tangible assets assigned to the Confederación's welfare projects.

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.

Intangible assets other than goodwill are recognised in the consolidated balance sheet at acquisition or production cost, less the related accumulated amortisation and any 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 consolidated entities - 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 consolidated entities review 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 2006 and 2005, there were no intangible assets with indefinite useful lives.

Intangible assets with finite useful life are amortised on a straight-line basis over those useful lives, which range from 3 to 5 years depending on the class of asset. The annual amortisation charge for intangible assets with finite useful lives is recognised under "Depreciation and Amortisation - Intangible Assets" in the consolidated income statement.

For intangible assets other than goodwill with indefinite useful lives and with finite useful lives, the consolidated entities recognise 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 (Net) - 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 (Note 2.10.1), except that in no circumstances may any impairment recognised for goodwill in the consolidated balance sheet be reversed.

● 2.12 PROVISIONS AND CONTINGENT LIABILITIES

When preparing the financial statements of the consolidated entities, their respective directors made a distinction between:

- /// Provisions: credit balances covering present obligations at the balance sheet 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.

At the end of 2006 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 these litigation and claims will not have a material effect on the financial statements for the years in which they are settled.

● 2.13 ECONSOLIDATED 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.

/// Investing activities: the acquisition and disposal of long-term assets and other investments not included in cash and cash equivalents.

/// Financing activities: activities that result in changes in the size and composition of the equity and liabilities that are not operating activities.

/// Operating activities: other activities that are not classified as investing or financing 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".

● 2.15 WELFARE FUND

The welfare fund is recognised under “Other Liabilities - Welfare Fund” in the consolidated balance sheet.

Transfers to the welfare fund are recorded as an appropriation of the net profit of the Confederación. Welfare project expenses are presented in the balance sheet as deductions from the welfare fund and in no circumstances 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.

● 2.16 CONSOLIDATED STATEMENT

OF CHANGES IN EQUITY

This statement presents, on the one hand, the changes in net income recognised directly in equity as “Valuation Adjustments” as well as the profit for the year and, on the other hand, total income and expenses for the year, calculated as the sum of net income recognised directly in equity during the year plus the profit for the year.

This statement also presents the effects, if any, arising from changes in accounting policies and from the correction of errors.

Confederación Española de Cajas de Ahorro

BALANCE SHEETS AT 31 DECEMBER 2006 AND 2005

ASSETS
(Thousands
of Euros)

	2006	2005
1 Cash and balances with central banks	53,333	64,627
2 Financial assets held for trading	4,044,754	3,660,625
2.1 Loans and advances to credit institutions	-	-
2.2 Money market operations through counterparties	-	-
2.3 Loans and advances to customers	-	-
2.4 Debt instruments	3,190,133	2,654,574
2.5 Other equity instruments	6,369	3,145
2.6 Trading derivatives	848,252	1,002,906
Memorandum item: Loaned or advanced as collateral	2,211,331	1,822,760
3 Other financial assets at fair value through profit or loss	-	-
3.1 Loans and advances to credit institutions	-	-
3.2 Money market operations through counterparties	-	-
3.3 Loans and advances to customers	-	-
3.4 Debt instruments	-	-
3.5 Other equity instruments	-	-
Memorandum item: Loaned or advanced as collateral	-	-
4 Available-for-sale financial assets (Note 9)	406,648	396,849
4.1 Debt instruments	282,269	297,591
4.2 Other equity instruments	124,379	99,258
Memorandum item: Loaned or advanced as collateral	168,972	159,101
5 Loans and receivables (Note 10)	9,220,889	8,158,871
5.1 Loans and advances to credit institutions	8,798,053	7,784,732
5.2 Money market operations through counterparties	-	-
5.3 Loans and advances to customers	101,723	150,967
5.4 Debt instruments	5,144	15,431
5.5 Other financial assets	315,969	207,741
Memorandum item: Loaned or advanced as collateral	1,313,403	1,192,718
6 Held-to-maturity investments	-	-
Memorandum item: Loaned or advanced as collateral	-	-
9 Changes in the fair value of the hedged items in portfolio hedges of interest rate risk	-	-
10 Hedging derivatives	-	-

Continued

Confederación Española de Cajas de Ahorro

BALANCE SHEETS AT 31 DECEMBER 2006 AND 2005

ASSETS
(Thousands
of Euros)

Continued

	2006	2005
11 Non-current assets held for sale	161	1,334
11.1 Loans and advances to credit institutions	-	-
11.2 Loans and advances to customers	-	-
11.3 Debt instruments	-	-
11.4 Equity instruments	-	-
11.5 Tangible assets	161	1,334
11.6 Other assets	-	-
12 Investments	515	619
12.1 Associates	-	104
12.2 Jointly controlled entities	451	451
12.3 Subsidiaries	64	64
13 Insurance contracts linked to pensions	-	-
15 Tangible assets	112,801	114,878
15.1 Property, plant and equipment for own use	111,411	114,576
15.2 Investment property	1,390	-
15.3 Other assets leased out under an operating lease	-	-
15.4 Assigned to welfare projects	-	302
Memorandum item: Acquired under a finance lease	-	-
16 Intangible assets	10,687	14,655
16.1 Goodwill	-	-
16.2 Other intangible assets	10,687	14,655
17 Tax assets	27,411	31,929
17.1 Current	54	305
17.2 Deferred	27,357	31,624
18 Prepayments and accrued income	6,375	6,940
19 Other assets	18,806	17,996
TOTAL ASSETS	13,902,380	12,469,323
MEMORANDUM ITEMS		
1 Contingent liabilities	121,655	167,218
1.1 Financial guarantees	121,655	167,218
1.2 Assets earmarked for third-party obligations	-	-
1.3 Other contingent liabilities	-	-
2 Contingent commitments	2,637,351	1,848,056
2.1 Drawable by third parties	533,406	725,857
2.2 Other obligations	2,103,945	1,122,199

Confederación Española de Cajas de Ahorro

INCOME STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2006 AND 2005

Thousands
of Euros

	Income/(Expenses)	
	2006	2005
1 Interest and similar income	347,110	213,164
2 Interest expense and similar charges	(305,945)	(180,671)
3 Income from equity instruments	11,062	10,893
3.1 Investments in associates	-	-
3.2 Investments in jointly controlled entities	650	520
3.3 Investments in subsidiaries	-	-
3.4 Other equity instruments	10,412	10,373
A NET INTEREST INCOME	52,227	43,386
5 Fee and commission income	94,917	88,097
6 Fee and commission expense	(20,075)	(18,391)
8 Gains/Losses on financial assets and liabilities (net)	18,716	2,435
8.1 Held for trading	9,711	(548)
8.2 Other financial instruments at fair value through profit or loss	-	-
8.3 Available-for-sale financial assets	9,005	2,984
8.4 Loans and receivables	-	(1)
8.5 Other	-	-
9 Exchange differences (net)	21,345	20,623
B GROSS INCOME	167,130	136,150
12 Other operating income	73,701	65,541
13 Personnel expenses	(68,005)	(63,623)
14 Other general administrative expenses	(79,055)	(70,210)
15 Depreciation and amortisation	(12,550)	(12,084)
15.1 Tangible assets	(6,737)	(7,182)
15.2 Intangible assets	(5,813)	(4,902)
16 Other operating expenses	(1,094)	(648)
C NET OPERATING INCOME	80,127	55,126
17 Impairment losses (net)	1,351	(2,207)
17.1 Available-for-sale financial assets	87	496
17.2 Loans and receivables	1,488	(2,703)
17.3 Held-to-maturity investments	-	-
17.4 Non-current assets held for sale	(224)	-
17.5 Investments	-	-
17.6 Tangible assets	-	-
17.7 Goodwill	-	-
17.8 Other intangible assets	-	-
17.9 Other assets	-	-
18 Provisions (net)	(6,899)	1,132
21 Other gains	3,256	6,613
21.1 Gains on disposal of tangible assets	685	4,538
21.2 Gains on disposal of investments	-	-
21.3 Other	2,571	2,075
22 Other losses	(455)	(489)
22.1 Losses on disposal of tangible assets	-	-
22.2 Losses on disposal of investments	-	-
22.3 Other	(455)	(489)
D PROFIT BEFORE TAX	77,380	60,175
23 Income tax	(23,558)	(14,607)
24 Mandatory transfer to welfare projects and funds	-	-
E PROFIT FROM ORDINARY ACTIVITIES	53,822	45,568
25 Profit/Loss from discontinued operations	-	-
F PROFIT FOR THE YEAR	53,822	45,568

Confederación Española de Cajas de Ahorro

CASH FLOW STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2006 AND 2005

Thousands
of Euros

	2006	2005
I. CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the year	53,822	45,568
Adjustments to profit-	63,553	6,774
Depreciation of tangible assets (+)	6,737	7,182
Amortisation of intangible assets (+)	5,813	4,902
Impairment losses (net) (+/-)	(1,351)	2,207
Provisions (net) (+/-)	6,899	(1,132)
Gains/losses on disposal of tangible assets (+/-)	(685)	(4,538)
Gains/losses on disposal of investments (+/-)	-	-
Taxes (+/-)	6,395	14,607
Other non-monetary items (+/-)	39,745	(16,454)
Adjusted profit	117,375	52,342
Net (increase)/decrease in operating assets:		
Financial assets held for trading:	(562,823)	(643,814)
Loans and advances to credit institutions	-	-
Money market operations through counterparties	-	-
Loans and advances to customers	-	-
Debt instruments	(559,599)	(712,858)
Other equity instruments	(3,224)	69,044
Trading derivatives	-	-
Other financial assets at fair value through profit or loss:	-	-
Loans and advances to credit institutions	-	-
Money market operations through counterparties	-	-
Loans and advances to customers	-	-
Debt instruments	-	-
Other equity instruments	-	-
Available-for-sale financial assets:	3,559	47,080
Debt instruments	9,027	46,506
Other equity instruments	(5,468)	574
Loans and receivables:	(1,059,380)	(2,832,894)
Loans and advances to credit institutions	(1,012,044)	(2,703,913)
Money market operations through counterparties	-	-
Loans and advances to customers	50,605	(52,882)
Debt instruments	10,287	10,285
Other financial assets	(108,228)	(86,384)
Other operating assets	4,274	3,476
	(1,614,370)	(3,426,152)

Continued

Confederación Española de Cajas de Ahorro

CASH FLOW STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2006 AND 2005

Thousands
of Euros

Continued

	2006	2005
3. CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance/Redemption of endowment fund (+/-)	-	-
Acquisition of own equity instruments (-)	-	-
Disposal of own equity instruments (+)	-	-
Issuance/Redemption of non-voting equity units (+/-)	-	-
Issuance/Redemption of other equity instruments (+/-)	-	-
Issuance/Redemption of equity having the substance of a financial liability (+/-)	-	-
Issuance/Redemption of subordinated liabilities (+/-)	-	-
Issuance/Redemption of other long-term liabilities (+/-)	-	-
Dividends/Interest paid (-)	(2,962)	(8,518)
Other items related to financing activities (+/-)	-	-
Total net cash flows from financing activities (3)	(2,962)	(8,518)
4. EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS (4)	-	-
5. NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS (1+2+3+4)	(10,143)	33,635
Cash and cash equivalents at beginning of year	64,627	30,992
Cash and cash equivalents at end of year	54,484	64,627

Remuneration of directors and senior executives

06

6.1 REMUNERATION OF DIRECTORS

The detail of the attendance fees paid to the Confederación's directors in 2006 and 2005, solely in their capacity as Board members of the Confederación, is as follows:

Thousands of Euros

	2006	2005		2006	2005
Achirica Martín, José María	-	4	Mata Tarragó, Enric	-	4
Batle Mayol, Pedro	13	10	Medel Cámara, Braulio	24	22
Beltrán Aparicio, Fernando	10	9	Méndez López, José Luís	2	6
Blesa De La Parra, Miguel	22	19	Mestre González, Jordi	6	-
Egea Krauel, Carlos	26	22	Navarrete Mora, Luís Pascual	10	11
Etxepare Zugasti, Carlos	-	18	Olivas Martínez, José Luís	12	11
Fermoso García, Julio	5	6	Pagés Font, Ricardo	-	3
Fernández Gayoso, Julio	8	4	Quintás Seoane, Juan Ramón	26	22
Fornesa Ribó, Ricardo	24	18	Rifa Pujol, Pere	6	7
Franco Lahoz, Amado	12	10	Rojo García, Gregorio	13	-
García Falcón, Juan Manuel	10	10	Ruiz Díez, Santiago	-	4
Gimbernat Martí, Aleix	13	5	Sala Belló, Vicente	20	11
Herrero Autet, Didac	13	6	Sánchez Rojas, José Manuel	13	11
Llamas Llamas, Santos	5	-	Sanz Sesma, Miguel	12	10
Loza Xuriach, José María	12	9	Todó Rovira, Adolfo	-	3
Martín Jiménez, Antonio	5	7	Total	322	282

No other remuneration was paid to the directors, in their capacity as Board members, in 2006.

**● 6.2 REMUNERATION OF SENIOR
EXECUTIVES AND OF MEMBERS OF THE BOARD
OF DIRECTORS IN THEIR CAPACITY AS
CONFEDERACIÓN EXECUTIVES**

For the purposes of the preparation of these consolidated financial statements, the 17 members of the Management Committee were considered to be senior executives of the Confederación at 31 December 2006 (2005: 17 executives).

The detail of the remuneration earned in 2006 and 2005 at all the consolidated entities by senior executives and by Board members in their capacity as Confederación executives was as follows (in thousands of euros):

Thousands of Euros

Short-Term Remuneration		Post-Employment Benefits		Total	
2006	2005	2006	2005	2006	2005
4,352	3,845	318	325	4,670	4,170

No additional remuneration was earned by senior executives in 2006 and 2005 in connection with other long-term benefits, termination benefits or share-based payments as defined by current regulations.

At 31 December 2006, the vested defined benefit pension rights of the senior executives and Board members in their capacity as Confederación executives amounted to EUR 10,130 thousand (31 December 2005: EUR 8,838 thousand).

Also, the post-employment benefits accrued in 2006 by employees who were members of the Confederación's Board of Directors amounted to EUR 42 thousand and their vested rights in this connection totalled EUR 1,201 thousand at 31 December 2006 (2005: EUR 37 thousand; 31 December 2005: EUR 1,850 thousand).

Cash and balances with central banks

07

7.1 BREAKDOWN

The breakdown of the balance of "Cash and Balances with Central Banks" in the consolidated balance sheets at 31 December 2006 and 2005 is as follows:

Thousands of Euros

	2006	2005
Cash	25,411	35,808
Balances with the Bank of Spain	6,283	3,376
Balances with other central banks	22,780	25,430
	54,474	64,614
Valuation adjustments:		
Of which-		
Impairment losses (*)	(1,151)	-
Other valuation adjustments	10	13
	(1,141)	13
	53,333	64,627

(*) At 31 December 2006, this amount related in full to unidentified impairment losses collectively assessed recognised to cover credit risk of balances with other central banks.

Note 25 provides information on certain risks affecting the financial instruments included in "Cash and Balances with Central Banks" in the consolidated balance sheet.

7.2 CREDIT RISK COVERAGE

The changes in 2006 in the impairment losses recognised to cover credit risk on cash and balances with central banks and the cumulative amount thereof at the beginning and end of the year, broken down by geographical location of risk, counterparty and type of financial instrument, were as follows:

Thousands of Euros

	Balance at 1 January 2006	Other Changes and Transfers (Note 10)	Balance at 31 December de 2006
By geographical location of risk:			
Rest of the world	-	1,151	1,151
	-	1,151	1,151
By counterparty:			
Other central banks	-	1,151	1,151
	-	1,151	1,151
By type of instrument:			
Balances with other central banks	-	1,151	1,151
	-	1,151	1,151

At 31 December 2005 and in 2005 there were no changes in the impairment losses for these assets.

At 31 December 2006 and 2005, there were no assets with uncollected past-due amounts or impaired classified under "Cash and Balances with Central Banks".

Financial assets and liabilities held for trading

08

8.1 BREAKDOWN

Following is a detail of the balances of "Financial Assets/Liabilities Held for Trading" in the consolidated balance sheets at 31 December 2006 and 2005:

Thousands of Euros

	Financial Assets Held for Trading		Financial Liabilities Held for Trading	
	2006	2005	2006	2005
Debt instruments	3,190,133	2,654,574	-	-
Other equity instruments	6,369	3,145	-	-
Derivatives -				
Derivatives traded in organised markets	118	22	3	96
OTC derivatives	848,134	1,002,884	849,358	988,214
Short positions	-	-	1,660,285	1,006,407
	4,044,754	3,660,625	2,509,646	1,994,717

Note 25 provides information on certain risks affecting the financial instruments included in these categories in the consolidated balance sheets.

8.2 FINANCIAL ASSETS HELD FOR TRADING - DEBT INSTRUMENTS

The breakdown of the balance of this item on the asset side of the consolidated balance sheets at 31 December 2006 and 2005, by counterparty and geographical location of risk, is as follows:

Thousands of Euros

	2006	2005
Spanish government debt securities	1,963,755	1,840,957
Foreign government debt securities	663,567	304,445
Issued by official credit institutions	-	102
Issued by other resident credit institutions	45,585	56,956
Issued by other non-resident credit institutions	90,259	16,973
Other resident fixed-income securities	107,803	58,740
Other non-resident fixed-income securities	319,164	376,401
	3,190,133	2,654,574

The average effective annual interest rate on the debt instruments included in "Financial Assets Held for Trading" was 3.42% in 2006 (2005: 2.76%).

The fair value of the assets included in the foregoing table does not differ significantly from the maximum credit risk assumed by the Group in connection with these investments.

● 8.3 FINANCIAL ASSETS HELD FOR

TRADING - OTHER EQUITY INSTRUMENTS

The breakdown of the balance of this item in the consolidated balance sheets at 31 December 2006 and 2005, by counterparty geographical location of risk and listing status, is as follows:

Thousands of Euros

	2006	2005
Shares of listed spanish credit institutions	1,992	89
Shares of listed foreign credit institutions	248	178
Shares of listed spanish companies	2,537	2,673
Shares of listed foreign companies	1,592	205
	6,369	3,145

● 8.4 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 2006 and 2005:

	2006			2005		
	Fair Value		Notional Amount	Fair Value		Notional Amount
	Asset Balances	Liability Balances		Asset Balances	Liability Balances	
Interest rate risk	759,046	749,022	95,047,064	876,528	885,044	102,660,825
Foreign currency risk	29,971	41,776	4,193,052	110,814	87,792	4,502,116
Share price risk	59,179	58,516	664,509	15,564	15,474	385,609
Credit risk	56	47	66,500	-	-	-
	848,252	849,361	99,971,125	1,002,906	988,310	107,548,550

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.

● 8.5 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 2006 and 2005 is as follows:

Thousands of Euros

	2006	2005
Classification:		
Securities lent-		
Equity instruments	42,713	425
Short sales-		
Debt instruments	1,617,572	1,005,982
	1,660,285	1,006,407

Available for sale financial assets

09

● 9.1 BREAKDOWN

The detail of balance of "Available-for-Sale Financial Assets" in the consolidated balance sheets at 31 December 2006 and 2005 is as follows:

Thousands of Euros

	2006	2005
Debt instruments	282,269	297,591
Other equity instruments	124,379	99,258
	406,648	396,849

Note 25 provides information on certain risks affecting the financial instruments included in "Available-for-Sale Financial Assets" in the consolidated balance sheets.

● 9.2 AVAILABLE FOR SALE FINANCIAL

ASSETS - DEBT INSTRUMENTS

The breakdown, by issuer and geographical location, of the balances of this item on the asset side of the consolidated balance sheets at 31 December 2006 and 2005 is as follows:

Thousands of Euros

	2006	2005
Spanish government debt securities	185,668	188,978
Issued by non-resident credit institutions	1,960	-
Other resident fixed-income securities	22,564	24,679
Other non-resident fixed-income securities	69,865	82,184
	280,057	295,841
Valuation adjustments:		
Of which-		
Impairment losses (*)	(682)	(769)
Other valuation adjustments (accruals)	2,894	2,519
	2,212	1,750
	282,269	297,591

(*) At 31 December 2006 and 2005, this amount related in full to unidentified impairment losses recognised to cover credit risk.

The average effective interest rate on the debt instruments included in "Available-for-Sale Financial Assets" was 4.90% in 2006 (2005: 4.57%).

The carrying amount of the debt instruments included in "Available-for-Sale Financial Assets" in the consolidated balance sheets at 31 December 2006 and 2005 does not differ significantly from the maximum credit risk assumed by the Group in connection therewith.

At 31 December 2006 and 2005, there were no assets classified in this category in the consolidated balance sheets with any uncollected past-due amounts or which were individually considered to be impaired.

Following is a detail of the changes in 2006 and 2005 in the collectively assessed impairment losses (all of which related to unidentified losses) recognised to cover credit risk on debt instruments classified as available for sale and of the cumulative amount of these impairment losses at the beginning and end of those years:

Thousands of Euros

	2006	2005
Balance at beginning of year	769	1.265
Net impairment losses/(reversals) for the year charged/(credited) to income (Note 39)	(87)	(496)
Balance at end of year	682	769

● 9.3 AVAILABLE-FOR-SALE FINANCIAL

ASSETS - OTHER EQUITY INSTRUMENTS

The detail, by counterparty, geographical location and listing status, of the securities included in this item on the asset side of the consolidated balance sheets at 31 December 2006 and 2005 is as follows:

Thousands of Euros

	2006	2005
Shares of listed Spanish credit institutions	-	3,529
Shares of listed foreign credit institutions	2,006	430
Shares of other listed Spanish companies	19,773	5,785
Shares of other unlisted Spanish companies	98,390	85,681
Shares of listed foreign companies	3,816	3,527
Shares of unlisted foreign companies	394	306
	124,379	99,258

Loans and receivables

10

10.1 BREAKDOWN

The detail of the financial assets included in “Loans and Receivables” in the consolidated balance sheets at 31 December 2006 and 2005 is as follows:

Thousands of Euros

	2006	2005
Loans and advances to credit institutions	8,758,148	7,766,861
Loans and advances to customers	108,604	158,675
Debt instruments	5,144	15,429
Other financial assets	315,991	207,749
	9,187,887	8,148,714
Valuation adjustments:		
Of which-		
Impairment losses	(1,336)	(3,976)
Other valuation adjustment	40,488	19,759
	39,152	15,783
	9,227,039	8,164,497

The average effective interest rate on the debt instruments classified under “Loans and Receivables” at 31 December 2006 and 2005 was approximately 5%.

Note 25 provides information on certain risks affecting the financial assets included in “Loans and Receivables” in the consolidated balance sheets.

● 10.2 LOANS AND RECEIVABLES - LOANS AND ADVANCES TO CREDIT INSTITUTIONS

The breakdown, by geographical location of risk and type of instrument, of the balance of this item in the consolidated balance sheets at 31 December 2006 and 2005 is as follows:

Thousands of Euros

	2006	2005
By geographical location of risk:		
Spain	5,133,570	4,184,431
Other EU countries	2,370,532	1,983,995
Rest of the world	1,254,046	1,598,435
	8,758,148	7,766,861
By type of instrument:		
Time deposits at credit institutions	4,068,441	3,712,510
Other accounts at credit institutions	769,984	738,929
Reverse repurchase agreements	3,919,723	3,315,422
	8,758,148	7,766,861
Valuation adjustments:		
Of which-		
Impairment losses	(35)	(1,313)
Other valuation adjustments	39,982	19,224
	39,947	17,911
	8,798,095	7,784,772

The carrying amount of the financial assets included in "Loans and Advances to Credit Institutions" in the consolidated balance sheets at 31 December 2006 and 2005 represents the maximum exposure to credit risk assumed by the Group in connection with these assets.

● 10.3 LOANS AND RECEIVABLES - LOANS

AND ADVANCES TO CUSTOMERS

The breakdown, by geographical location of risk, counterparty and type of instrument, of the financial assets included in "Loans and Advances to Customers" in the consolidated balance sheets at 31 December 2006 and 2005 is as follows:

Thousands of Euros

	2006	2005
By geographical location of risk:		
Spain	107,503	97,958
Other EU countries	615	349
Rest of the world	486	60,368
	108,604	158,675
By counterparty:		
Resident public sector	110	83
Non-resident public sector	23	2
Other resident sectors	107,393	97,874
Other non-resident sectors	1,078	60,716
	108,604	158,675
By type of instrument:		
Reverse repurchase agreements	38,206	65,530
Secured loans	34,310	29,822
Loans and other collateral	27,414	45,286
Other demand accounts and other	8,552	17,816
Commercial credit	122	221
	108,604	158,675
Valuation adjustments:		
Of which-		
Impairment losses	(1,301)	(2,663)
Other valuation adjustments	506	533
	(795)	(2,130)
	107,809	156,545

● 10.4 LOANS AND RECEIVABLES - OTHER

FINANCIAL ASSETS

The breakdown, by type of asset, of the balance of this item in the consolidated balance sheets at 31 December 2006 and 2005 is as follows:

Thousands of Euros

	2006	2005
Cheques drawn on credit institutions	1,697	570
Cash guarantees	122,080	111,158
Unsettled financial transactions	172,688	51,464
Other	19,526	44,557
	315,991	207,749

● 10.5 IMPAIRED ASSETS

Following is a detail of the financial assets classified as loans and receivables and considered to be impaired due to credit risk at 31 December 2006 and 2005, classified by geographical location of risk, counterparty and type of instrument, and by age of the oldest past-due amount:

Impaired assets at 31 December 2006

Thousands of Euros

	More than 24 Months	Total
By geographical location of risk:		
Spain	161	161
Rest of the world	10	10
	171	171
By counterparty:		
Other resident sectors	161	161
Other non-resident sectors	10	10
	171	171
By type of instrument:		
Loans with other collateral	23	23
Other demand accounts and other	148	148
	171	171

Impaired assets at 31 December 2005

Thousands of Euros

	More than 24 Months	Total
By geographical location of risk:		
Spain	161	161
Rest of the world	15	15
	176	176
By counterparty:		
Other resident sectors	161	161
Other non-resident sectors	15	15
	176	176
By type of instrument:		
Term loans	28	28
Other demand accounts and other	148	148
	176	176

The changes in 2006 and 2005 in "Written-Off Assets" -impaired Group financial assets that are not recognised in the consolidated balance sheet because their recovery is considered unlikely, even though the Group has not discontinued its efforts to seek collection of the amounts due- were as follows:

Thousands of Euros

	2006	2005
Balance at beginning of year	645	647
Recoveries	-	(2)
Balance at end of year	645	645

● 10.6 CREDIT RISK COVERAGE

Following is a detail, by geographical location of risk, counterparty and type of financial instrument, of the changes in 2006 and 2005 in the impairment losses recognised to cover the credit risk on the debt instruments classified as loans and receivables and of the cumulative amount of these impairment losses at the beginning and end of those years:

**INDIVIDUALLY
ASSESSED
IMPAIRMENT
LOSSES**

Thousands of Euros

	Balance at 1 January 2006	Net Impairment Losses/ (Reversals) Charged/ (Credited) to Income (Note 39)	Other Changes	Balance at 31 December 2006
By geographical location of risk:				
Spain	161	-	-	161
Rest of the world	15	(3)	(2)	10
	176	(3)	(2)	171
By counterparty:				
Other resident sectors	161	-	-	161
Other non-resident sectors	15	(3)	(2)	10
	176	(3)	(2)	171
By type of instrument:				
Loans with other collateral	28	(3)	(2)	23
Other demand accounts and other	148	-	-	148
	176	(3)	(2)	171

INDIVIDUALLY
ASSESSED
IMPAIRMENT
LOSSES
DETERMINED
Thousands of Euros

	Balance at 1 January 2005	Net Impairment Losses/ (Reversals) Charged/ (Credited) to Income (Note 39)	Other Changes	Balance at 31 December 2005
By geographical location of risk:				
Spain	167	(12)	6	161
Rest of the world	16	(3)	2	15
	183	(15)	8	176
By counterparty:				
Other resident sectors	167	(12)	6	161
Other non-resident sectors	16	(3)	2	15
	183	(15)	8	176
By type of instrument:				
Loans with other collateral	35	(7)	-	28
Other demand accounts and other	148	(8)	8	148
	183	(15)	8	176

Non-current assets held for sale and Liabilities associated with non-current assets held for sale

II

The breakdown of the balance of "Non-Current Assets Held for Sale" in the consolidated balance sheets at 31 December 2006 and 2005 is as follows:

Thousands of Euros

	2006	2005
Tangible assets -		
Foreclosed residential assets	-	1.334
Other residential assets	161	-
Equity instruments -		
Investments in associates	171	-
Impairment losses	(171)	-
	161	1.334

In 2006 the Group transferred its investment in Europay España, S.C., amounting to EUR 171 thousand, from "Investments - Associates" to "Non-Current Assets Held for Sale" in the consolidated balance sheet (Note 12) since this company met the conditions established under current regulations for inclusion in this balance sheet category. In 2006, in accordance with current regulations, an impairment loss of EUR 171 thousand was recognised for this investment under "Impairment Losses (Net)- Non-Current Assets Held for Sale" in the consolidated income statement for 2006 (Note 39).

Thousands of Euros

	2006	2005
Balances at beginning of year	61	139
Additions	120	-
Effect of valuation using the equity method and consolidation adjustments	(10)	(78)
Transfers (Note 11)	(171)	-
Balances at end of year	-	61

The additions relate in full to the shares subscribed and paid by the Group, for EUR 120 thousand, in connection with the capital increase carried out at Europay España, S.C. on 21 July 2006.

In 2006 the investment in this company was transferred in full (EUR 171 thousand) to "Non-Current Assets Held for Sale" in the consolidated balance sheet (Note 11).

Tangible assets

13

The changes in 2006 and 2005 in "Tangible Assets" in the consolidated balance sheets were as follows:

At 31 December 2006, tangible assets for own use totalling (gross) approximately EUR 41,460 thousand (31 December 2005: EUR 63,156 thousand) had been fully depreciated.

At 31 December 2006 and 2005, the tangible assets owned by the Group entities were not impaired and there were no changes in this connection in those years.

Intangible assets

14

● 14.1 OTHER INTANGIBLE ASSETS

The balance of "Other Intangible Assets" relates in full to computer software, developed mainly by the Confederación, 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 this item in the consolidated balance sheets at 31 December 2006 and 2005 is as follows:

Thousands of Euros

	2006	2005
Intangible assets with finite useful life	23,073	21,198
Less:		
Accumulated amortisation	(12,349)	(6,514)
Total, net	10,724	14,684

Prepayments and accrued income and Accrued expenses and deferred income

15

The breakdown of the balances of "Prepayments and Accrued Income" and of "Accrued Expenses and Deferred Income" in the consolidated balance sheets at 31 December 2006 and 2005 is as follows:

Thousands of Euros

	2006	2005
Prepayments and Accrued income:		
Fees and commissions receivable	5,334	5,849
Prepayments	183	149
Other	858	942
	6,375	6,940
Accrued expenses and deferred income:		
Accrued expenses	31,258	24,774
Other	2,531	1,497
	33,789	26,271

Other assets and Other liabilities

16

The breakdown of the balances of these items in the consolidated balance sheets at 31 December 2006 and 2005 is as follows:

Thousands of Euros

	2006	2005
Other assets:		
Transactions in transit	6,422	6,284
Other	12,384	11,712
	18,806	17,996
Other liabilities:		
Transactions in transit	77,553	49,590
Welfare Fund (Note 26)	480	693
Other	613	233
	78,646	50,516

At 31 December 2006, the balance of "Transactions in Transit" in the foregoing detail includes balances amounting to EUR 73,476 thousand (31 December 2005: EUR 2,899 thousand) relating to items arising from returns, sales, coupons and refunds by non-Spanish tax agencies in connection with securities settled through international payment systems (Euroclear and Citibank), 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.

Financial liabilities at amortised cost

17

● 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 2006 and 2005 is as follows:

Thousands of Euros

	2006	2005
Deposits from central banks	198,581	85,082
Deposits from credit institutions	6,012,791	5,320,285
Money market operations	-	10,251
Customer deposits	3,403,179	3,480,971
Other financial liabilities	927,851	837,012
	10,542,402	9,733,601
Valuation adjustments	31,046	16,105
	10,573,448	9,749,706

● 17.3 FINANCIAL LIABILITIES AT AMORTISED

COST - CUSTOMER DEPOSITS

The breakdown, by geographical area, type of instrument and counterparty, of the balance of this item in the consolidated balance sheets at 31 December 2006 and 2005 is as follows:

Thousands of Euros

	2006	2005
By geographical area:		
Spain	2,871,149	3,118,328
Other EU countries	104,615	51,944
Rest of the world	427,415	310,699
	3,403,179	3,480,971
By counterparty:		
Resident public sector	445,176	749,759
Non-Resident public sector	2,693	2,952
Other resident sectors	2,425,972	2,368,568
Other non-resident sectors	529,338	359,692
	3,403,179	3,480,971
By type of instrument:		
Current accounts	1,150,980	1,407,304
Other demand deposits	16,801	14,462
Fixed-term deposits	943,891	852,157
Repurchase agreements	1,291,507	1,207,048
	3,403,179	3,480,971
Valuation adjustments	9,037	7,622
	3,412,216	3,488,593

Provisions

18

The changes in 2006 and 2005 in the balance of "Provisions" in the consolidated balance sheets at 31 December 2006 and 2005 and the purpose of the related provisions were as follows:

● 18.1 PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS

The changes in 2006 and 2005 in the balance of this item in the consolidated balance sheets are as follows:

Thousands of Euros

	Pension Obligations (Note 2.8.1)	Other Long-Term Benefits (Note 2.8.2.1)	Total
Balance at 1 January 2005	7,000	18,702	25,702
Payments to early retirees and contributions to the external pension plan	-	(5,416)	(5,416)
Finance cost (Note 27)	-	663	663
Balance at 31 December 2005	7,000	13,949	20,949
Payments to early retirees and contributions to the external pension plan	(5,039)	(3,681)	(8,720)
Finance cost (Note 27)	-	499	499
Balance at 31 December 2006	1,961	10,767	12,728

● 18.2 PROVISIONS FOR CONTINGENT LIABILITIES AND COMMITMENTS AND OTHER PROVISIONS

The changes in 2006 and 2005 in the balances of these items in the consolidated balance sheets were as follows:

Thousands of Euros

	Provisions for Contingent Liabilities and Commitments (Note 2.7)	Other Provisions	Total
Balance at 1 January 2005	11	11,466	11,477
Net additions/(reversals) charged/ (credited) to income	(4)	(1,128)	(1,132)
Other changes	-	176	176
Balance at 31 December 2005	7	10,514	10,521
Net additions/(reversals) charged/(credited) to income	9	6,890	6,899
Other changes	-	(1)	(1)
Balance at 31 December 2006	16	17,403	17,419

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.

Changes in equity

19

Appendix III to the consolidated financial statements contains a reconciliation of the carrying amount of the items composing the Group's equity at the beginning and at the end of 2006 and 2005, in accordance with current regulations.

Valuation adjustments-Available-for-sale financial assets

20

This item in the consolidated balance sheets includes the net amount, adjusted by the corresponding tax effect, of changes in the fair value of assets classified as available-for-sale assets 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 investments become impaired. The consolidated statement of changes of equity shows the changes in 2006 and 2005 in this item in the consolidated balance sheets.

Reserves

22

● 22.1 ACCUMULATED RESERVES

The breakdown of the balance of “Accumulated Reserves” in the accompanying consolidated balance sheets is as follows:

Thousands of Euros

	2006	2005
Asset revaluation reserve	54,060	54,631
Other reserves	418,551	378,876
Accumulated reserves (losses)	472,611	433,507

Reserves (losses) of fully and proportionately consolidated entities

The detail, by entity, of the balances of "Reserves (Losses) of Fully and Proportionately Consolidated Entities" in the accompanying consolidated balance sheets is as follows:

Thousands of Euros

	2006	2005
Confederación	471,016	432,250
Caja Activa, S.A.	839	709
CEA Trade Services Limited	-	-
Reserves at subsidiaries	839	709
Ahorro y Titulización, Sociedad Gestora de Fondos de Titulización, S.A.	756	548
Reserves at jointly controlled entities	756	548
Accumulated reserves (losses)	472,611	433,507

Asset revaluation reserve

In 1996 the Confederación revalued its tangible assets pursuant to Royal Decree-Law 7/1996, of 7 June. The revaluation surplus amounted to EUR 11,798 thousand, of which EUR 11,444 thousand were credited, after deducting the single 3% tax of EUR 354 thousand, to "Accumulated Reserves" in the balance sheet. In 1998 the portion of the revaluation reserve relating to tangible assets assigned to welfare projects (EUR 220 thousand) was transferred to the welfare fund.

In 2006 the revaluation reserves arising from assets previously assigned to welfare projects, amounting to EUR 220 thousand, were transferred to unrestricted reserves since the revalued assets were transferred in full in the Group's accounting records and were no longer assigned to welfare projects at 31 December 2006.

Additionally, the balance of "Revaluation Reserves" in the foregoing table includes the net reserves that arose on the revaluation of certain tangible assets on the date of entry into force of IFRSs (1 January 2004), which amounted to EUR 42,616 thousand at 31 December 2006 (31 December 2005: EUR 43,409 thousand).

● 22.2 RESERVES (LOSSES) OF ENTITIES

ACCOUNTED FOR USING THE EQUITY METHOD

The detail, by company, of the balance of "Reserves (Losses) of Entities Accounted for Using the Equity Method" in the accompanying consolidated balance sheets is as follows:

Thousands of Euros

	2006	2005
Europay España, S.C.	(43)	(39)
Reserves (losses) of entities accounted for using the equity method	(43)	(39)

At 31 December 2006, Europay España, S.C. was classified under "Non-Current Assets Held for Sale" in the accompanying consolidated balance sheet (Note 11). This company contributed reserves to the Group at 31 December 2006 because at 31 December 2005 it was classified as an associate under "Investments" in the accompanying consolidated balance sheet and, as required by current regulations, the reserves contributed in connection with the assets and liabilities classified as "Non-Current Assets Held for Sale" continue to be recognised in the appropriate items, depending on their nature, unless a disposal group meeting the definition of "discontinued operation" is involved, which is not the case.

Thousands of Euros

	2006	2005
Income tax expense	22,893	15,928
Effect of change in tax rate (Note 2.9)	630	-
Other adjustments	607	(790)
	24,130	15,138

● 23.3 RECONCILIATION OF THE ACCOUNTING

PROFIT TO THE TAXABLE PROFIT

The reconciliation of the income tax expense recognised for 2006 and 2005 to the accounting profit before tax multiplied by the tax rate applicable to the Group is as follows:

Thousands of Euros

	2006	2005
Accounting profit before tax	78,383	61,178
Tax rate	35%	35%
	27,434	21,412
Permanent differences:		
Increases	268	214
Decreases	(1,496)	(2,511)
Total	26,206	19,115
(Tax credits)/Tax relief	(3,313)	(3,187)
Income tax expense for the year	22,893	15,928
Temporary differences:		
Increases	8,220	15,257
Decreases	(7,682)	(13,842)
Instalment payments	(16,556)	(12,469)
Income tax charge for the year (1)	6,875	4,874

(1) This amount is recognised under "Tax Liabilities – Current" in the consolidated balance sheets at 31 December 2006 and 2005.

Thousands of Euros

	2006	2005
Deferred tax liabilities:		
Revaluation of property	19,700	23,374
Capitalisation of intangible assets	2,134	3,701
Available-for-sale equity instruments	29,845	22,745
Available-for-sale debt instruments	1,757	5,393
	53,436	55,213

Fair Value

24

● 24.1 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES RECOGNISED AT OTHER THAN FAIR VALUE

Since the Group's financial assets and liabilities recognised at other than fair value basically bear interest at fixed or floating rates maturing in less than one year, the fair value of the financial assets and liabilities is basically the same as their carrying amount.

● 24.2 FAIR VALUE OF TANGIBLE ASSETS

Since the tangible assets were revalued on first-time application of IFRSs at 1 January 2004, their carrying amount is an adequate estimate of their fair value.

Value at Risk (VaR), the standard used by the market, summarises in aggregate form the exposure to market risk arising from trading activities. The Confederación uses the parametric VaR methodology.

Market risk measurement at the Confederación is detailed in the risk management section of the directors' report.

The distribution of the VaR of the trading portfolio by desk at 31 December 2006 and 2005 is as follows:

Thousands of Euros

VaR by desk	31.12.2006	31.12.2005
Money and Currency markets	577	494
Fixed-Income and Equities Trading	332	353
Credit Trading	107	160
Derivatives and Structured Products	128	278

● 25.3 STRUCTURAL RISK

Structural risk reflects the potential loss or sensitivity of the net interest margin and the market value of equity to interest rate changes. Structural risk management (ALM) can be defined as an ongoing adjustment of the assets and liabilities in the balance sheet with a view to maintaining reasonable returns, minimising interest rate risk, and obtaining adequate liquidity.

● 25.4 LIQUIDITY RISK

Financing liquidity risk is the risk that can arise from timing mismatches between cash flows and unforeseen requirements. The Group's liquidity risk policies are detailed in the risk management section of the directors' report.

Following is a detail at 31 December 2006 and 2005 of the Group's main financial assets and liabilities at those dates, classified by remaining maturity, estimated on the basis of their contractual conditions, including the related valuation adjustments due to other than impairment losses:

At 31 December 2005
Thousands of Euros

	On Demand	Less than 1 Month	1 to 3 Month	3 to 12 Month	1 to 5 Years	More than 5 Years	Total
Assets:							
Cash and balances with central banks	39,184	25,443	-	-	-	-	64,627
Financial assets held for trading - Debt instruments	-	17,291	170,125	609,190	852,859	1,005,109	2,654,574
Financial assets held for trading - Other equity instruments	-	-	-	-	-	3,145	3,145
Available-for-sale financial assets - Debt instruments	-	1,957	-	2,537	258,973	34,893	298,360
Available-for-sale financial assets Other equity instruments	-	-	-	-	-	99,258	99,258
Loans and receivables - Loans and advances to credit institutions	285,628	5,049,433	707,033	1,130,578	488,749	124,664	7,786,085
Loans and receivables - Loans and advances to customers	657	92,648	38,596	2,480	9,664	15,163	159,208
Loans and receivables - Debt instruments	-	-	2,647	7,762	5,022	-	15,431
Total at 31 December 2005	325,469	5,186,772	918,401	1,752,547	1,615,267	1,282,232	11,080,688
Liabilities:							
Financial liabilities at amortised cost - Deposits from central banks	-	53,127	32,103	-	-	-	85,230
Financial liabilities at amortised cost - Deposits from credit institutions	878,905	4,052,031	66,159	314,260	879	16,379	5,328,613
Financial liabilities at amortised cost - Money market operations	-	10,007	251	-	-	-	10,258
Financial liabilities at amortised cost - Customer deposits	1,420,198	1,266,574	66,255	99,833	509,065	126,668	3,488,593
Total at 31 December 2005	2,299,103	5,381,739	164,768	414,093	509,944	143,047	8,912,694
Assets minus liabilities at 31 December 2005	(1,973,634)	(194,967)	753,633	1,338,454	1,105,323	1,139,185	2,167,994

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

The detail of the items in which the assets assigned to the Confederación's welfare projects are invested, and of the related balances at 31 December 2006 and 2005, is as follows:

Thousands of Euros

	2006	2005
Amounts to be invested and available balance	480	391
Amounts invested in property (Note 11)	-	302
	480	693

The changes in 2006 and 2005 in the balance of "Other Liabilities - Welfare Fund" in the consolidated balance sheets are as follows:

Thousands of Euros

	2006	2005
Beginning balance before distribution of profit	693	510
Transfer charged to prior period profit (Note 4)	4,190	6,264
Maintenance expenses for the year:		
Depreciation of assets assigned to welfare projects (Notes 2.10.2 and 13)	(3)	(9)
Budgeted current expenses for the year	(4,180)	(6,072)
Other changes (*)	(220)	-
Ending balance before distribution of profit (Note 16)	480	693

(*) This amount relates in full to the transfer in 2006 of the revaluation reserves relating to tangible assets assigned to welfare projects existing at 31 December 2005 (Note 22) to the Group's tangible assets.

These financial statements were authorised for issue subsequently to the FUNCAS Board of Trustees meeting held on 21 February 2007, at which the budget settlement for 2006 was approved.

Other significant disclosures

27

● 27.1 CONTINGENT LIABILITIES - FINANCIAL GUARANTEES

Financial guarantees are taken to be the amounts that would be payable by the consolidated entities on behalf of third parties as a result of the commitments assumed by those entities in the course of their ordinary business, if the parties who are originally liable to pay fail to do so.

The breakdown at 31 December 2006 and 2005, based on the maximum risk assumed by the Group in this connection, is as follows:

Thousands of Euros

	2006	2005
Financial bank guarantees	27,359	72,296
Other bank guarantees and indemnities	94,296	88,717
Irrevocable documentary credits	52,545	6,205
	174,200	167,218

A significant portion of these guarantees will expire without any payment obligation materialising for the consolidated entities 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.

Income from guarantee instruments is recognised, net of financial effect, under "Fee and Commission Income" in the consolidated income statement (Note 32).

The provisions intended to cover 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 (Note 18).

● 27.2 ASSETS DELIVERED AS SECURITY

At 31 December 2006 and 2005, assets owned by the consolidated entities had been provided as security for transactions performed by them or by third parties, as well as for various liabilities and contingent liabilities assumed by the Group. The carrying amount at 31 December 2006 and 2005 of the Group's financial assets delivered as security for these liabilities, contingent liabilities and similar items was as follows:

Thousands of Euros

	2006	2005
Spanish government debt securities classified as financial assets held for trading	13,000	13,000
Spanish government debt securities classified as available-for-sale financial assets	1,000	1,000
Other securities classified as available-for-sale financial assets	42,308	28,803
Other securities classified as loans and receivables	5,239	16,104
	61,547	58,907

At 31 December 2006, the Confederación had securities with a face value of EUR 56,308 thousand (31 December 2005: EUR 42,803 thousand) tied up at Iberclear, S.A. as security for the performance of the Confederación's obligations relating to operations with the clearing and settlement services; it had also pledged other securities as security for other obligations acquired by various entities.

● 27.3 CONTINGENT COMMITMENTS

The breakdown of the balance of "Contingent Commitments" at 31 December 2006 and 2005 is as follows:

Thousands of Euros

	2006	2005
Drawable by third parties:		
Credit institutions	184,519	127,166
Public sector	-	112,326
Other resident sectors	348,587	486,065
Non-resident sector	300	300
Regular way financial asset purchase contracts	383,772	520,847
Other contingent commitments	1,720,173	601,352
	2,637,351	1,848,056

● 27.4 TRANSACTIONS FOR THE ACCOUNT OF THIRD PARTIES

The breakdown of the main items under this heading is as follows:

Thousands of Euros

	2006	2005
Financial instruments entrusted by third parties	130,046,524	111,873,362
Conditional bills and other securities received for collection	1,335,407	461,241
Borrowed securities	720,477	1,602,318
	132,102,408	113,936,921

Interest expense and similar charges

29

The detail of the balance of "Interest Expense and Similar Charges" in the consolidated income statements for 2006 and 2005, by type of instrument giving rise to them, is as follows:

Thousands of Euro

	2006	2005
Deposits from the Bank of Spain	-	81
Deposits from other central banks	7,108	1,424
Deposits from credit institutions	184,938	87,405
Customer deposits	111,845	88,678
Money market operations	1,372	2,381
Cost attributable to pension funds (Note 18)	499	663
Other interest	160	23
	305,922	180,655

Additionally, the breakdown of the amounts recognised under "Interest Expense and Similar Charges" in the consolidated income statements for 2006 and 2005, by type of financial instrument portfolio giving rise to them, is as follows:

Thousands of Euro

	2006	2005
Financial liabilities at amortised cost	305,263	179,969
Other liabilities	659	686
	305,922	180,655

At 31 December 2006, Europay España, S.C. was classified under “Non-Current Assets Held for Sale” in the accompanying consolidated balance sheet (Note 11). This company contributed results to the Group at 31 December 2006 because at 31 December 2005 it was classified as an associate under “Investments” in the accompanying consolidated balance sheet and, as required by current regulations, the profit or loss contributed in connection with the assets and liabilities classified as “Non-Current Assets Held for Sale” continue to be recognised in the appropriate items, depending on their nature, unless a disposal group meeting the definition of “discontinued operation” is involved, which is not the case.

Fee and commission income

32

The breakdown of the fee and commission income earned in 2006 and 2005, by the main items giving rise to it, is as follows:

Thousands of Euros

	2006	2005
Fees and commissions arising from contingent liabilities (Note 27)	1,159	536
Fees and commissions arising from contingent commitments	38	44
Fees and commissions arising from collection and payment services	56,469	53,542
Fees and commissions arising from securities services	30,432	26,645
Fees and commissions arising from foreign currency and foreign banknote exchange	301	167
Other fees and commissions	7,089	7,163
	95,488	88,097

Fee and commission expense

33

The breakdown of the fee and commission expense incurred in 2006 and 2005, by the main items giving rise to it, is as follows:

Thousands of Euros

	2006	2005
Fees and commissions assigned to other entities and correspondents	11,523	10,090
Fee and commission expenses on securities transactions	8,950	8,301
	20,473	18,391

Gains/losses on financial assets and liabilities

34

The breakdown of the balance of "Gains/Losses on Financial Assets and Liabilities" in the consolidated income statements for 2006 and 2005, by type of financial instrument portfolio giving rise to them, is as follows:

Thousands of Euros

	2006	2005
Financial assets and liabilities held for trading	9,711	(548)
Available-for-sale financial assets	9,005	2,984
Loans and receivables	-	(1)
	18,716	2,435

Other operating income

35

The breakdown of the balance of "Other Operating Income" in the consolidated income statements for 2006 and 2005 is as follows:

Thousands of Euros

	2006	2005
Rental income	942	814
Costs recovered through their inclusion in the cost of intangible assets	941	2,249
Income from Confederación membership dues	19,331	18,129
Other income	58,992	51,172
	80,206	72,364

The balance of "Other Income" includes various items, most notably the income from the Infocaja project and other projects of the Confederación. The auditor invoiced EUR 425 thousand for professional services provided in these projects for the savings banks through the Confederación.

Other general administrative expenses

37

The breakdown of the balance of "Other General Administrative Expenses" in the consolidated income statements for 2006 and 2005 is as follows:

Thousands of Euros

	2006	2005
Property, fixtures and supplies	5,025	4,603
Information technology	35,795	30,865
Communications	5,348	4,797
Advertising and publicity	3,448	875
Technical reports	649	608
Surveillance and cash courier services	920	818
Insurance and self-insurance premiums	182	229
Governing and supervisory bodies	1,136	931
Outsourced administrative services	5,873	5,073
Levies and taxes	1,118	1,141
Entertainment and travel expenses	2,349	1,704
Association membership fees	1,882	1,419
External personnel	4,019	5,159
Operating services	4,382	5,099
Subscriptions and publications	4,228	4,295
Other administrative expenses	7,087	7,341
	83,441	74,957

The balances of "External Personnel" and "Operating Services" include the fees paid for the audit of the financial statements of the various Group entities amounting to EUR 124 thousand; EUR 7 thousand of this amount were billed by auditors other than the Confederación's auditors. Additionally, EUR 149 thousand were paid to the Confederación's auditors mainly for the professional audit-related services.

Impairment losses

39

The breakdown of the balance of "Impairment Losses" in the consolidated income statements for 2006 and 2005 is as follows:

Thousands of Euros

	Net Impairment Losses/ (Reversals) Charged/ (Credited) to Income	
	2006	2005
Available-for-sale financial assets (Note 9)	(87)	(496)
Loans and receivables (Note 10)	(1,487)	2,703
Non-current assets held for sale (Note 11)	171	-
	(1,403)	2,207

Other gains and Other losses

40

The breakdown of the balances of these items in the consolidated income statements for 2006 and 2005 is as follows:

Thousands of Euros

	2006		2005	
	Gains	Losses	Gains	Losses
On disposal of tangible assets	685	-	4,538	-
Other	2,704	491	2,176	494
	3,389	491	6,714	494

Appendix I

SUBSIDIARIES INCLUDED IN THE GROUP at 31 December 2006

Company	Location	Line of Business	Percentage of Ownership			Thousands of Euros Entity Data at 31 December 2006 (*)			
			Direct	Indirect	Total	Assets	Liabilities	Equity	Profit
Caja Activa, S.A.	Madrid	IT	99.99	-	99.99	997	80	917	17
CEA Trade Services Limited	Hong Kong	Foreign trade	100	-	100	11	7	4	-

(*) The companies' results for 2006 have not yet been approved by their shareholders at the respective Annual General Meetings.

SUBSIDIARIES INCLUDED IN THE GROUP at 31 December 2005

Company	Location	Line of Business	Percentage of Ownership			Thousands of Euros Entity Data at 31 December 2005			
			Direct	Indirect	Total	Assets	Liabilities	Equity	Profit
Caja Activa, S.A.	Madrid	IT	99.98	-	99.98	972	72	900	130
CEA Trade Services Limited	Hong Kong	Foreign trade	100	-	100	4	-	4	-

Appendix III

THE 2006 STATEMENT
OF CHANGES
IN CONSOLIDATED
EQUITY
IS AS FOLLOWS

figures in thousands of euros

EQUITY ATTRIBUTABLE

OWN FUNDS

	Accumulated Reserves/(Losses)									
	Capital or Endowment Fund	Share Premium	Revaluation Reserves	Other Reserves	Retained Earnings	Reserves (Losses) of Entities Accounted for Using the Equity Method	Other Equity Instruments	Treasury Shares	Non-Voting Equity Units	Reserves of Holders of Non-Voting Equity Units
BALANCE SHEET AT 1 JANUARY 2006	30,051	-	54,631	378,876	-	(39)	-	-	-	-
Adjustments due to changes in accounting policies	-	-	-	-	-	-	-	-	-	-
Adjustments made to correct errors	-	-	-	-	-	-	-	-	-	-
Adjusted balance sheet	30,051	-	54,631	378,876	-	(39)	-	-	-	-
CHANGES IN EQUITY	-	-	(571)	39,675	-	(4)	-	-	-	-
Revaluation gains/(losses)	-	-	-	-	-	-	-	-	-	-
Transferred to income statement	-	-	-	-	-	-	-	-	-	-
Transferred at carrying amount of hedged items	-	-	-	-	-	-	-	-	-	-
Issue expenses	-	-	-	-	-	-	-	-	-	-
Income tax	-	-	-	-	-	-	-	-	-	-
Total valuation adjustments (net)	-	-	-	-	-	-	-	-	-	-
Profit for the year	-	-	-	-	-	-	-	-	-	-
Adjustments due to changes in accounting policies	-	-	-	-	-	-	-	-	-	-
Adjustments made to correct errors	-	-	-	-	-	-	-	-	-	-
Adjusted profit for the year	-	-	-	-	-	-	-	-	-	-
Total changes in the year	-	-	-	-	-	-	-	-	-	-
Dividends/remuneration	-	-	-	-	-	-	-	-	-	-
Transfer to welfare fund	-	-	-	-	-	-	-	-	-	-
Issuance/(Reduction) of equity instruments	-	-	-	-	-	-	-	-	-	-
Own instruments purchased/sold	-	-	-	-	-	-	-	-	-	-
Equity-instrument based payments	-	-	-	-	-	-	-	-	-	-
Issue expenses	-	-	-	-	-	-	-	-	-	-
Transfers between items	-	-	(571)	39,675	-	(4)	-	-	-	-
Other changes in the year	-	-	(571)	39,675	-	(4)	-	-	-	-
BALANCE SHEET AT 31 DECEMBER 2006	30,051	-	54,060	418,551	-	(43)	-	-	-	-
Parent	30,051	-	54,060	416,956	-	-	-	-	-	-
Subsidiaries	-	-	-	839	-	-	-	-	-	-
Jointly controlled entities	-	-	-	756	-	-	-	-	-	-
Associates	-	-	-	-	-	(43)	-	-	-	-

THE 2005 STATEMENT
OF CHANGES
IN CONSOLIDATED
EQUITY IS
PRESENTED BELOW
FOR COMPARISON
PURPOSES ONLY

figures in thousands of euros

EQUITY ATTRIBUTABLE

OWN FUNDS

Accumulated
Reserves/(Losses)

	Capital or Endowment Fund	Share Premium	Revaluation Reserves	Other Reserves	Retained Earnings	Reserves (Losses) of Entities Accounted for Using the Equity Method	Other Equity Instruments	Treasury Shares	Non-Voting Equity Units	Reserves of Holders of Non-Voting Equity Units
BALANCE SHEET AT 1 JANUARY 2005	30,051	-	55,423	344,288	-	34	-	-	-	-
Adjustments due to changes in accounting policies	-	-	-	-	-	-	-	-	-	-
Adjustments made to correct errors	-	-	-	-	-	-	-	-	-	-
Adjusted balance sheet	30,051	-	55,423	344,288	-	34	-	-	-	-
CHANGES IN EQUITY	-	-	(792)	34,588	-	(73)	-	-	-	-
Revaluation gains/(losses)	-	-	-	-	-	-	-	-	-	-
Transferred to income statement	-	-	-	-	-	-	-	-	-	-
Transferred at carrying amount of hedged items	-	-	-	-	-	-	-	-	-	-
Issue expenses	-	-	-	-	-	-	-	-	-	-
Income tax	-	-	-	-	-	-	-	-	-	-
Total valuation adjustments (net)	-	-	-	-	-	-	-	-	-	-
Consolidated profit for the year	-	-	-	-	-	-	-	-	-	-
Adjustments due to changes in accounting policies	-	-	-	-	-	-	-	-	-	-
Adjustments made to correct errors	-	-	-	-	-	-	-	-	-	-
Adjusted profit for the year	-	-	-	-	-	-	-	-	-	-
Total changes in the year	-	-	-	-	-	-	-	-	-	-
Dividends/remuneration	-	-	-	-	-	-	-	-	-	-
Transfer to welfare fund	-	-	-	-	-	-	-	-	-	-
Issuance/(Reduction) of equity instruments	-	-	-	-	-	-	-	-	-	-
Own instruments purchased/sold	-	-	-	-	-	-	-	-	-	-
Equity-instrument based payments	-	-	-	-	-	-	-	-	-	-
Issue expenses	-	-	-	-	-	-	-	-	-	-
Transfers between items	-	-	(792)	34,588	-	(73)	-	-	-	-
Other changes in the year	-	-	(792)	34,588	-	(73)	-	-	-	-
BALANCE SHEET AT 31 DECEMBER 2005	30,051	-	54,631	378,876	-	(39)	-	-	-	-
Parent	30,051	-	54,631	377,619	-	-	-	-	-	-
Subsidiaries	-	-	-	709	-	-	-	-	-	-
Jointly controlled entities	-	-	-	548	-	-	-	-	-	-
Associates	-	-	-	-	-	(39)	-	-	-	-

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 (Notes 1.2 and 42). In the event of a discrepancy, the Spanish-language version prevails

AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

To the General Assembly of Confederación Española de Cajas de Ahorros:

1. We have audited the consolidated financial statements of Confederación Española de Cajas de Ahorros ("the Confederación") and of the companies composing, together with the Confederación, the Confederación Española de Cajas de Ahorros Group ("the Group" - Note 1), which consist of the consolidated balance sheet at 31 December 2006 and the related consolidated income statement, consolidated cash flow statement, consolidated statement of changes in equity and notes to the consolidated financial statements for the year then ended. The preparation of these consolidated financial statements is the responsibility of the Confederación's Board of Directors. Our responsibility is to express an opinion on the consolidated financial statements taken as a whole based on our audit work performed in accordance with generally accepted auditing standards in Spain, which require examination, by means of selective tests, of the evidence supporting the consolidated financial statements and evaluation of their presentation, of the accounting policies applied and of the estimates made.
2. As required by Spanish corporate and commercial law, for comparison purposes the Confederación's directors present, in addition to the 2006 figures for each item in the consolidated balance sheet, consolidated income statement, consolidated cash flow statement, consolidated statement of changes in equity and notes to the consolidated financial statements, the figures for 2005. Our opinion refers only to the consolidated financial statements for 2006. On 16 March 2006, we issued our auditors' report on the 2005 consolidated financial statements, in which we expressed an unqualified opinion.
3. In our opinion, the accompanying consolidated financial statements for 2006 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 2006 and the consolidated results of its operations, the changes in the consolidated equity and its consolidated cash flows for the year then ended, and contain the required information, sufficient for their proper interpretation and comprehension, in conformity with International Financial Reporting Standards as adopted by the European Union, which were applied on a basis consistent with that of the preceding year.
4. The accompanying consolidated directors' report for 2006 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 2006. Our work as auditors was confined to checking the consolidated directors' report with the aforementioned scope, and did not include a review of any information other than that drawn from the consolidated entities' accounting records.

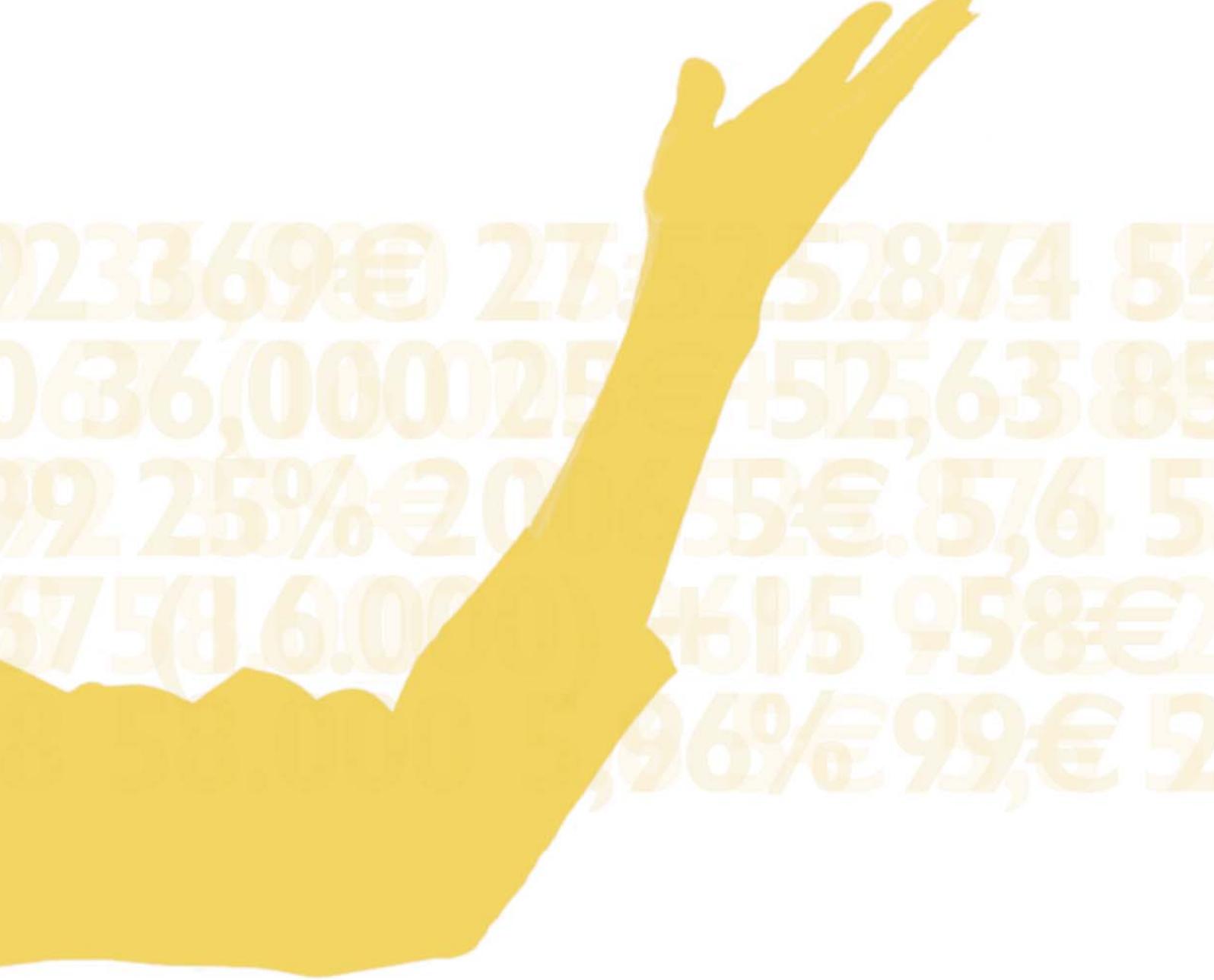
DELOITTE, S.L.

Registered in ROAC under no. S0692



Miguel Ángel Bailón

22 March 2007



■ Context

Economic and Financial Framework
The savings banks in 2006
Regulatory Environment





± 156-58E0923369€ 27.525.874
€25,6 53.000636,000025€ 52,63
% 99€25,99 25% 2006 5€ 5,0

International economy

6.1

The global economy continued to expand in 2006, with somewhat more robust growth than in 2005, outpacing the average of the last four decades for the fourth consecutive year. The expansion was accompanied by a readjustment in internal demand between regions, with a slight slow-down in the United States and greater dynamism in the Euro Area, especially in Germany, while the emerging countries have remained strong. The global economy again evidenced its resilience to adverse shocks, such as the surge in oil prices in the first half and the shrinking US property market in the second half of the year.

////////// GLOBAL GROWTH REMAINED STRONG
FOR THE FOURTH CONSECUTIVE YEAR IN 2006... //////////

GLOBAL ECONOMY: GROWTH AND INFLATION

	GDP		Inflation	
	2005	2006	2005	2006
US	3.2	3.3	3.4	3.2
Japan	1.9	2.2	-0.3	0.2
Euro area	1.5	2.8	2.2	2.2
Germany	1.1	2.9	2.0	1.7
France	1.2	2.0	1.7	1.7
UK	1.9	2.7	2.0	2.3
Latin America	4.3	4.8	6.3	5.6
Brazil	2.3	2.9	6.9	4.2
Mexico	2.8	4.8	4.0	3.6
Emerging Asia	8.5	8.3	3.4	3.6
China	10.2	10.7	1.8	1.5
World	4.9	5.1	-	-

Source: IMF and national statistics offices

////////// ... WITH A LOWER CONTRIBUTION
FROM US INTERNAL DEMAND RESULTING FROM
THE SHRINK IN THE RESIDENTIAL SECTOR. //////////

The **United States** economy grew 3.3% in 2006, although in the central quarters of the year it slowed as a result of the poor performance by housing investment, which shrank by 4pp in the year. Nevertheless, the rest of the economy remained buoyant: both private consumption and investment in capital goods were robust, and exports increased on the back of a strong global economy.

////////// **PRODUCTIVITY GROWTH SLOWED IN THE
US TO ITS LOWEST RATE SINCE 1995...** //////////

In 2006, 1.8 million jobs were created, somewhat fewer than in previous years, but overall almost three times the number of jobs lost between 2001 and 2003, and the unemployment rate came down half a point vs. 2005 (4.6%). Labour productivity slowed for the third year running to a nine-year low, triggering the greatest increase in unit labour costs since 2000, and in turn pushing core inflation upwards.

////////// **...AND THE STEADY INCREASE IN
CURRENT ACCOUNT DEFICIT CONTINUED,
ALBEIT AT A SLIGHTLY SLOWER PACE.** //////////

The public deficit dipped below 2% in FY2006, but the improvement in the public savings ratio was partly offset by a decline in household savings, which fell to levels not seen since the Great Depression. The current account deficit, which reflects the economic financing needs, continued its upward trend to 6.5% of GDP (based on figures up to the third quarter), albeit at a slightly slower pace.

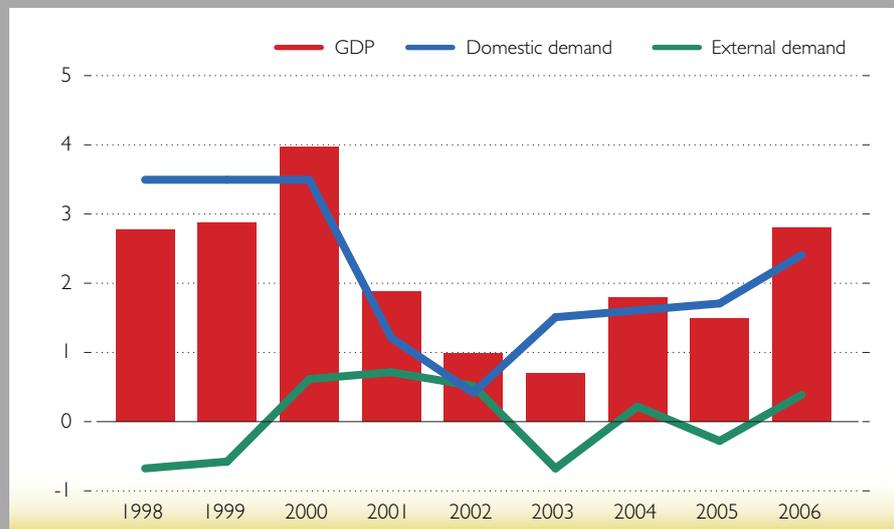
After five straight years of growth under 2%, economic expansion has gained momentum in the **euro area**, and posted an overall rate of 2.8% in 2006. This dynamism was due mainly to higher internal demand, and especially to investment, while private consumption remained in the doldrums, with slow growth in job creation and real wages. External demand scarcely helped growth, with the current account balance declining as the euro rallied in the second half of the year.

////////////////// **REACTIVATION CAME TO THE EURO AREA AT LAST...** ////////////////////

Reactivation in **Germany** was among the best news of the year, with 2.9% growth, its highest rate since 2000, thanks to both internal demand and dynamic exports. GDP also gained pace in Italy and, to a lesser extent, in France.

////////////////// **... ON THE BACK OF MORE DYNAMIC INTERNAL DEMAND IN GERMANY.** ////////////////////

**EURO AREA:
CONTRIBUTION
TO GDP
GROWTH**

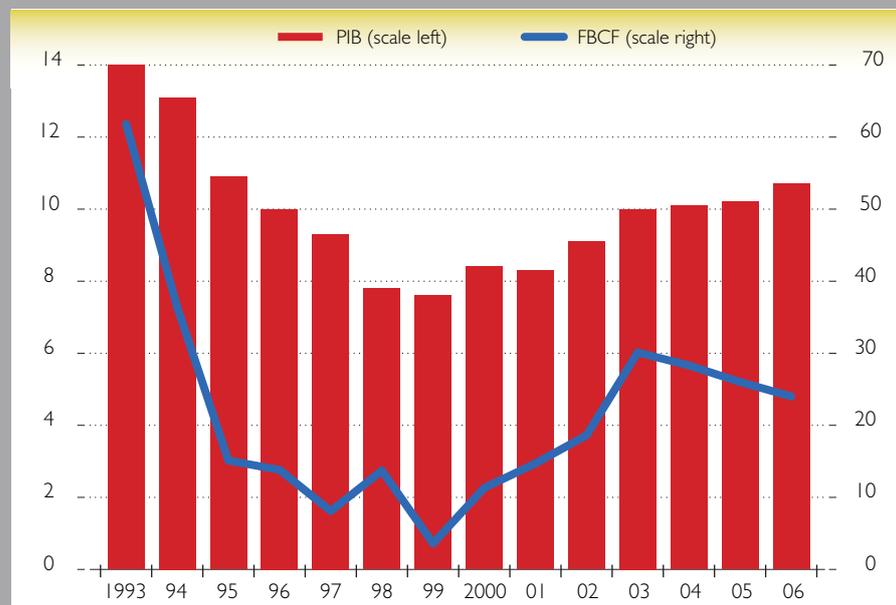


Source: Eurostat

China's economy grew by 10.7% in 2006, which implies a fourth consecutive year of double-digit growth and the highest rate since 1995. Investment continued to advance strongly (22%), financed almost entirely by internal savings (41% of GDP). Nevertheless, this dynamism also implies an increase in energy and environmental costs, and an increasing balance of payments surplus (10% of GDP).

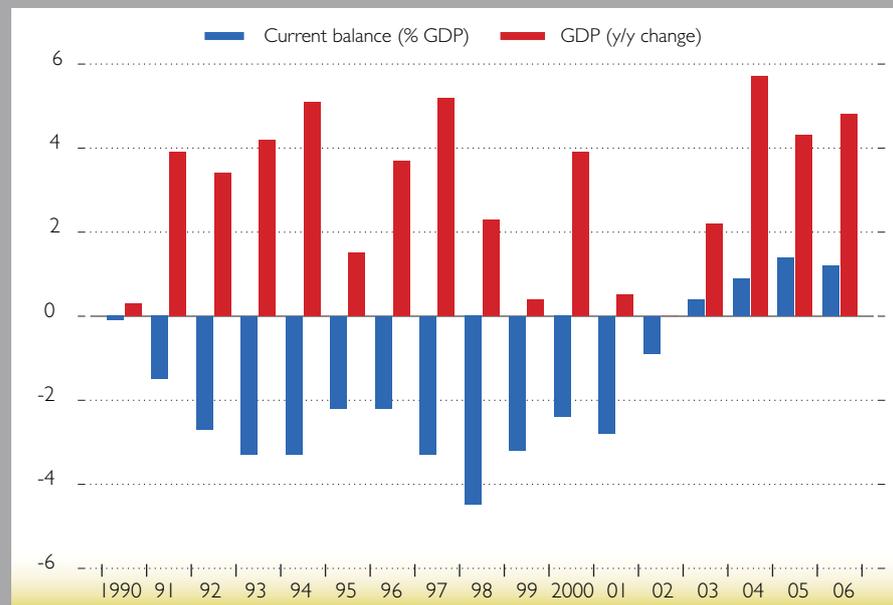
////////// CHINA POSTED DOUBLE-DIGIT GROWTH FOR THE FOURTH CONSECUTIVE YEAR, WITH A GROWING CURRENT ACCOUNT SURPLUS. //////////

CHINA:
INVESTMENT
AND GDP
GROWTH



Source: China's National Bureau of Statistics

LATIN AMERICA:
GROWTH AND
CURRENT
ACCOUNT
BALANCE



Source: IMF

////////// LATIN AMERICA POSTED ITS FOURTH
YEAR OF GROWTH, IN A CONTEXT OF IMPROVEMENTS TO ITS
MAIN MACROECONOMIC VARIABLES. //////////

Latin America posted its fourth consecutive year of economic growth in 2006, with rates somewhat higher than the previous year's 4.5%. External demand continued to benefit from the context of high commodities prices, but dynamic internal demand was the main growth driver. The improved performance by the main macroeconomic variables continued throughout 2006: Unemployment was cut to 8.5% and the cuts in short-term interest rates stimulated internal lending, despite which, with the exceptions of Argentina and Venezuela, inflation rates remained moderate (around 4%), with the help of rallies by their respective currencies. However, the packed election agenda in 2006 slowed the progress of structural reforms and triggered a change in their orientation in countries such as Venezuela and Ecuador.

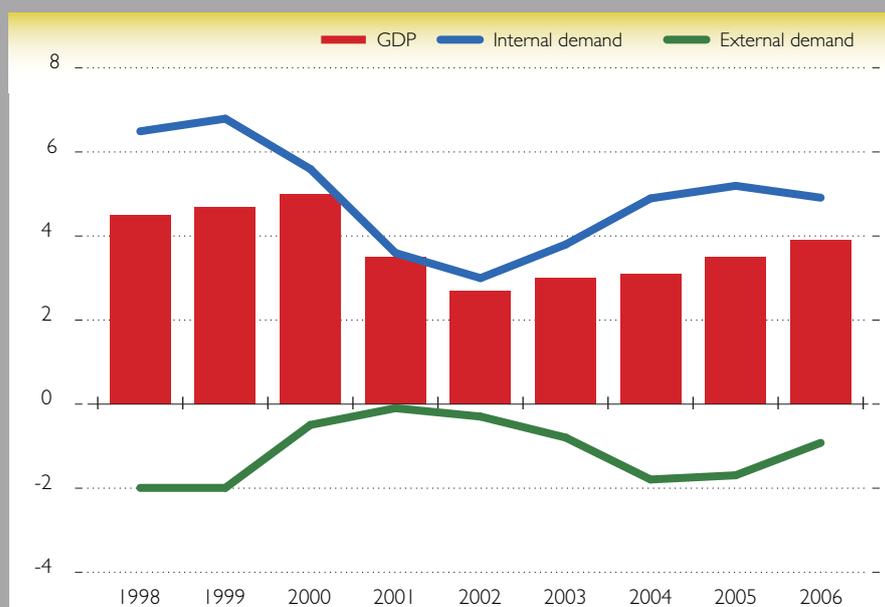
The Spanish economy

6.2

2006 was the fourth consecutive year of acceleration in the Spanish economy, which posted 3.9 growth, its highest rate since 1999. Unlike previous years, 2006 saw something of a rebalancing of the growth pattern, with a smaller contribution by domestic demand (albeit still high, at 4.9pp) and a less negative contribution by external demand (-1pp).

////////// THE SPANISH ECONOMY GREW AT A RATE OF 3.9% IN 2006, EVIDENCING LESS DEPENDENCY ON DOMESTIC DEMAND...//////////

CONTRIBUTION TO GDP GROWTH



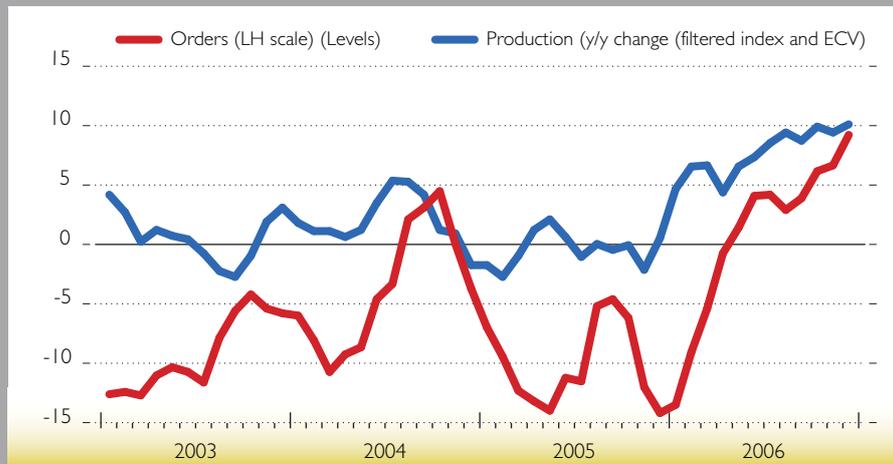
Source: INE

////////// ...ALTHOUGH GREATER LEVELS OF DECELERATION IN THE EURO AREA SLOWED THE PACE OF REAL CONVERGENCE. //////////

From the supply standpoint, the main progress came in the industrial area, in line with output data, which evidenced a 3.8% increase in 2006, most notably in the capital goods sector; in contrast with the previous year's decline.

//////////////// THE SECTOR WHICH MADE MOST PROGRESS IN 2006 WAS THE INDUSTRIAL AREA... //////////////////

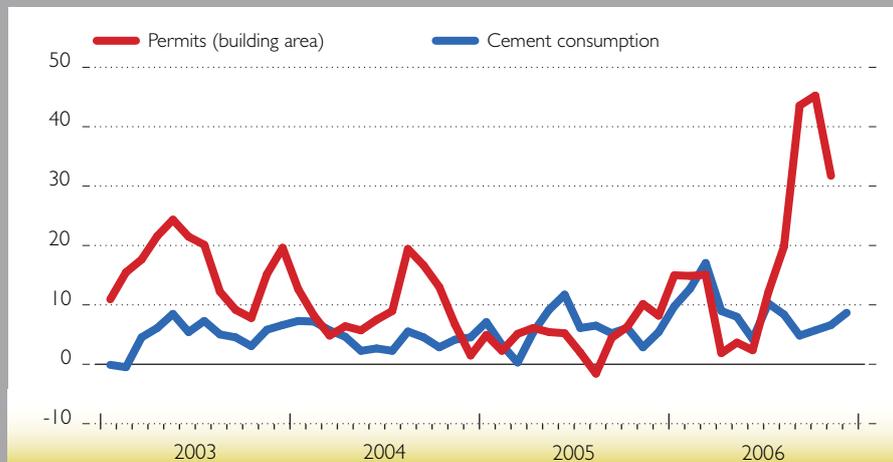
CAPITAL GOODS
(3-month moving average)



Source: INE and Industry Ministry

//////////////// ...BUT CONSTRUCTION ALSO REMAINED VERY STRONG. THIS, COUPLED WITH SLOWER DEMAND FOR HOUSING, LED TO DECELERATION IN PRICES. //////////////////

CONSTRUCTION
(3-month moving average)



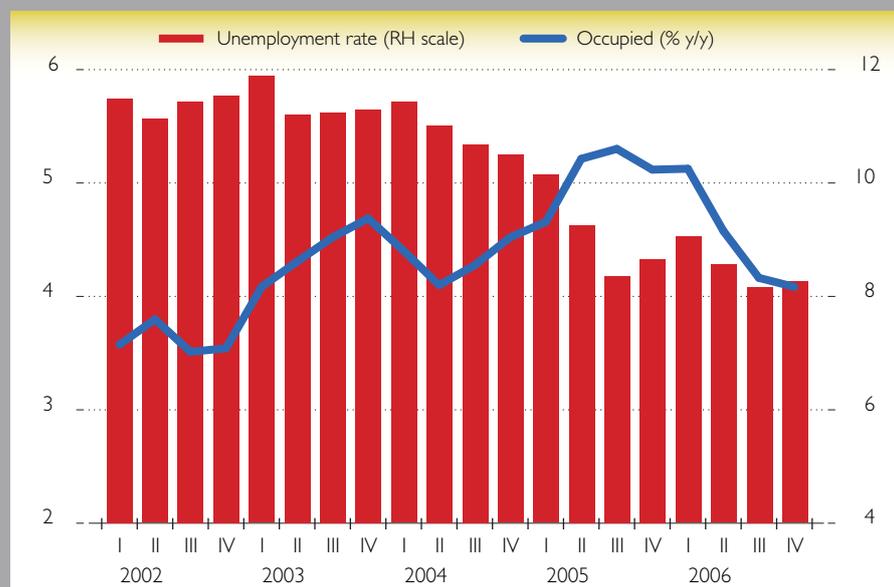
Source: OFICEMEN and Housing Ministry

Performance by the **labour market** in 2006 maintained the healthy tone of previous years, with strong job creation and lower unemployment, despite the considerable increase in the active population resulting from more women entering the labour market and the arrival of immigrants of working age (20% more than in 2005), which increased the rate of activity to 58%. Of the 21.6 million-strong active population, 91.5% were employed, implying a y/y increased of 4.1% (lower than the 2005 figure) and the remaining 8.5% were unemployed (seven tenths of a point lower than the previous year). Seasonality increased to 34% on average in the year.

////////// **EMPLOYMENT REMAINED DYNAMIC,
DUE MAINLY TO THE BOOST BY
IMMIGRANT WORKERS.** //////////

Wage compensation per worker gained pace in 2006, up around 3.5% on average (2.6% in 2005), which, in view of the moderate acceleration in productivity, translated into a higher increase in unit labour costs, namely 2.6%.

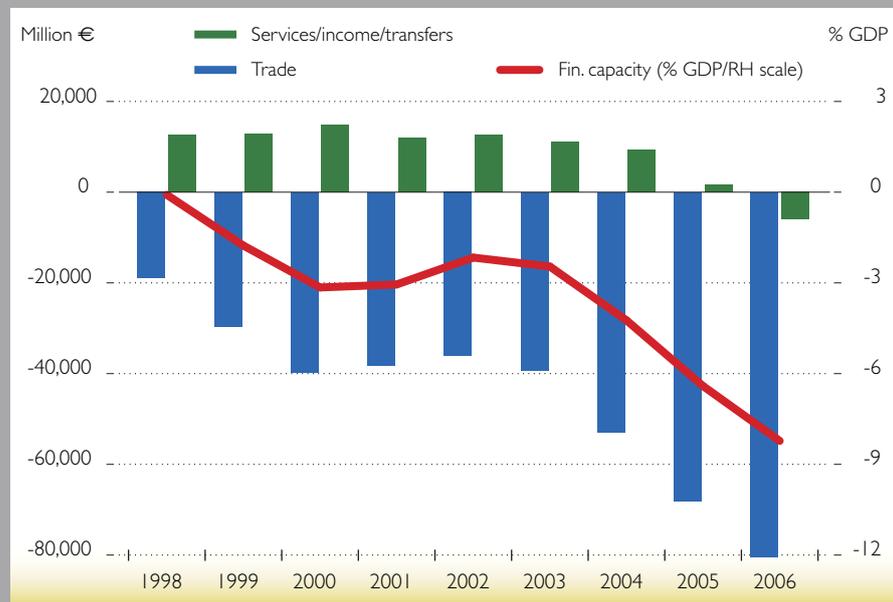
LABOUR MARKET



Source: INE (EPA-2005)

The inflation gap with our main trade partners is one of the key factors in the loss of competitiveness in the Spanish economy, which is evidenced by an increasing trade deficit. This, together with the increase in the deficit for factor income and current transfers, and the lower services surplus, resulted in a sizeable increase in the current account deficit. Accordingly, the Spanish economy's financing gap was 8.2% of GDP, vs. 6.5% in 2005, and was covered from net short-term capital inflows, while direct investment dipped.

BALANCE
OF PAYMENTS
TOTALS



Source: Bank of Spain

Following the surplus in 2005, the first in thirty years, the **public sector** remained in the black in 2006, evidencing financing capacity to the tune of 1.8% GDP, broken down as follows: 1.2% for Social Security, 0.8% for Central Government, almost balanced accounts for the autonomous regions and a 0.2% deficit for municipal governments.

Financial markets

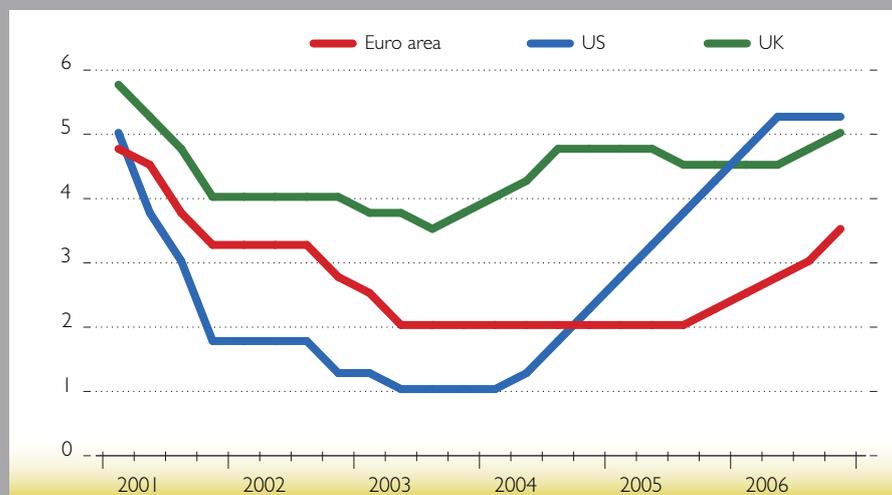
6.3

The financial and commodity markets in 2006 were clearly bullish, hampered only briefly in May and June by an episode of high volatility in view of fears of economic deceleration in the United States and higher interest rates. The doubts having dissipated, global monetary conditions returned to normal and some inflation hikes coincided with equity markets at highs, helped by sound business earnings, in a context of still-moderate long-term rates, which have allowed ample global liquidity conditions.

////////// THE MAIN CENTRAL BANKS TIGHTENED MONETARY POLICY IN 2006, ESPECIALLY THE ECB... //////////

As compared with the uneven performance of 2005, there was a widespread tightening of monetary policy in 2006. Japan took the market by surprise with a slight increase in rates in July (0.4%), after five and-a-half years of inaction. The Bank of England continued its slow-but-steady upward movement, with a 50bp increase in its benchmark rate (5%). The Federal Reserve raised its official rate by 100bp (5.25%), half of the previous year's increase, and focused the increases in the first half, amid signs that growth was slowing in the second half of the year. Meanwhile, the ECB accumulated the highest increases, of 125bp (3.5%), vs. 25bp in 2005, and slightly intensified the pace of rates hikes in the second half of the year, in response to higher prices and acceleration in economic activity in the euro area.

OFFICIAL
INTEREST
RATES



Source: Bank of Spain

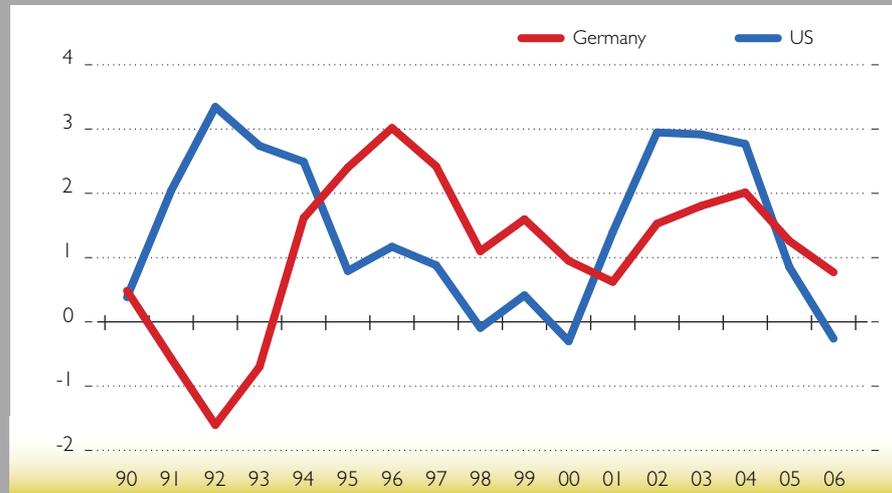
////////// ... TRIGGERING A REDUCTION IN THE
SHORT RATES SPREAD WITH THE US. //////////

In line with the bullish expectations for official rates, **short term market interest rates** increased by around 1pp in 2006 in the euro area, in both the three-month and one-year terms (3.1% and 3.4% annual average, respectively). The three-month interbank rate in the US increased by more than 1.5pp (5.1% on average in 2006), although it began to show a slightly downward trend from August.

Tightening in **long-term interest rates** was more moderate, also easing somewhat in the last few months of the year, especially in the United States. Yields on European sovereign debt increased by six-tenths of a point (3.95% annual average), while US Treasury yields increased by somewhat less, 0.5pp (4.85%), although mid-year saw the highest yields since 2001.

////////// AFTER A YEAR OF DECLINES, LONG-TERM
RATES ROSE IN 2006, BUT MODERATELY. //////////

INTEREST
RATE SPREAD
10Y - 3M



Source: Bank of Spain and ECB

As a result of the aforementioned long-term interest rate performance, the **interest rate curve** in the euro area has experienced flattening (in Germany, the spread hit a five-year low), and in the United States there has even been an inversion (negative slope), for the first time in six years, attributed to the combination of high short-term rates and some signs of economic deceleration.

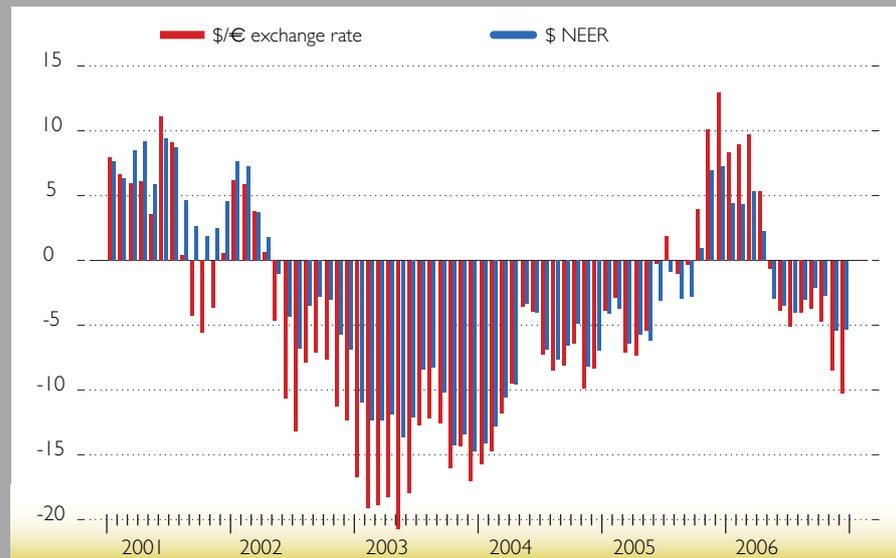
////////// US AND SPANISH EQUITY MARKETS
HIT RECORD HIGHS IN 2006, HELPED IN SPAIN BY
MAJOR M&A DEALS IN STRATEGIC SECTORS. //////////

The **equity markets** closed 2006 with strong gains, posting four straight years of growth, due largely to sound corporate earnings. In the United States, the Dow-Jones added 16%, following the slight dip in 2005, and the DJ Eurostoxx 50 posted similar returns, albeit somewhat more moderate than the previous year. In the euro area, the Spanish stock market was among the most dynamic (35%), in a context of robust corporate activity, particularly in the energy and construction sectors. For its part, the Nikkei in Japan recorded more modest results (7%).

In the currency markets, the dollar resumed its depreciation around May, and closed the year down more than 5% in effective terms, due mainly to the reduction of its positive growth and interest rates spread with respect to other areas. In bilateral terms, the dollar depreciated most against Sterling (11% in December), and then against the euro (10%, at a rate of EUR 0.757), and it lost just 1% of its value vs. the yen, against which it had rallied strongly throughout the year.

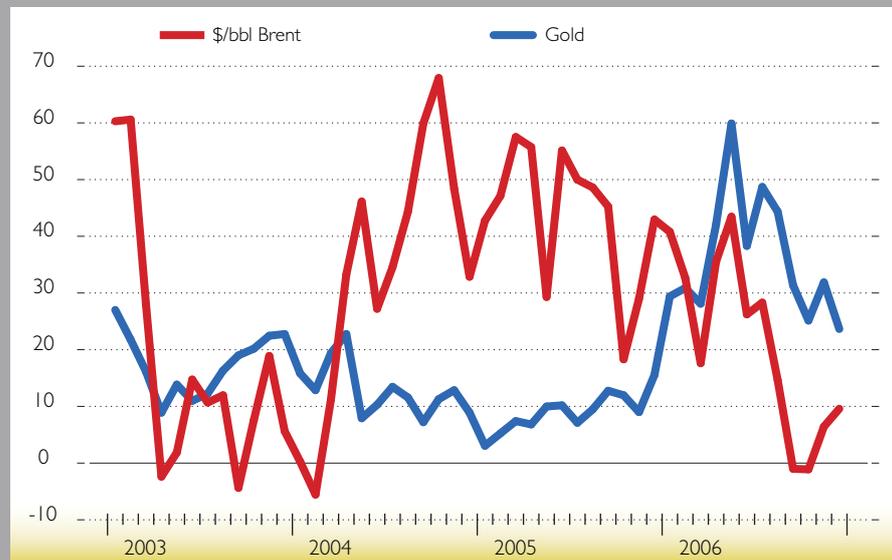
////////////////// THE DOLLAR DEPRECIATED IN 2006,
ESPECIALLY AGAINST STERLING
AND THE EURO. //////////////////

DOLLAR
EXCHANGE
RATE
(y/y change)



Source: Bank of Spain

OIL AND
GOLD
PRICES
(y/y change)



Source: Financial Times

////////// COMMODITY PRICES SOARED IN 2006,
IN A CONTEXT OF GEOPOLITICAL UNCERTAINTY
IN PRODUCER COUNTRIES, AND STRONG
DEMAND, ESPECIALLY IN CHINA. //////////

The **commodities market** continued to advance in 2006, with prices at record highs. Gold prices increased by an average 36% yoy, to more than \$600 per ounce, peaking at one point at \$720. Oil prices increased by 20% to average \$65 per bbl (Brent), having rallied in the first half of the year and peaked in August at over \$78 per bbl due to the compounded geopolitical risk in the Middle East, before moderating in the second half.

Savings Banks Sector Public Balance Sheet

AT 31 DECEMBER 2006

ASSETS

Figures in millions of euros

		Structure	% Change
1. Cash and deposits at central banks	14,181	1.4	19.6
2. Trading portfolio	16,739	1.7	-8.8
2.1 Due from banks	-	-	-
2.2 Money market operations via counterparty institutions	-	-	-
2.3 Customer loans	724	0.1	-
2.4 Debt securities	9,007	0.9	-15.7
2.5 Other capital instruments	813	0.1	60.1
2.6 Trading derivatives	6,194	0.6	-13.5
Pro-memoria: loans or security deposits	4,538	-	-
3. Other fin. assets at fair value with changes in P&L	873	0.1	-7.8
3.1 Due from banks	-	-	-
3.2 Money market operations via counterparty institutions	-	-	-
3.3 Customer loans	-	-	-
3.4 Debt securities	837	0.1	-11.6
3.5 Other capital instruments	36	0.0	-
Pro-memoria: loans or security deposits	102	-	-
4. Financial assets available for sale	70,592	7.1	10.4
4.1 Debt securities	42,806	4.3	-4.4
4.2 Other capital instruments	27,786	2.8	45.0
Pro-memoria: loans or security deposits	31,801	3.2	0.8
5. Loans and advances	821,345	82.4	28.1
5.1 Due from banks	84,606	8.5	37.8
5.2 Money market operations via counterparty institutions	-	-	-
5.3 Customer loans	728,053	73.0	27.8
5.4 Debt securities	3,632	0.4	-31.5
5.5 Other financial assets	5,054	0.5	14.6
Pro-memoria: loans or security deposits	117,724	-	45.7
6. Held-to-maturity investments	16,601	1.7	7.7
Pro-memoria: loans or security deposits	13,636	-	12.4
9. Adjustments to financial assets due to macro-hedging	17	0.0	-65.5
10. Hedging derivatives	9,022	0.9	-26.5
11. Non-current assets for sale	155	0.0	9.5
11.1 Due from banks	-	-	-
11.2 Customer loans	-	-	-
11.3 Debt securities	-	-	-
11.4 Capital instruments	-	-	-
11.5 Property, plant and equipment	155	0.0	9.5
11.6 Rest of assets	-	-	-
12. Shareholdings	19,324	1.9	5.9
12.1 Associates	1,345	0.1	22.8
12.2 Multigroup	1,433	0.1	9.9
12.3 Group	16,546	1.7	4.4
13. Pension-linked insurance contracts	2,908	0.3	17.4
15. Property, plant and equipment	16,636	1.7	7.2
15.1 For own use	14,467	1.5	7.7
15.2 Property investments	695	0.1	-0.6
15.3 Other assets assigned under operating lease	20	0.0	2.3
15.4 In relation to the Welfare Fund	1,454	0.1	6.3
Pro-memoria: Acquired in financial leasing	71	-	29.7
16. Intangible assets	366	0.0	36.7
16.1 Goodwill	-	0.0	-
16.2 Other intangible assets	366	0.0	36.6
17. Tax assets	6,152	0.6	4.2
17.1 Current	861	0.1	27.3
17.2 Deferred	5,291	0.5	1.3
18. Accruals	777	0.1	-25.5
19. Other assets	1,007	0.1	1.8
TOTAL ASSETS	996,695	100.0	23.3

Net Assets

AT 31 DECEMBER 2006

Figures in
millions
of euros

		Structure	% Change
2. Valuation adjustments	8,065	0.8	60.1
2.1 Financial assets available for sale	8,066	0.8	60.5
2.2 Fin. Liabilities at fair value with changes in net assets	-	-	-
2.3 Cash flow hedges	6	0.0	-52.4
2.4 Hedges of net investments in foreign operations	-	-	-
2.5 Exchange differences	-7	-0.0	-
2.6 Non-current assets for sale	-	-	-
3. Equity	49,441	5.0	13.1
3.1 Share capital	192	0.0	-
3.1.1 Paid up	192	0.0	-
3.1.2 Pending payment not demanded (-)	-	-	-
3.2 Share issue premium	-	-	-
3.3 Reserves	42,080	4.2	9.6
3.3.1 Cumulative (losses) reserves	42,080	4.2	9.6
3.3.2 Retained earnings	-	-	-
3.4 Other capital instruments	24	0.0	0.2
3.4.1 From compound financial instruments	-	-	-
3.4.2 Rest	24	0.0	0.2
3.5 Less: treasury shares	-	-	-
3.6 Membership dues and associated funds	30	0.0	0.2
3.6.1 Membership dues	30	0.0	0.2
3.6.2 Membership dues reserve fund	-	-	-
3.6.3 Stabilisation fund	-	-	-
3.7 Income in the year (*)	7,114	0.7	40.2
3.8 Less: Dividend and remunerations	-	-	-
TOTAL NET ASSETS	57,506	5.8	18.0
TOTAL NET ASSETS AND LIABILITIES	996,695	100.0	23.0

Pro-Memoria

A 31 DE DICIEMBRE DE 2006

Figures in
millions
of euros

1. Contingent liabilities	79,250
1.1 Financial guarantees	76,503
1.2 Assets linked to third-party liabilities	61
1.3 Other contingent liabilities	2,686
2. Contingent commitments	188,740
2.1 Amounts drawable by third parties	174,986
2.2 Other commitments	13,754

Changes in net assets

At 31 DECEMBER DE 2006

	Million euros
I. REVENUES RECOGNISED DIRECTLY IN NET ASSETS	2,948
I.1. Financial assets available for sale	2,963
I.1.1. Valuation gains/losses	5,947
I.1.2. Amounts transferred to the P&L	-1,386
I.1.3. Income tax	-1,598
I.1.4. Reclassifications	-
I.2. Fin. Liabilities at fair value changes in net assets,	-
I.3. Cash flow hedges	-7
I.4. Hedges of net investments in foreign operations	-
I.5. Exchange differences	-9
I.6. Non-current assets for sale	-
2. INCOME IN THE YEAR (*)	7,114
2.1. Published income	7,114
2.2. Adjustments due to changes in accounting criteria	-
2.3. Adjustments due to errors	-
3. TOTAL INCOME AND EXPENSES	10,062
PRO-MEMORIA:	
Net equity adjustments imputable to previous years	13

Savings banks sector Consolidated group earnings

At 31 DECEMBER DE 2006

	Million euros	% of average balance
Financial products	34,531	3.52
Financial costs	-18,694	-1.91
NET INTEREST INCOME	15,838	1.61
Net fees	5,039	0.51
Insurance activities	71	0.01
Equity-accounted affiliates	1,340	0.14
Trading income	3,776	0.39
Exchange differences	231	0.02
ORDINARY MARGIN	26,296	2.68
Operating expenses	-13,308	-1.36
Personnel	-8,169	-0.83
General administration	-3,794	-0.39
Amortisation	-1,346	-0.14
Other operating income	1,744	0.18
From non-financial sales and services	970	0.10
Other	774	0.08
OPERATING MARGIN	14,732	1.50
Net losses due to asset impairments	-3,385	-0.35
Net allocations to provisions	-1,012	-0.10
Financial income from non-financial activities	-99	-0.01
Other profit and loss	2,490	0.25
EARNINGS BEFORE TAXES	12,725	1.30
Income tax	-3,029	-0.31
CONSOLIDATED INCOME IN THE YEAR	9,696	0.99
of which: attributed to the group	9,420	0.96
AVERAGE BALANCE SHEET TOTAL	980,769	

The savings banks in 2006

6.4

Total volume managed by the savings banks at 2006 year-end amounted to EUR 996.695 billion, after increasing by more than EUR 188 billion in the year, which, in relative terms, implies an annual increase of 23.3%, i.e. two points higher than in the previous year.

As regards balance sheet structure, as usual in the last few years, on the assets side, lending accounted for more than 82% of the total and loans to customers accounted for more than 73% of total assets at savings banks.

This lending growth was financed mainly by the increase in customer deposits, which accounted for 65% of total liabilities, and with the issues by savings banks which, having soared in 2006, achieved a relative weighting of more than 16% of liabilities.

Equity, comprising mainly accumulated reserves, evidenced the high degree of solvency at savings banks, accounting for 6% of the balance sheet.

● INVESTMENTS

(lending and securities portfolio)

At 2006 year-end, investment at savings banks totalled EUR 863.119 billion, up 24% in the year.

The increase in investment was boosted by higher lending, as a result of ongoing very high demand from customers. Specifically, financing to Spanish households, especially via mortgage loans, boosted lending growth, which in 2006 came to 28%, two points higher than the previous year, bringing total household lending volume to over EUR 700 billion.

Families, and in general the private resident sector, are the main recipients of lending from savings banks because they receive 80% of total investment and more than 95% of lending, although it is also worth underlining a trend of the last few years, namely lending to the non-resident sector which, despite its scant overall weighting (less than 2% of total investment and scarcely 2.5% of lending investment), increased by than 45% in the year.

////////// **LENDING GROWTH CONTINUED,
NOW ACCOUNTING FOR MORE THAN 80%
OF THE BALANCE SHEET TOTAL.** //////////

Demand in mortgage lending also remained buoyant in the year, accounting for 72% of total lending to the private resident sector.

INVESTMENTS
In millions of euros

	2006 balance	Structure	% change	2005 balance
Public Administrations	13,738	1.9	1.9	13,485
Other Resident Sectors	709,531	79.7	28.0	554,345
Non-residents	18,417	1.8	45.4	12,664
CREDIT	741,685	83.4	27.8	580,494
Valuation adjustments	-12,908		19.7	-10,770
ADJUSTED CREDIT	728,777		27.9	569,724
Debt securities	73,028	11.0	-3.5	75,711
Other capital instruments	28,635	2.8	45.6	19,664
Shareholdings	19,807	2.7	5.4	18,800
SECURITIES PORTFOLIO	121,470	16.6	6.4	114,175
Valuation adjustments	-627		-	-102
ADJUSTED SECURITIES PORTFOLIO	120,842		6.0	114,073
TOTAL INVESTMENT	863,154	100.0	24.3	694,669
Valuation adjustments	-13,536		24.3	-10,872
TOTAL ADJUSTED INVESTMENT	849,619		24.3	683,798

However, this significant increase in lending has not impacted on the levels of default which, already very low, shrank even further in the year, to 0.628% in lending.

NPL rate

	NPL rate	y/y change
Customer loans	0.628	-0.056
Spanish administrations	0.270	-0.049
ORS	0.625	-0.062
Non-residents	1.018	0.102
Debt securities	0.036	0.007
BALANCE SHEET TOTAL	0.521	-0.005
Risk and contingent liabilities	0.052	-0.051

The other branch of investment, the securities portfolio, experienced more limited movements in the year, advancing by slightly more than 6% and with a relative weighting of 16.6% of the total invested, although the performance of its various components was unequal. Accordingly, while the fixed income portfolio came down by 3.5% in the year and shareholdings increased significantly, by 5.4%, investment in other capital instruments increased by more than 45%.

● DEPOSITS AND FUNDS CAPTURED

Total on-balance customer funds managed by the savings banks exceeded EUR 800 billion, posting a 26% increase in the year.

80% of these funds were customer deposits and they came mainly from the private resident sector, which notably increased the funds entrusted to the savings banks (more than 21% higher than the previous year's figure). Time deposits increased notably (33% cumulative annual growth), to account for more than half of the deposits managed by savings banks.

● INCOME STATEMENT

Profit after tax at the individual savings banks in 2006 totalled EUR 7.114 billion, an increase of 40% on the previous year and accounting for 0.8% of their average balance sheet totals.

////////// OF NET PROFIT OBTAINED BY THE
SAVINGS BANKS (EUR 7.114 BILLION),
EUR 1.669 BILLION WERE USED TO FINANCE
WELFARE PROJECTS. //////////

At the top of the income statement, net interest revenues increased by 15%, with a 37% gain in interest collected plus a 32.7% increase in dividends obtained. However, these significant increases were amply exceeded by the growth in costs on interest paid to customers to remunerate liabilities entrusted to the savings banks, 63.5%.

Net fees and commissions and net trading income brought the ordinary margin to 19.5% higher than in the previous year, although their relative weighting on the average balance sheet total was 2.55%, three basis points lower than in 2005.

Cost containment policy, which has been standard in the last few years, was maintained in 2006, further reducing the contribution to the balance sheet total by personnel expenses and the rest of general administration expenses, by a tenth of a point and seven basis points, respectively. Accordingly, the operating margin increased by 35.7%, accounting for a fourteen basis points more in average balance sheet terms.

In terms of the line items in the lower half of the income statement, impairment losses on loans and advances, provisions and other items amounted to EUR 2.676 billion, leaving profit before tax at EUR 8.714 billion.

Furthermore, during 2006, 1,602 new ATMs were installed, bringing the total at year-end to 33,187.

OFFICES,
EMPLOYEES
AND
PAYMENT
SYSTEMS

	2006	Differences		2005
		Absolute	%	
Operating offices	23,456	1,013	4.5	22,443
In Spain	23,414	1,005	4.5	22,409
Abroad	42	8	23.5	34
Employees	124,139	6,259	5.3	117,880
In Spain	123,800	6,187	5.3	117,613
Men	73,898	1,900	2.6	71,998
Women	50,241	4,626	10.1	45,615
Abroad	339	72	27.0	267
ATMs	33,187	1,602	5.1	31,585
Cards ('000)	36,754	2,091	6.0	34,663

Regulatory environment

6.5

We can safely assert that legislative activity was quite intense in 2006. In the three levels analysed under this heading, national, regional and EU, legislative activity brought the approval of significant rules for financial institutions and, therefore, for the savings banks. In all the aforementioned spheres, as the savings banks' representative, CECA continued to uphold the interests of the industry, contributing in all matters in which its intervention could potentially be beneficial for the banks.

////////// DEREGULATION OF THE
SPANISH COLLECTIVE INVESTMENT
INSTITUTION MARKET ENDED IN 2006. //////////

At national level, approval of **Ministerial Order EHA/I 199/2006, dated 25 April, and CNMV Circular 1/2006, dated 3 May**, spelled the end of the process to deregulate the Spanish collective investment market. The two rules complete development of the legal system established for the Regulation of Collective Investment Institutions in the ambit of free investment. The main aim of the Order is to develop the legal system for the free investment collective investment institutions (IICILs-hedge funds) and collective investment institutions of IICILs. For this purpose, among other issues it deals with aspects relating to the investment system and debt policy, calculation of liquid value of shareholdings and shares, and reimbursement rights. The Circular, for its part, completes the legal framework for the IICILs. The highlights of the system established under the provisions of the Circular are detailed regulation of the organisational and risk control requirements applicable to management companies which manage IICILs, regulation of relationships between management companies and financial intermediaries which provide funding and other services to IICILs (prime brokers) and strengthening of the functions of supervision and control of the depository. Accordingly, approval of these two new rules completes the new legal system enabling hedge funds to be marketed in Spain. There is a specific set of obligations for depositories which decide to enter this business, which they must assume within the framework of their duties of supervision and surveillance of the actions of management companies as provisioned by the CII Law.

////////// **THE CNMV DID NOT CONSIDER
IT NECESSARY TO DRAW UP A SPECIFIC
CODE OF GOOD GOVERNANCE
FOR SAVINGS BANKS.** //////////

Furthermore, it is worth mentioning **CNMV Circular 2/2006, dated 27 June**, concerning disclosure by foreign collective investment institutions registered with the CNMV. This new Circular, which repeals its predecessor in this connection, seeks to speed up file processing, achieve faster public access to the information received and obtain greater guarantees in the quality of said information.

Another of the thorniest issues in Spain was approval last May of the Standardised Code of Good Governance (*Código Unificado de Buen Gobierno*). This Code, whose initial purpose was to standardise the recommendations of the Olivencia and Aldama papers, was the result of heated debate within the industry regarding its scope and coverage. The institutions to which the Code was to apply, namely listed corporations, will at all events have a reasonable period of time in which to adapt to the new recommendations, and they will not have to justify compliance until the Annual Corporate Good Governance Report for 2007. **The CNMV did not deem it necessary to draw up a specific code of good governance for savings banks.**

As for the **securities market**, worthy of mention is **Law 12/2006, dated 16 May**, enacting the amended text of the Legal Statute of the Insurance Settlement Consortium, approved by Royal Legislative Decree 7/2004, dated 29 October, and Securities Market Law 24/1988, dated 28 July. This Law incorporated certain notable modifications to the Securities Market Law when it went through the Senate. The Law introduced the obligation for institutions performing transactions with financial instruments to warn the CNMV when they consider that there are signs of a possible usage of privileged information or of a practice which undermines free price formation. This precept is a rule of conduct, and non-compliance therewith is subject to the penalty system provisioned by the Securities Market Law and based on the **Market Abuse Directive**. It also renders more flexible the regulation of the holding company "Bolsas y Mercados Españoles" (BME), since it suppresses from the Securities Market Law the provision which states that this company's capital "shall be distributed among the members of the securities exchanges which wish to participate therein", as well as the framework applicable to the rights and conditions in which the shareholdings shall be performed, the first step in floating BME. Lastly, Law 12/2006 reduces from 5% to 1% the concept of significant shareholding in companies which manage secondary markets in Spain and in the payment systems company *Sociedad Española de Sistemas de Pagos*.

Two notable new anti-money laundering Ministerial Orders were approved: **Order EHA/1439/2006**, dated 3 May, regulating the declaration of payment systems movements in the sphere of money laundering prevention and **Order EHA/2619/2006**, dated 28 July, enforcing certain money laundering prevention obligations for subjects performing currency exchange or foreign transfer management activities. Both Orders introduce novelties in how savings banks and other credit institutions operate. The first applies to persons or legal entities performing payment system movements, either inside national territory or in and out thereof, for amounts equal to or higher than the amounts specified in the Order. The second, relating to certain obligations for subjects performing currency exchange or foreign transfer management activities, shall apply solely to cash transactions performed by customers who do not have an account with the institution in question.

////////// **THE LATEST PERSONAL INCOME TAX REVIEW ESTABLISHES A NEW FRAMEWORK OF COMMON TREATMENT FOR SAVINGS PRODUCTS AND ENACTS A REDUCTION IN CORPORATE TAX RATES.** //////////

As regards tax, in 2006 two laws were approved that are of vital importance for the savings banks. Accordingly, **the Income Tax Law** establishes a new framework of common treatment for savings products and, most notably, enacts a reduction in corporate tax rates in the next two years which will effectively reduce said rates by five percentage points. Furthermore, the **Law on Measures to Prevent Tax Fraud** also introduces important new provisions. The most important of these refer to the system for related-party transactions in Company Tax, which will also impact on VAT and Personal Income Tax, as well as the creation of a fiscal consolidation framework in VAT and IGIC - the indirect tax applied in the Canary Islands (effective as from 1 January 2008) which will allow aggregate settlement of these taxes for tax groups.

In the sphere of insurance and pension funds, **Law 11/2006, dated 16 May, was approved, which adapted Spanish legislation to the regulations concerning cross-border activities under the provisions of Directive 2003/41/EC of the European Parliament and of the Council of 3 June 2003 on the activities and supervision of institutions for occupational retirement provision and Law 26/2006, dated 17 July, on private insurance and reinsurance brokerage.** The first law adapts Spanish legislation to the new regime concerning corporate retirement planning introduced by the EU regulation, which seeks to create a domestic market for corporate pension planning for occupational retirement. The second law adapts Spanish legislation to the new framework of insurance mediation activities under the provisions of Directive 2002/92/EC..

Finally, in the national context, it is worth highlighting the approval, at the end of last year, of **Instruction 1/2006, of the Spanish Data Protection Agency, concerning the processing of personal data for the purposes of camera or video camera surveillance systems.** The main novelties are the content of the informative labels for camera surveillance and the obligation to have forms which must be available to employees.

////////// **AT EU LEVEL, THE MAIN NEWS WAS
APPROVAL OF TECHNICAL MEASURES IN
APPLICATION OF THE DIRECTIVE ON MARKETS
IN FINANCIAL INSTRUMENTS (MIFID).** //////////

At EU level, the main novelty was approval of the level II measures or technical measures in application of Directive 2004/39/EC on Markets in Financial Instruments (MiFID). Accordingly, in September 2006 the Official Journal of the European Union published **Commission Directive 2006/73/EC** of 10 August 2006 implementing Directive 2004/39/EC of the European Parliament and of the Council as regards organisational requirements and operating conditions for investment firms; and **Commission Regulation (EC) No. 1287/2006**, dated 10 August 2006, implementing Directive 2004/39/EC of the European Parliament and the of Council as regards record-keeping obligations for investment firms, transaction reporting, market transparency, admission of financial instruments to trading. Publication of these two

regulatory instruments completes the regulatory phase of the Lamfalussy procedure in relation to financial instrument markets. Nevertheless, still pending publication are the level III interpretative measures or interpretative recommendations and common standards of application, responsibility for which rests with the Committee of European Securities Regulators (CESR). The regulatory measures approved develop the provisions of MiFID, contributing new information regarding the obligations of credit institutions once the level I Directive is in force. The scheduled date for entry into effect is 1 November 2007, and accordingly CECA and the savings banks in 2006 launched a sector-wide project, coordinated by COAS, the main aim of which is effective implementation of MiFID and its technical implementing provisions. MiFID and its level II Directive must be transposed to Spanish legislation in 2007.

At EU level there have also been novelties concerning prevention of money laundering. On 1 August 2006, **Directive 2006/70/EC was approved, laying down implementing measures for Directive 2005/60/EC of the European Parliament and of the Council as regards the definition of “politically exposed person” and the technical criteria for simplified customer due diligence procedures and for exemption on grounds of a financial activity conducted on an occasional or very limited basis financial activity.** Its ultimate purpose is to clearly define the concept of “politically exposed persons”, develop the simplified due diligence processes applicable to certain situations which present a low risk of money laundering or financing of terrorist activities and, lastly, determine the technical criteria which serve to decide the non-application of the regulations against money laundering to certain persons or legal entities who perform occasional or very limited financial activity. Furthermore, we would highlight the approval of Regulation (EC) No. 1781/2006 of the European Parliament and of the Council, dated 15 November 2006, on information on the payer accompanying transfers of funds. This regulation establishes rules concerning the information which must accompany transfers of funds, as regards the payers thereof, for the purposes of preventing, investigating and detecting money laundering and financing of terrorist activities.

At EU level, the New Basel Capital Accord has definitively been incorporated into EU legislation. **Directive 2006/48/EC of the European Parliament and of the Council, dated 14 June 2006, relating to the taking up and pursuit of the business of credit institutions, and Directive 2006/49/EC of the European Parliament and the Commission, dated 14 June 2006, on the capital adequacy of investment firms and credit institutions** effectively amended the EU banking legislation.

////////// **IN 2006, THE NEW BASEL II CAPITAL ACCORD
WAS INCORPORATED INTO EU LEGISLATION.** //////////

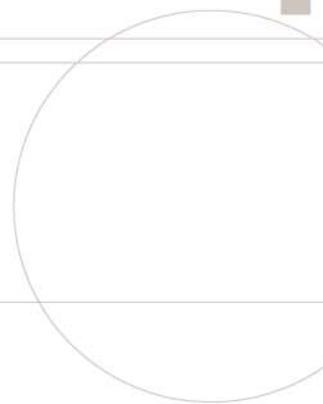
Finally, at **regional level**, the only novelties in regulations that are ranked as Laws was **Law 14/2006 of Catalonia, dated 27 July, modifying the amended text of the Laws on Savings Banks in Catalonia; Organic Law 1/2006, dated 10 April, reforming the Statute of Autonomy of the Region of Valencia; Organic Law 6/2006, dated 19 July, reforming the Statute of Autonomy of Catalonia; and the Organic Law reforming the Statute of Autonomy of Andalusia.** Some of the most significant changes introduced by the first of these laws were the extension of the mandate of members of Boards of Directors, establishment of the functions of the Chairman of the Board of Directors, allowing remuneration, and the incorporation of corporate good governance regulations. The other laws set in motion a process in other autonomous regions. All of these new Statutes expressly set forth regional competencies concerning savings banks.

23369€ 27.525.874 53
636,00025€+52,6385
92 25% 200655€ 8,6 5
875 (8.6.000), 961/5 958€2
958.00005,96% 99,€ 52



■ Profile

Abroad
At home





€ 156-58E	9123369	€ 27525.874
€ 25,6	53.0000	36,0000
% 99	€ 25,99	25% 2006
€ 57,6	152,63	152,63

Specifically, at the CEBS, CECA's contribution is vital since it has a representative on its **Consultative Panel**. The work of CEBS last year focused on implementing and transposing the Capital Requirements Directive, supervisory practices and the matter of equity and major risk exposure.

CECA was also active in the European Payments Council (**EPC**), the coordinating and decision-making body on payments for the European finance industry. In the case of the EPC and in view of the strategic importance of the matters it deals with, CECA sits on its Coordination Committee.

● INTERNATIONAL ACTIONS BY CECA

Having described the various institutional forums, it is worth mentioning the matters on which their activities have focused:

//////// **The IMF's Financial System Assessment Programme: Spain.** In 2006, the International Monetary Fund devised an analysis aimed at assessing a financial system's stability, using custom-designed methodology. From the start of evaluation year, IMF experts showed considerable interest in the success reaped by the savings banks. In order to glean more in-depth knowledge of how these banks work, in 2005 they held various meetings with CECA representatives. Furthermore, to complete their overview, they visited FUNCAS and some specific savings banks.

The IMF devoted a specific technical note to savings banks, published in 2006, offering a comprehensive overview of their legal and business structure.

In this connection, the IMF welcomed the increased plurality in the composition of the governing bodies of savings banks deriving from the reform implemented from the so-called Finance Law (Ley Financiera) in 2002. Furthermore, although the IMF is a monetary body, it referred to the crucial role of savings banks in social welfare projects, expressly mentioning the research sponsored by CECA titled Valoración del impacto de la obra social (Evaluation of the Impact of the Welfare Fund).

////////// CECA DEFENDS IN EUROPE THE
PLURALITY OF CORPORATE MODELS WHICH
CURRENTLY COMPETE IN THE MARKET. //////////

In July, the European Parliament approved the report titled Towards Further Consolidation in the Financial Services Industry, which also advocated a higher degree of integration for the European financial system. In this document, the Parliament defended institutional diversity and diversity of size as a means of safeguarding the various financing needs of large corporations, SMEs and private individuals. For the European Parliament, this plurality should continue to be the flagship feature of the EU's financial system.

////////// THE EUROPEAN PARLIAMENT
APPROVES INSTITUTIONAL DIVERSITY AS A FLAGSHIP
FEATURE OF THE EUROPEAN FINANCIAL SYSTEM. //////////

In 2006, a new debate commenced concerning integration, triggered by the European Commission's Directorate General for Competition, which had been investigating the operation of retail banking (focusing on credit cards, current accounts and interconnected services). In July, the Commission published its Interim Report II: Current Accounts and related services, subject to the observations of the industry as a whole. CECA, on behalf of the Spanish savings banks, participated actively in this debate.

The aforementioned report contained a comprehensive analysis of the operation of the European retail banking market. The main conclusion from the report is that the European market is highly fragmented and diversified, as evidenced by the unequal levels of concentration, profitability, efficiency and prices. Against this backdrop, Spain's figures are more than healthy: the Spanish financial system has among the lowest concentration levels (both nationally and regionally). Furthermore, Spanish institutions compare very well in cost and profitability terms.

As regards the operation of the retail market, the report focuses on the mobility of current accounts (once again, in Spain mobility is higher than the European average) and the payment systems' operation.

////// At **regulatory level**, CECA actively participated in the debates at European institutions.

/// **Mortgage market.** Last year, discussions continued regarding the best way to structure a harmonised mortgage market. Initiatives emerged from the Commission's Green Paper in this connection.

/// **Consumer credit** Negotiation of the draft Directive on consumer credit was not completed in 2006. The positions of the various member states, the Commission and the Parliament today seem distant, and work must continue in 2007.

/// **Prevention of money laundering.** Approval of a Directive implementing the Third Directive on the Prevention of Money Laundering helped resolve important matters, such as the definition of "politically exposed persons".

/// **Payment Services Directive.** Work continued on this Directive, the fundamental legal framework for the Single Euro Payments Area (SEPA), but no agreement has yet been reached. In this case too, differences of opinion are delaying its approval considerably.

/// **MiFID.** In 2006, level II measures were published and discussions began on level III, with a view to entry into operation of this set of regulations on 1 November 2007.

In 2006, the European Commission issued its long-awaited report on **Corporate Social Responsibility (CSR)** "Implementing the partnership for growth and jobs: making Europe a pole of excellence on corporate social responsibility". This is basically a business-oriented report which includes proposals for European companies to join an **Alliance to promote CSR in Europe**. Fifteen Spanish savings banks have already joined this alliance, of a total of nineteen Spanish member companies.

////////// FIFTEEN SAVINGS BANKS HAVE
ALREADY JOINED THE EUROPEAN ALLIANCE TO
PROMOTE CSR IN EUROPE. //////////

The savings banks' main contribution to this **alliance** was to set up two working groups, which will be expected to provide specific recommendations to improve transparency and information compilation for the industry report on CSR and to factor environmental considerations into the way the savings banks operate and the processes they use. This contribution has already been conveyed by CECA to the two European commissioners in charge of developing this alliance.

Another international initiative in this sphere is the savings banks' contribution to the revision of the indicators of **the financial supplement to the Global Reporting Initiative (GRI)**, which is becoming a commonly accepted standard for drafting sustainability reports. CECA coordinated the work of twenty savings banks, as the only Spanish institutions involved in this international project which will lay the groundwork for the guidelines for drafting CSR reports for financial institutions.

As for micro-financing, CECA was involved in the **Global Microcredit Summit**, held in Halifax, Canada, as well as various forums organised by the European Microcredit Network, with special attention to the meeting in Prague in Spring.

As regards the activity of *Montes de Piedad* (savings banks that were originally pawnbroking institutions), last year was the 14th General Assembly of the International Pawnbroking Association (which groups together pawnbroking institutions in Africa, America and Europe), in Seville, at the invitation of El Monte, which on this occasion was organised jointly with the 16th General Assembly of Spanish Pawnbroking Institutions. The joint celebration of both assemblies led to cooperation initiatives between

////// In **banking business cooperation**, CECA led the recently created banking business task-force.

CECA also worked at international level in primary defence and assistance to savings banks worldwide, particularly in Latin America. As an example, 2006 saw completion of the **Technical Cooperation Project for the Support and Modernisation Programme of the Credit Savings Banks and Workers' Banks (Programa de Apoyo y Modernización del Sistema de Cajas de Crédito y Bancos de los Trabajadores - FEDECRÉDITO)**, in El Salvador. This project shows how the Confederation participates actively in cooperation projects for technical development of financial systems which require it, sharing its expertise and its experience.

At home

7.2

CECA is present in various national forums, always in compliance with the statutory objectives set forth in this Report. Only the most important of these organisations or those that have played an especially prominent role in 2006 are listed here.

Cooperation with the **Bank of Spain** has been particularly intense, especially in work to transpose the new Directive on Capital Adequacy. CECA helped answer all the Bank of Spain's industry consultations, in matters as important as the national powers set forth in the Directive. It also sits on the "GT3" Committee on the forgery of banknotes. Matters relating to clearing houses, processing of cash, customer relations, development of systems, etc. are a steady source of new projects. The Confederation is directly involved in three committees: the Auxiliary Cash Deposit System Committee, the Payments Systems Committee and the Cash Working Group Committee.

Furthermore, the Confederation is associated with the **Spanish Mortgage Association** (Asociación Hipotecaria Española - AHE), with representation at its Ordinary General Assembly and its Legal Working Group. The two institutions were in constant contact throughout the year. Regardless of other questions, such as monitoring of the draft law on competition and priority of loans in the event of special executions and the integration of mortgage markets in the EU, particularly activities by groups created for this purpose at the European Commission (MFEG - Mortgage Funding Experts Group and MICDG - Mortgage Industry and Consumer Dialogue Group), cooperation was notable in the processing of the draft law for modernisation of the mortgage market, regulation of reverse mortgages and dependency insurance.

Joint-interest projects are undertaken at the **Centre for Interbank Cooperation** where all Spanish banks are represented. Issues covered include the RAI (Register of Unpaid Acceptances), handling of cash, IT security, e-invoices and common software. CECA participates in the Board of Directors and in various working groups linked to these projects.

CECA is also represented at the **Spanish Payments System Company** (Sociedad Española de Sistemas de Pagos - SESP), set up to manage and administer Spain's National Electronic Clearing System, taking over this role from the Bank of Spain. This role and the future projection of systems into a more European framework raises the issue of how to manage the necessary changes and what is the best way forward for Spanish institutions. CECA sits on the Board of Directors and the Technical Advisory Committee.

////////// **CECA SITS ON THE TAXATION
COMMITTEE, WHICH IN 2006 FOCUSED ON THE NEW
IRPF AND MEASURES TO PREVENT TAX FRAUD. //////////**

The Taxation Committee, which includes representatives of the Tax Authority, CECA, the AEB and the four largest financial institutions in Spain, held a number of meetings in the year to analyse the draft income tax bill and measures to prevent tax fraud, channelling the financial sector's proposals via the Committee, particularly those concerning the creation of the tax consolidation system for VAT and IGIC (indirect

taxation applied in the Canary Islands) and the improvements in the tax system for savings products and income tax welfare schemes. Other issues covered include the consequences of cutting corporate income tax rates in prepaid taxes, fiscal treatment of loan fees activated in application of IAS and the necessary VAT reform in terms of the treatment of financial services.

The **Embargo Procedures Monitoring Committee**, in which the State Agency of the Tax Authority (Agencia Estatal de la Administración Tributaria), CECA, AEB and UNACC are all represented, analyses the administrative centralised embargos on Public Tax Authority debtor accounts at credit institutions, and debates the conflicts which, where applicable, have emerged as a result of said embargos.

////////// THE CONFEDERATION ACTS
AS INTERLOCUTOR WITH THE ADMINISTRATION
IN AREAS SUCH AS HOUSING AND LAND; AGRICULTURE,
FISHERIES AND FOOD, AND ECONOMY AND TAX. //////////

The Confederation also belongs to the **Housing Framework Agreement** Group, together with representatives of the Housing Ministry, the AEB and UNACC. This group provides a forum for debate of the problems and proposals that affect credit institutions in the financing of low-cost public sector housing. In 2006, it reported on various matters relating to the new 2005-2008 State Housing Plan, published by the Official State Bulletin on 13 July 2005 via Royal Decree 801/2005, dated 1 July 2005. CECA helped draft Order VIV/2784/2006, dated 27 July, and published in Spain's Official State Gazette (BOE), issue 218, dated 13/9/2006, establishing the composition and operation of the State Housing Plan Board, as set forth in Article 81 of said Royal Decree, conveying to the Ministry the opinion of the savings banks.

As regards the composition of the **State Housing Plan Board**, each of the main organisations of the financial institutions involved in the 2005-2008 plan shall designate a representative; CECA has already designated its representative.

The Committee for Monitoring the Arrangement for Financing the Improvement of Agricultural Structures, which brings together representatives from the Ministry of Agriculture, Fisheries and Food and CECA, approved a number of resolutions in 2006 on matters relating to implementation of the arrangement, such as advance payment of subsidies to savings banks, ranging from the standards to apply to the timing of new advance payments.

The Confederation attended the plenary session of **the Economic and Social Council** (CES), in representation of “group 2” (CEOE-CEPYME). CES issues opinions, either under obligation or upon request, depending on the circumstances, concerning matters about which the government submits enquiries, and, at its own initiative, it conducts research and issues reports on the matters which fall within its sphere of competency. CES also prepares an annual report on the socio-economic and employment situation in Spain.

////////// **CECA WORKED WITH THE SPANISH
DATA PROTECTION AGENCY IN PROCESSING PERSONAL
DATA SUBJECT TO INTERNAL CODES OF
CONDUCT IN SECURITIES MARKETS. //////////**

In 2006, relations with the **Spanish Data Protection Agency** intensified. The agency received a number of enquiries (concerning the processing of persons subject to internal codes of conduct in securities markets, among others) and participated in a number of forums and meetings organised by CECA, especially in the sphere of regulatory compliance.

Since its creation, CECA has been involved in the **Experts’ Forum of Corporate Social Responsibility** (CSR), an initiative of the **Labour and Social Affairs Ministry**, involving another 45 public and private bodies and institutions. The meetings held in 2006 resulted in a document setting forth a definition of CSR, explaining its current situation in Spain and laying out the forum’s main recommendations to the government.

The Ministerial Order of 26 June 1995 established the regulation for the organisation and operation of the Mixed Coordination and Private Security Committees. These include the **Central Mixed Private Security Committee**, a consultative body aimed at fostering the coordination of private security, as part of **Interior Ministry's** Secretariat of State for Security. In 2006, the various sectors involved were asked to submit proposals to adapt to changes in new services' technology, items used and operation. The European Union's case against Spanish Law 23/1992 on Private Security, due to divergence with EU precepts, led the Interior Ministry's Secretary of State for Security to consider processing a new law which does suit EU precepts. Within the working groups given this mandate are the representatives of the savings banks.

The Confederation is a member of the General Assembly, the Executive Committee and the Managing Trust of the **Spanish Confederation of Employers' Organisations** (Confederación Española de Organizaciones Empresariales - CEOE). CECA is represented in a number of CEOE working groups. Particularly active in 2006 was the Labour Relations Committee and the Educational and Teaching Policy Committee (whose basic purpose is the observatory on all regulations and changes in the training sector and its impact on business).

The **Spanish Quality Association** (Asociación Española para la Calidad - AEC) is a private not-for-profit body, which seeks to foster and support a culture of quality as a means to boost the competitiveness of Spanish companies and organisations. CECA sits on the Financial Institutions Committee, whose mission is to be a forum for the dissemination, promotion and information of quality and excellence in the management of financial institutions and to promote ongoing improvement and excellence.

CECA is a member of the **Spanish Association of Telecommunications and Information Systems Users** (Asociación Española de Usuarios de las Telecomunicaciones y de los Sistemas de Información - AUTELSI), and the Commission for the Development of Telecommunications. The Confederation's role is to report needs identified by the sector (particularly of a regulatory nature) to try and provide feedback and solutions through any of its bodies or working groups.

CECA is also a member of the **Spanish XBRL Association** headed by the Bank of Spain, alongside other financial institutions official bodies and service companies. It is part of the Technology working group and the Tools subgroup, whose aim is to compile first-hand knowledge of the different technologies (their benefits and drawbacks) involved in XBRL financial reporting. The association seeks to promote the introduction, adoption and development in Spain and internationally of XBRL (Extensible Business Reporting Language).

The Confederation is also present in the **Spanish Association for Standardisation and Certification** (Asociación Española de Normalización y Certificación - AENOR), a private and independent non-profit Spanish institution, recognised at domestic, EU and international level, and contributing, through development of standardisation and certification activities, to improving quality at companies, and in their products and services, as well as to protecting the environment and thereby the well-being of society as a whole. The Confederation participates in the CTN - 108 Technical Standardisation Committee and the CTC - 055 Technical Certification Committee for Security Products).

The savings banks' training school (Escuela Superior de Cajas de Ahorros - ESCA) represents the Confederation both in the aforementioned CEOE Educational and Teaching Policy Committee and in a number of training forums, such as: The Paritary Savings Banks Sector Commission before the **Tripartite Foundation for Employment Training**, the institution which manages training initiatives under the III National Continuing Training Accord (this is the Commission where training and development plans for the savings sector linked to subsidies are approved); the **Group of Financial Institutions' Training Managers** (Grupo de Responsables de Formación de Entidades Financieras - GREF), which comprises the training and human resources development managers of banks, savings banks, rural savings banks and cooperative banks (this group is a forum for debate on training); and the Working Group for Savings Banks Professional Accreditation, in cooperation with the **National Institute of Professional Qualifications** (Instituto Nacional de Cualificaciones Profesionales - INCUAL), of the Education Ministry (its purpose is the integrated organisation of a system for accreditation and evaluation at sector level, aimed at critical professions for savings banks).



■ Human Capital

Integrated human resources system
Training services to savings banks



- /// Consolidating a tool for organisational analysis and management which enables us to identify at all times the functional balance of the organisation and the development thereof.

- /// Clarifying and defining the allocation of responsibilities and hierarchical interrelations, facilitating internal communication by virtue of the clarification of roles.

- /// Obtaining real, definitive and systematic data to determine the relative value of each post.

- /// Providing an objective basis to dynamically adjust the organisational structure to the institution's strategic objectives, via functional simplification and flexibility.

- /// Providing clear principles which help and which, above all, afford coherence to other related processes: selection, training, promotion and professional career, etc.

This process is based on the direct description by 718 CECA employees (89% of the workforce) of their posts, and it concluded during 2006.

- /////// Design of the objective bases for the development of a remuneration study, to improve internal equality and external competitiveness in processing CECA wage compensation.

This remuneration analysis was approached in order to offer a suitable market positioning of CECA's remunerations policy, so as to be able to link coherently with the past while at the same time being appropriate to the organisational structure deriving from the current evaluation of posts and, therefore, fitting for the future.

////////// IMPLEMENTATION OF NEW
MANAGEMENT MODELS BASED ON OBJECTIVES AND
TASKS IS SET FOR 2007. //////////

////////// Final development of the Executive Development Programme, the
cornerstone of the move towards leadership in the sector, consolidating the
seven strategic axes of CECA:

/// Efficacy

/// Efficiency

/// Profitability

/// Institutional strength

/// Growth

/// Skills development

/// Innovation

This executive development is an investment in talent: the talent which we have and
which we want to develop and foster in our human capital, as a distinguishing element
and mark of excellence, expertise and management capacity for the future.

////////// THE EXECUTIVE DEVELOPMENT
PROGRAMME CONSOLIDATES CECA'S
SEVEN STRATEGIC LINCHPINS: EFFICACY,
EFFICIENCY, PROFITABILITY, INSTITUTIONAL STRENGTH,
GROWTH, SKILLS DEVELOPMENT AND INNOVATION. //////////

//////// The number of programmes increased with respect to 2005 and there was a 7.49% increase in participation, implying greater demand for the programmes.

//////// In the pursuit of ESCA's commitment to providing training to the Catalonian Federation of Savings banks (Federación Catalana de Cajas de Ahorros), expert programmes were offered in Barcelona in:

/// 1. Accounting

/// 2. Auditing

/// 3. Financial Marketing and Sales Management.

And short courses were run on: Risks, IAS, Marketing and Auditing.

In **in-company training**, the training school made a significant effort of penetration in the savings banks' training centres, increasing the number of programmes offered from 139 in 2005 to 334 in 2006 and boosting student numbers from 3,764 to 6,397, an increase of more than 100% in this line of activity.

In **on-line and distance learning**, there is a major effort to cooperate with Public Administrations:

//////// Cooperation project with the State Tax Administration (AEAT) on the PADRE programme.

//////// Household connection programme (Hogares Conectados) with the Industry, Tourism and Trade Ministry.

In **sales training** an advanced programme was devised to train and develop sales managers with high potential with a view to grooming them as branch managers. As regards young people with high potential, the programme for Specialists in Banking Practices continued, combining classroom sessions with authorised practice placements at the branches of cooperating savings banks in partnership with Universidad Rey Juan Carlos.

Regulatory compliance has been one of the major constants in ESCA's training programmes, offering a number of sessions to update training on prevention of money laundering, corporate governance, the Data Protection Act and the prevention of risk at the workplace.

Similarly, a specific training plan was launched regarding adaptation of the system to MiFID (the Markets in Financial Instruments Directive).

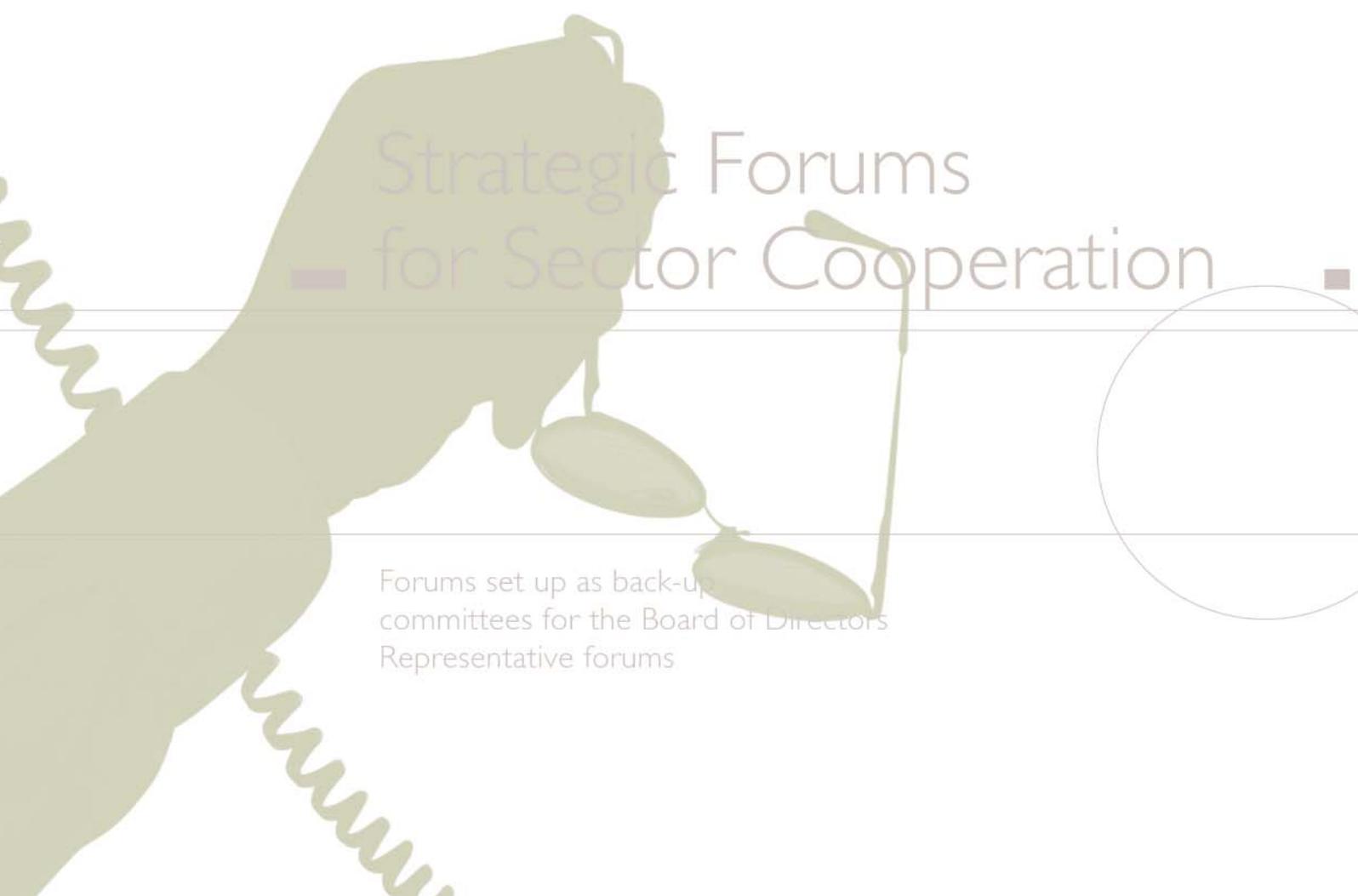
In 2006 CECA signed a **Framework Agreement** with Madrid's Universidad Complutense to afford certain advanced ESCA programmes status as a university qualification.

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Strategic Forums

for Sector Cooperation

Forums set up as back-up committees for the Board of Directors
Representative forums





Forums set up as back-up committees for the board of directors

9.1

Two years ago, CECA's Board created two back-up committees: the Welfare Fund Research Committee and the Organisation, Automation and Services Committee (Comisión de Organización, Automación y Servicios - COAS).

The **Welfare Fund Research Committee** was created to investigate and analyse this area and to take forward new Welfare Fund initiatives. In 2006, this Committee's work focused on drafting the report presented at the Chairmen and Executives Workshop in Cáceres in November.

////////// THE WELFARE FUND RESEARCH COMMITTEE PRESENTED A REPORT TO THE CHAIRMEN AND DIRECTORS GENERAL OF THE SAVINGS BANKS, DEFINING THE STRATEGIC LINES OF WELFARE ACTIVITY FOR THE NEXT FEW YEARS. //////////

As preliminary conclusions, the report highlights the strengthening of the savings banks' social welfare projects, their decision to devote primary attention to the emerging needs of society (dependency care and prevention and RDI initiatives) and the need for the welfare fund to maintain its management autonomy, to ensure compliance with the savings banks' social welfare purpose.

The **Organisation, Automation and Services Committee (COAS)** is the most senior body in developing projects relating to services provided to savings banks, in the operating and technological spheres.

////////// IN 2006, COAS CONTINUED TO INNOVATE, THEREBY MAKING SAVINGS BANKS INCREASINGLY COMPETITIVE, EFFICACIOUS AND EFFICIENT. //////////

In 2006, COAS continued to foster change and innovation in the fields where it operates, thereby helping the savings banks to be increasingly competitive, more efficacious and more efficient. For the first time, a COAS project, in this case on the Analysis and Redefinition of Services (ARS), was submitted to the Directors General of the savings banks.

The COAS Convention in Zaragoza under the auspices of CAI, in October, assembled more than one hundred professionals and served to analyse COAS's present and future projects.

In May, the Chairman of COAS reported to CECA's Board of Directors in regard to the activities and projects generated in the year, as well as its future lines of action.

CECA's Board of Directors defined a number of COAS projects as strategic for 2006, including the automation and electronic connection for the control of loans and guarantee registration, incrementing the security function in view of the latest fraud regulations, boosting quality at savings banks and CECA, and improving and optimising relations with Public Administrations. Another strategic project will focus on the fundamental variables in human resources management.

This latest project derived from considering the importance of the approach and skills of employees in this industry and, therefore, the need to identify the key aspects of resources management, based on an in-depth reflection on the characteristics of the model, to facilitate development towards a systematic and effective application of the best practices in people management. To do this, an Advisory Committee was set up to define the strategic orientation of the study and its main objectives, to approve the best working methodology and to appoint the support consultant (PricewaterhouseCoopers).

The objectives for the study are as follows:

////// To compare the applicability of the main trends in the human resources management at savings banks.

////// To analyse the current status of the industry's management and its positioning in terms of said trends, identifying the key strategic variables and distinguishing characteristics of human resources management at savings banks.

//////// To identify the main strengths and weaknesses of the current human resources management model from the standpoint of their impact on the business.

//////// To identify the main challenges, limitations and conditions which the industry perceives may, from human resources, condition the future success of the savings banks.

//////// To define a differential model for human resources management, built based on opportunities to improve and crucial lines of action in human resources management.

//////// To develop indicators of management and monitoring for the differential model of human resources management at savings banks.

//////// To ascertain the degree of applicability of the differential model of human resources management at savings banks, identifying lines of action and improvement in the short and medium term.

There follows a more detailed description of other projects developed by the COAS Committees.

//////// **The Quality and Knowledge Management Committee** in 2006 worked on the following projects:

/// *Customer satisfaction benchmarking*, in two separate editions, one focusing on customer satisfaction with their branch and another on customer satisfaction in relation to their online experience with savings banks. The customer satisfaction benchmarking projects involved 33 savings banks and the findings were set out in detail at the Management Committees

/// *Melania*: 2006 marked the fifth anniversary of *Melania*, the industry Knowledge Management Network portal. In five years, *Melania* has built up a user base of no less than 7,000 savings bank executives, and it has stored more than 250,000 documents, which were viewed in 2006 by more than 130,000 users.

////////// 2006 MARKED THE FIFTH
ANNIVERSARY OF MELANIA, WITH 250,000
DOCUMENTS STORED AND 7,000
EXECUTIVES REGISTERED AS USERS. //////////

/// *NEUROMANTE*: This security-oriented project was reconsidered in September, and was transformed into an "industry-wide security centre" to coordinate the specialist fields (physical security, Internet channels, payment methods, IT security) and, among other tasks, to provide savings banks with both general and specialist information concerning security, alarm management, representation in this connection within the sector, standardisation for security providers, etc. A study is currently underway, with the support of a consultant, regarding the feasibility of the process, which includes the analysis of the current situation, identification of possible means of improvement, definition of sphere of action, rules of operation, costs and resources.

////////// WITHIN THE NEUROMANTE
PROJECT, AN INDUSTRY-WIDE SECURITY
CENTRE WAS SET UP TO PROVIDE
SAVINGS BANKS WITH INFORMATION
IN THIS CONNECTION. //////////

////// Throughout 2006, the **Distribution Channels Committee** established the bases for the Channels Observatory, aimed at ensuring continuity of the five strategic projects undertaken in the last five years (*the traditional branch, contact centre, self-service, financial agents and Internet*). The Internet project that has been chosen as the pilot programme before steadily incorporating the others.

/// The idea is to foment all endeavours to increment the use of the various channels and to enhance the value and service perceived by customers in relation thereto. The Channels Committee will undertake a **customer-oriented multi-channel project**. In other words, each customer will decide the most suitable mix of channels to relate with his/her savings bank and, therefore, the bank must propose an attractive, simple and coherent offering. In order to render this model more efficient, the bank must be acquainted with the mix of channels suitable for each segment of its clientele in order to supply and systemise said offering. The aim will be to analyse the initial situation of each savings bank and to establish individual and customised itineraries..

////////// **THE DISTRIBUTION CHANNELS COMMITTEE
ESTABLISHED THE BASES FOR THE CHANNELS
OBSERVATORY AIMED AT ENSURING CONTINUITY OF STRATEGIC
PROJECTS UNDERTAKEN IN THE LAST FEW YEARS. //////////**

/// The branch is still the main channel of interaction with customers and it must therefore be optimised in order for said interaction to unlock value for customers and for the bank itself. The savings banks have substantially improved in a number of ways, particularly in respect of organisational matters, technology and lay-out. However, progress must be made in relation to operational aspects, both back- office and front-office. Branches continue to have “operating-administrative” queues, and time must be freed up. But this must be done in tune with the savings banks' most urgent priorities: to increase sales productivity.

//////// The **Standardisation and Payments Systems Committee** worked throughout 2006 in the following important areas:

The development of Spanish payments systems (mainly interbank systems) for:

/// Development of Sociedad Española de Sistemas de Pago-known commercially as Iberpay-for its ongoing adaptation to savings banks' needs.

/// Development of the Single Euro Payments Area - SEPA.

/// Proposal, management and development of the Analysis and Redefinition of Services Project (ARS).

/// Relations with Public Administrations in connection with tax collection.

/// Interbank management of the e-invoice project in the spheres of standardisation, standard specification and organisation.

////////// IN 2006, THE STANDARDISATION AND
PAYMENT SYSTEMS COMMITTEE WORKED ON
SEPA, THE ARS PROJECT, THE E-INVOICE PROJECT,
THE SDA PROJECT AND IMPLEMENTATION OF THE
FRAMEWORK FOR BANKNOTES. //////////

/// Development of a project to improve operating relations with the Public Administrations.

/// Management and development of the Bank of Spain's Auxiliary Cash Deposits System.

/// Implementation of the framework for bank notes and its implications.

Action has been ongoing in the aforementioned areas, most notably the following landmark achievements:

/// New domestic operations standards were developed to better adapt to the developments elsewhere in Europe. Chief among these was the introduction of operations with shared expenses criteria-known as SHARE criteria-which allow a new relationship with customers to be cemented as the value in commercial transactions of ordering and receiving transfers is unlocked. Similarly, suitable interbank transfer forms have been developed to help customers.

/// Decisions were taken with regard to Iberpay to ensure adaptation of the Spanish banking system and its exchange and settlement systems (SNCE), to process transactions in line with the new pan-European standards.

/// The progress of the SEPA project was closely monitored, and CECA participated in many of its specific achievements: rulebooks for transfers and debits and frameworks for cards and notes.

/// SEPA learning and working sessions were held with all savings banks, to pool information and plans, so that they may prepare their systems to offer SEPA services to customers as from 1 January 2008.

/// Operating-level relations were maintained with the Administration resulting in actions and agreements which will derive in cost cuts and higher operating efficiency to benefit all savings banks. Most notably:

/ Regional Administrations: At Navarre's tax authority (Hacienda Foral de Navarra): Negotiation of regulations and application of the executive telematic tax collection procedure. In the Canary Islands: roll-out of new procedure for settling import tax.

/ Cooperation agreement between the business entity RED.es, Spanish Federation of Municipalities and Provinces (Federación Española de Municipios y Provincias - FEMP), CECA, AEB and UNACC to implement the telematic payment service at local administration level (SPT is a universal Internet payment gateway).

/ Support for standardisation of local administrations: meeting on local taxation held by FEMP, and other spheres

/ With regard to the Central Tax Agency (AEAT): revision of 2005 tax season, application of Ministerial Order to boost the use of telematic channels and regulatory changes for 2007. Implementation of improvements in collection procedures and enhancement of electronic procedures.

/// In the sphere of e-invoicing, in partnership with banks and cooperatives, as well as AEAT, the necessary standards were devised for use by banking institutions. Furthermore, promotional drives were held in connection with the Administration..

- /// A project was executed to enhance operating-level relations with the Public Administrations with specific aims to quantify the cooperation in the industry with the various administrations, to boost telematic channels and to develop and propose to each individual savings bank a tailored plan to enhance the use of more efficient channels.
- /// Operation and usage of the Bank of Spain's Auxiliary Deposits System for cash services to savings banks was consolidated. The Auxiliary Deposits System for banknotes was consolidated (now in place at 32 centres and providing services to 35 savings banks) and the Auxiliary Deposits System for coins was developed for forthcoming release.
- /// Particular attention was paid to recycling notes (also known as framework) to effect a profound change on the note management model due to the new conditions imposed upon ATM loading. The work performed and the coordination with the Bank of Spain and European bodies (European Payments Council - EPC) yielded a postponement of its deployment which will imply major savings for Spanish institutions.

Furthermore, as regards the **Expert Model for Immigrants' Credit Rating**, COAS ended the year with an initial proposal of the algorithm for the Expert Model which must be tested before being definitively implemented. The project breaks down into three products: consumer lending, mortgages and credit cards.

31 savings banks have joined the **e-invoice** platform pushed forward by COAS's **Business Systems and Processes Committee** and developed by CECA's Technological Department. Testing concluded with the pilot banks to define and describe the model range of services which will be offered from the platform to savings banks and their client companies.

In June, the reports were published emanating from the **Fifth Industry Survey on Operating Efficiency at Savings Banks**, which in 2006 added two more banks, bringing the total to 45. In 2006, there was an analysis of the performance in 2004-2005 adapted to IAS and a report containing general conclusions regarding efficiency in savings banks was presented on 29 November at a monographic session attended by all participating savings banks.

As for the private banking system Web project (the tool which supports savings banks' personal and private banking business), in 2006, having stabilised the application, a diagnostic plan was devised for its launch at a group of savings banks, and it has already been deployed at five of them. The migration plan to the Web system will continue to be executed throughout 2007.

////////// THE SAVINGS BANKS' PLATFORM
FOR SENDING REMITTANCES HAS REACHED
AGREEMENT WITH SIXTEEN COUNTRIES,
OFFERING COVERAGE TO 92% OF THE IMMIGRANT
POPULATION RESIDENT IN SPAIN. //////////

The platform created to provide immigrant remittance services at savings banks already has 32 member banks. Agreements were reached with sixteen countries, implying coverage to 92% of the immigrant population resident in Spain. More than 60,000 remittances were sent via the platform and the average amount per remittance was €745.

In 2006, work commenced to develop the **SIGEP application in a web environment**, a project that is scheduled to conclude in June 2007 when the application will be made available to member savings banks.

Planning and definition of the technical framework is complete, and work is ongoing to analyse, design and develop the various sigep-web modules; this work is set to end in the first few months of 2007.

In 2006 the first meetings were held to define projects concerning specific services, aimed at establishing a permanent work platform for the **ongoing improvement in operating efficiency** at savings banks. As a result of these meetings, projects will be launched in the following areas:

- /// Reduction of administrative charges in branches, with respect to both transactions and processing of operating risk, with particular reference to mortgage loans to private individuals.
- /// Correspondence and archive, relating to the models to reduce/compile customer correspondence; processing and conservation of office documentation and analysis of the alternatives to issuing cheques.
- /// Models to optimise cash management.
- /// Definition of models to reduce the number of incidents to be handled manually at branches and establishment of protocols for their management.
- /// Furthermore, COAS approved the organisation of a **cycle of meetings about savings bank branches**.

Finally, in the sphere of **asset management**, the following meetings were held:

- /// Meeting on the new low-tension electronic regulations.
- /// Meeting on the Building Technical Code.

Representational forums

9.2

CECA has encouraged the setting up of a network of strategic forums to look into all the management and advisory functions that make up the activity of a savings bank. For explanatory purposes these can be broken down as follows: public profile forums (addressing issues of marketing, communications, advertising and customer relations), forums for regulatory guidance (notably on finances and tax), accounting and audit forums, and social project forums (including those relating to Welfare Fund projects and pawnbroking institutions).

● PUBLIC PROFILE FORUMS

The **Marketing Committee** is the savings bank forum relating to financial products and services in the market. Among the matters discussed in 2006 were the new products in the market, such as reverse mortgages, and the impact of the new tax reform on the design and marketing of financial products. Similarly, initiatives were put forward to deal with issues such as Internet banking and the use of new tools to monitor access to websites.

The **Communication Committee** assembles the savings bank's chiefs to discuss aspects which affect the banks' information to its various target publics, ranging from the creation of the institution's image to the dissemination of matters of interest, both institutional and financial. In 2006, this Committee analysed those questions which had most impact on the media and other public opinion components, and the best way to convey to the public in general the overall viewpoints of savings banks and to ensure that these institutions are valued in line with their weighting in the Spanish economic and financial system.

● FORUMS FOR REGULATORY GUIDANCE

In 2006, the Legal Advisory Committee focused its efforts on analysing the most significant regulatory changes in the industry. In good corporate governance, the Legal Advisory Committee closely monitored the main progress made, especially deriving from the debates regarding the Unified Code of Good Governance for listed companies. It also participated actively in the configuration of the savings bank industry's position vis-à-vis the draft bill to reform the mortgage market.

////////// THE LEGAL ADVISORY COMMITTEE IN 2006 FOCUSED ON ANALYSING THE MAIN REGULATORY CHANGES FOR THE SECTOR. //////////

The area of prevention of money laundering was also particularly relevant in 2006, in view of the new regulations concerning cross-border transfers, currency exchange and control of payments system movements. For this purpose, the **Working Group for the Prevention of Money Laundering**, set up by the Committee and comprising attorneys and technical experts from various savings banks, held talks with the Directorate General for the Treasury and Finance Policy and the Executive Service for the Prevention of Money Laundering (SEPBLAC).

In 2006, a new strategic forum was set up: **the Industry Compliance Committee**, comprising the heads of Regulatory Compliance at various savings banks. The increasing importance of this function, as a structure in charge of compliance risk management, which is becoming more and more relevant at financial institutions, made it necessary to establish a specific forum. For this purpose, a meeting was held in September, where the Committee's composition was agreed, and the main challenges currently facing regulatory compliance departments at savings banks were analysed. The Industry Committee, which began meeting in the last quarter of 2006, played a decisive role in the process of implementing MiFID, particularly in its initial phases (identification of impacts and preliminary diagnoses).

The **General Secretaries** maintained their usual communication channels open throughout 2006. In particular, in the first quarter the III Workshop of General Secretaries was held, which analysed, among other matters, the increasing importance of good corporate governance, from the standpoint of good governance bodies, or the relationship between the General Secretaries with the regulatory compliance function.

The **Taxation Committee**, at its monthly meetings, analyses the tax issues affecting the sector and acts before the Tax Authority in a collegiate manner in representation of the savings banks' interests. In 2006, actions concerning the draft income tax laws and measures to prevent tax fraud were particularly significant, with proposals and alternatives aimed at upholding the interests of savings banks; these have yielded, among other changes, the introduction of a special consolidated tax system in VAT. Other important matters related to the application of IAS and Bank of Spain Circular 4/2004, proposed reforms for the financial operations system in VAT, modification of disclosure duties and relations with regional administrations.

////////// THE SAVINGS BANKS' TAXATION
COMMITTEE LOOKS AT TAX MATTERS AFFECTING
THE SECTOR AND ACTS BEFORE THE TAX
AUTHORITY ON BEHALF OF THE SAVINGS BANKS. //////////

Tax experts, who meet twice yearly, in 2006 held meetings 55 and 56. The papers submitted and debated covered the tax reform which, approved in November, derived in the new personal income tax laws and measures to prevent tax fraud, with such important aspects as the new treatment of savings income in personal income tax, the reform of related-party transactions in corporate income tax or the groups system in VAT. Other significant matters were also analysed, such as the accounting of related-party transactions and the reduction in corporate income tax rates scheduled for the next two years and the tax problems deriving from transactions with financial leasing and factoring products.

● ACCOUNTING AND AUDIT FORUMS

The **State Auditors' Coordinating Committee** raises, analyses and coordinates all actions required to ensure the correct and efficient discharge of internal audit functions at savings banks.

////////// THE STATE AUDITORS' COORDINATING
COMMITTEE PROPOSES, ANALYSES AND
COORDINATES THE NECESSARY ACTIONS FOR THE
CORRECT DISCHARGE OF INTERNAL AUDITING
FUNCTIONS AT SAVINGS BANKS. //////////

Activities performed in 2006, either directly by the coordinator or via the various working groups included therein, were aimed at devising auditing programmes, most notably: inventory of external compulsory regulations, controls and procedures to be implemented; auditing information contained in the annual report, adaptation of the new IAS and Basel requirements; IAS: loans and advances; credit risk auditing calculated by the standard method; upgrading of the Tax Area; auditing of the security standards in payments systems and revision of IRB credit risk.

////////// THE ACCOUNTING COMMITTEE IN
2006 CONTINUED TO FOCUS ON THE
PRACTICAL APPLICATION OF BANK OF SPAIN
CIRCULAR 4/2004 TO ADAPT FINANCIAL
INSTITUTIONS TO IAS. //////////

The **Accounting Committee** continued to focus on the analysis of the questions which savings banks have posed in the application of Bank of Spain Circular 4/2004 concerning the adaptation of financial institutions to International Financial Reporting Standards, as well as modifications to the regulations concerning the setting and control of minimum equity requirements.

In this regard, attention was paid to the accounting of financial instruments and, in conjunction with the Taxation Committee, the accounting of related-party transactions and repercussions deriving from the reduction of the corporate income tax rate.

● WELFARE FUND FORUMS

As a continuation of the welfare cooperation projects between savings banks launched in the last few years, in 2006 the first joint institutional welfare campaign was unveiled, after seventeen years without this kind of initiative. The proposal to launch an advertising drive emerged from the National Welfare Fund Committee, comprising the welfare fund project managers of all savings bank federations, in September 2005. From that date onwards and until the campaign concluded, in mid-December 2006, a long process ensued for the voluntary incorporation of savings banks to the campaign and for the formation of various working groups and committees to prepare the briefing, choice of advertising agency and design of media plan. The campaign slogan, “nuestras acciones cotizan en la vida” (our shares rally on life*), was chosen because it summed up the importance of welfare fund activity and the singular nature of the savings banks' business model, substantially different from the rest of financial institutions, precisely because of the socially-aware focus of their entire activity. In this regard, the campaign's fundamental objective was that society, particularly the younger public, should become more clearly aware of what the welfare fund is and the fact that the savings banks are the only companies in Spain to devote all their profits, after tax and reserves, to actions of interest for the community at large.

////////// IN 2006, THE FIRST JOINT INSTITUTIONAL
CAMPAIGN ON THE SAVINGS BANKS' WELFARE
PROJECTS WAS HELD, AFTER SEVENTEEN YEARS
WITHOUT THIS KIND OF INITIATIVE. //////////

As in 2005, in 2006 there was a notable increase in the cooperation between savings banks in welfare projects. In the National Committee, renewed work at the **Microcredit Working Group** led to the initiative to build (via CECA and spearheaded by the savings banks) the **Spanish Microfinancing Network** (Red Española de Microfinanzas), modelled on the European Microfinancing Network, which already involves some Spanish savings banks. Apart from this initiative, the Working Group was in constant contact with the Official Credit Institute (Instituto de Crédito Oficial -ICO) concerning the ICO

* Translator's note: the original Spanish is a play on the word “acción” which means both action and share

microcredit line, which was launched in 2005 exclusively with savings banks, with the main aim of intensifying the focus on welfare projects and the fight against financial exclusion. The Network, which was publicly unveiled on 20 December 2006, will serve as a forum for all parties interested in microcredit activities; as a vehicle of interlocution with administrations and as a permanent training and skill-building centre for professionals in managing and granting this kind of loan.

Alongside this working group, the National Welfare Fund Committee maintained the Standards and Communications committees. The Standards Committee's role is essentially to analyse the impact of the latest standards affecting social projects, particularly those produced by Spain's autonomous regions, and to standardise information for the authorities. The Communications Committee's role is mainly to prepare, launch and monitor the joint institutional welfare fund advertising campaign.

////////// THE SAVINGS BANKS, VIA CECA, SIGNED
A NEW AGREEMENT WITH THE LABOUR AND
SOCIAL AFFAIRS MINISTRY TO PROMOTE
VOLUNTARY WORK IN SPAIN. //////////

As regards the welfare fund's cooperation with public administrations, the savings banks, via CECA, signed a new agreement with the Labour and Social Affairs Ministry to promote voluntary work in Spain, under the State Volunteer Plans, which the savings banks have helped finance since their launch in 2001. Also via CECA, the banks have held further contacts with this Ministry to examine possible formulae for implementing the Dependency Law, approved by Parliament in December 2006, which will have a notable impact on the way help for dependent persons is perceived, as well as on the existing infrastructures in this regard.

As regards publications relating to social projection forums, the second CSR industry report was released, obtained "in accordance" certification from the Global Reporting Initiative (GRI) and served as a guideline and encouragement to many savings banks to edit and enhance their corporate social responsibility reports, focusing on welfare projects.

////////// THE SECOND CSR INDUSTRY
REPORT OBTAINED "IN ACCORDANCE"
CERTIFICATION FROM GRI. //////////

Also in 2006, a report was drafted on the emerging areas of welfare projects at savings banks, with special attention to the activities and centres focusing on dependency and RDI. This study will be part of a series which began in 2004 with the report on savings banks' joint welfare initiatives, and which will continue in the next few years in other areas of interest in connection with the Welfare Fund.

At the meetings of the savings banks participating in the **GRI Pilot Process**, the banks expressed an interest in continuing to work together in areas relating to corporate social responsibility and to pool experience and synergies in some areas. As a result, three working groups were set up, each focusing on the areas which were identified as being most significant. The first of the groups will analyse the existing CSR specifiers in Spain, in order to draw a map of CRS in Spain and provide each savings bank with the necessary information and analysis for their positioning in this sphere. The second group will focus on the information compilation survey for the industry report, its adaptation to G3 (new guidelines for reports) and the possible introduction of specific standards. The third group will work on identifying the environmental aspects that could be considered in financial operations and processes at savings banks and will draft a kind of white paper on environmental issues at savings banks. 31 savings banks participate in these groups.

Another of the most singular characteristics of the savings banks in fighting exclusion is the role played by the pawnbroking institutions. The **Pawnbroking Institutions Committee**, in which ten Montes de Piedad participate permanently and which is chaired by the chairman of Caja Granada, Antonio María Claret, launched a number of initiatives to disseminate and strengthen these entities at institutional level. Furthermore, from the Committee, and in cooperation with the training school (Escuela Superior de Cajas - ESCA), new training projects have been launched, with a number of specific courses, an innovative programme to make administrative personnel into appraisal experts, with a high component of e-learning. Furthermore, for the second year running, coinciding with the General Assembly of Pawnbroking Institutions, a joint jewellery auction was held, with lots provided by various Montes de Piedad which also helped bring these institutions' activity closer to the public.

CECA was awarded the Gold Cross of the Civil Order of Social Solidarity “in recognition of its strong commitment to the fight against social exclusion and support to the most deprived sectors of our society”. The awards ceremony, under the auspices of the Labour and Social Affairs Ministry, was presided over by the Queen on 2 February 2006.

////////// THE LABOUR AND SOCIAL AFFAIRS
MINISTRY AWARDED CECA THE GOLD CROSS OF
THE CIVIL ORDER OF SOCIAL SOLIDARITY. //////////

● OTHER FORUMS

The **Savings Banks Management Planning and Monitoring Committee** in 2006 held a number of meetings as well as its annual workshop. In 2006, the main issues for analysis related to the system of objectives for central services, integrated cost management, asset and liabilities management and analysis of expansion networks. The Committee also examined the support which various Confederation projects might lend in planning tasks at savings banks, such as efficiency, *Ágora*, *ARS*, information systems and capture.

The **Statistics and Analysis Working Group** held three meetings to analyse a number of issues relating to statistical data provided by the savings banks to the Confederation and the analysis which is later supplied on aggregate and in which CECA observes the suitable confidentiality and containment mechanisms. In particular, progress was made in defining ratios and methodologies in information referring to consolidated groups.

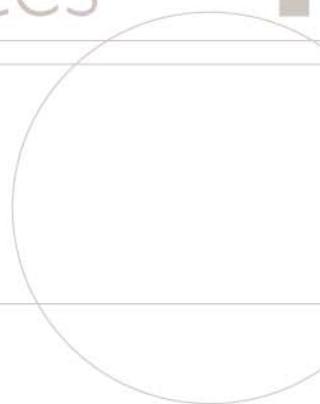
////////// THE STATISTICS AND ANALYSIS WORKING
GROUP PROGRESSED IN DEFINING RATIOS AND
METHODOLOGIES IN INFORMATION REFERRING
TO CONSOLIDATED GROUPS. //////////

The **Research Committee**, comprising research department directors, held a meeting to analyse the national and international situation, to study the regional economy and to set up the “property group” to monitor the property market.



■ Structure and Services ■

Technical and financial advisory services
Financial and support services
Technological services





± 156-58 1972 307 27.525.874
5€ 25,6 5:000 36.000 25€ 52,63
5% 99€ 25,99 269% 2006 5€ 5,6

More in-depth analyses are performed in the reports on particularly significant areas: (Income statement, Capital, Liquidity, NPL).

Furthermore, at the request of the Bank of Spain, the Confederation publishes the savings banks' financial statements: balance sheets, income statements, statement of changes in consolidated equity and cash flow, both at individual and consolidated group level for each savings bank.

**////////// AT THE REQUEST OF THE BANK OF SPAIN, THE
CONFEDERATION PUBLISHES THE SAVINGS BANKS'
FINANCIAL STATEMENTS, AT BOTH INDIVIDUAL AND
CONSOLIDATED GROUP LEVEL. //////////**

It also draws up reports for savings banks on the Spanish and international economies, summaries of which are made public through a number of media addressing whatever issues are current at the time. Savings banks have instant access to the main Spanish and international economic indicators, which the Confederation summarises and presents.

The Research Club makes the latest domestic and international economic publications available to savings banks, as well as the most relevant economic indicators, updated daily.

Furthermore, the Confederation compiles and disseminates the savings banks' publications and has a documentation centre for matters relating to savings banks, the financial system and the economy in general, which the savings banks can access.

**////////// SAVINGS BANKS HAVE REAL-TIME
ACCESS TO DOMESTIC AND INTERNATIONAL
ECONOMIC INDICATORS, WHICH CECA
SUMMARISES AND PRESENTS. //////////**

As in previous years, in 2006 CECA also provided advisory and consultancy services to savings banks who so requested in a number of spheres: financial regulation, organisation, project management, human resources, quality, legal and tax advice, regulatory compliance, etc.

medium-sized companies hoping to boost their presence abroad, totalled more than EUR 1 million; and lastly, the contract to fund investment projects in Activos Nuevos Productos, executed by companies in the Balearics, totalled EUR 600,000..

Financial and Support Services

10.2

CECA is not just a savings banks association; it is also a financial institution in its own right which provides centralised services to the member savings banks that so request. From this standpoint, the Confederation is a company that provides central operating, financial and capital markets services to financial institutions. These services are engaged voluntarily by the banks and are remunerated at market prices.

////////// **CECA PROVIDES CENTRAL OPERATING,
FINANCIAL AND CAPITAL MARKETS SERVICES AT MARKET
PRICES TO INTERESTED SAVINGS BANKS.** //////////

As regards **central operating services**, CECA has a **Discount Centre** which centralises operations with exchange notes, receipts and all kinds of documents presented for collection by savings banks.

In 2006, operating procedures were created for savings banks to make the discounts "without recourse", i.e. where default risk is assumed against the drawee.

Furthermore, a number of procedures were improved, simplified and adapted which enhance the service received by the savings banks in this operating area.

The key figures in this securities custody activity in 2006 were as follows:

DEPOSITS BY EFFECTIVE VALUE

amounts in EUR million

	2005	2006	Variation(%)
Private fixed income	16,706	16,519	-1.12
Equities	21,717	29,710	36.81
Government debt	6,502	6,629	1.95
Foreign securities	38,685	42,757	10.53
Total Deposits	83,610	95,615	14.36

STOCK MARKET OPERATIONS

amount settled, at effective value, in EUR million

	2005		2006		2005/2006 - variation	
	No. transactions	Settlement Value	No. transactions	Settlement Value	No. transactions	Settlement Value
Buy securities	353,964	23,305	502,639	19,790	42.00	-15.08
Sell securities	461,668	23,340	665,040	20,732	44.05	-11.17
Total	815,632	46,645	1,167,679	40,522	43.16	-13.13

BOOK ENTRY SYSTEM // GOVERNMENT DEBT

amount settled, at nominal value, in EUR million

	2005		2006		2005/2006 - variation	
	No. transactions	Settlement Value	No. transactions	Settlement Value	No. transactions	Settlement Value
Government debt added	86,673	265,618	66,787	208,741	-22.94	-21.41
Government debt removed	90,804	265,803	67,948	208,960	-25.17	-21.39
Total	177,477	531,421	134,735	417,701	-24.08	-21.40

SPANISH FOREIGN INVESTMENT

amount settled and deposit volumes, in EUR million

	No. of Transactions	Variation vs. 2005	Amounts Settled	Variation vs. 2005	Volumes Deposited	Variation vs. 2005
2005	178,903	7.28%	168,876	33.25%	38,685	19.53%
2006	199,030	11.25%	186,128	10.22%	42,757	10.53%

Nominal amounts
in EUR million

	2005	2006	Change (%)
Exchange of checks in foreign currencies between resident institutions			
Checks and commercial paper in foreign currencies	1,662	1,555	-6.44
Cross-border exchange of checks			
Checks handled	723,531	649,074	-10.29
Swift messages exchanged			
Outgoing	1,096,808	1,174,752	7.11
Incoming	1,111,851	1,148,887	3.33
S.L.B.E. (Bank of Spain clearing system - fund movement orders)			
Transactions handled	119,497	117,041	-2.06
Nominal value	446,893	335,778	-24.86
EBA (Euro Banking Association) - STEP1 and STEP2			
Transactions handled	782,012	961,042	22.89
Nominal value	6,472	9,300	43.69
TARGET (Cross-border Transfer Orders)			
Transactions handled	191,528	202,549	5.75
Nominal value	149,615	196,153	31.11
Truncation of current account cheques and promissory notes			
Truncated checks and commercial paper	45,384,000	43,223,000	-4.76
Nominal value	232,358	253,060	8.91
Exchange of bills			
Bills exchanged	17,190,000	14,978,000	-12.87
Nominal value	47,365	47,901	1.13
Exchange of direct debits			
Transactions handled	432,951,000	460,664,000	6.40
Nominal value	111,238	123,061	10.63
Exchange of transfers			
Transactions handled	117,104,000	125,214,000	6.93
Nominal value	230,975	274,378	18.79
Other transactions			
Collection transactions	197,843	190,132	-3.90
Nominal value	2,900	2,023	-30.24
Payment transactions	8,599	8,332	-3.11
Nominal value	119	26	-78.07

From its **Trading Room**, the Confederation acts as another financial institution in all markets to offer a wide range of **central financial services** to both Spanish savings banks and other institutions, such as dealing in currency, options, interest swaps, asset swaps, public debt (including Treasury bills), financial futures, credit derivatives, structured products, equity and fixed income security loans, dealing in foreign banknotes, etc. CECA acts as market maker in these markets, enabling counterparties to obtain highly competitive prices in transactions of any size.

////////// **THE NUMBER OF TRANSACTIONS HELD IN
CECA'S TRADING ROOM INCREASED BY 7.24%, TO
195,842 IN 2006, SETTING A NEW RECORD.** //////////

2006 set new **records** in Trading Room activities with institutional customers, mainly Spanish savings banks which account for most operations. Specifically, the number of financial transactions for savings banks in the CECA Trading Room increased by 7.24 % from 182,609 in 2005 to 195,842 in 2006.

This increase evidences the **dynamism of the savings sector** in relation to the range and engagement of financial products with customers. Spain's economic growth has led to greater needs for hedging and investment products for companies and also for individual customers, who demand increasingly more sophisticated products, as Spain's financial market develop.

In 2006, the **focus of attention** of savings banks and in general CECA's institutional customers as regards financial markets on the one hand related to the conversion in liquidity of fixed income securities and equities, i.e. **securities loans** (since it is impossible to conceive of modern Treasury management which focuses only on developing the securities products and not on managing their financing) and, on the other hand, the market has also focused on **extending derivative and structured products towards all customer types and all amounts**.

In 2006, CECA managed and underwrote five securitisation funds totalling some EUR 3 billion (one of which was the first cash-flow futures securitisation fund originated in Spain and another the world's first securitisation fund whose underlying assets are subordinated debt representative of LT-II capital issued by nine savings banks). CECA also acted as supplier-clearer and financial agent for more than thirty issues by savings banks, totalling approximately EUR 20 billion, and developing four new structures for issues by Spanish savings banks, thus becoming a standard-bearer for the Spanish securitisation market.

////////// DURING THE YEAR, CECA MANAGED
AND UNDERWROTE FIVE SECURITISATION FUNDS
TOTALLING SOME EUR 3 BILLION. //////////

Since 1998, CECA's London office has been promoting a multi-issuer EMTN programme which acts as a joint platform to issue debt in international markets; savings banks have issued a total of EUR 3.075 billion under this programme.

The London office has also spearheaded activity in SICAVS, which in 2006 increased in volume from EUR 979 million to EUR 1.246 billion.

////////// THE SAVINGS BANKS HAVE ISSUED A
TOTAL OF EUR 3.075 BILLION UNDER THE
MULTI-ISSUER EMTN PROGRAMME. //////////

Furthermore, the same office has organised five private placements for savings banks in the German market (Schuldschein).

In 2006, the Confederation continued to enjoy **official market maker** status in both public debt and Spanish Treasury bills, which translated into an active presence in secondary markets where these assets are traded.

As for **foreign transactions** and the **international presence** of savings banks, meeting the objectives set under the Plan to Strengthen Savings Banks' International Business, CECA continued to develop products and services so that savings banks and their customers may participate with the utmost solvency in international commercial and financial exchanges.

CECA also foment national agreements with companies and organisations to benefit Spanish savings banks as a whole. In this sphere, in 2006 CECA, on behalf of all the member savings banks, signed with MundoSenior 2, the entity which manages IMSERSO travel for the elderly, a new cooperation agreement called the Experimental Leisure and Culture Programme (Programa Experimental de Ocio y Cultura), to channel payment of IMSERSO travel packages via savings banks' branches. This programme derived from the needs of elderly people not met with the standard elderly holiday programme (Programa Vacaciones Tercera Edad).

Similarly, within the framework of the cooperation agreements with Public Administrations, the Level B Cash Management Services for the State Lottery contract (Contrato de los Servicios de Tesorería para Loterías y Apuestas del Estado Nivel B), involving 35 savings banks and CECA, in the temporary joint venture set up for this purpose, was extended to 1 April 2007.

In 2006, the annual average sum held by the Lottery Agency in accounts at the JV's member banks was approximately EUR 124 million, which is around 50% of the Agency's total cash generated through the marketing of all its forms of gambling. As a novelty, in 2006 the joint venture made the necessary developments to enable member savings banks to undertake the reforms introduced by Loterías y Apuestas del Estado for the 2006 Christmas Lottery campaign.

Also in 2006, work continued at **HOGARES CONECTADOS** project, a temporary joint venture involving twenty-seven savings banks and CECA and set up in 2005 under the auspices of the cooperation agreement signed with the Industry, Tourism and Trade Ministry, the purpose of which was to foment actions to facilitate citizens' access to the Information Society via the Connected Households (Hogares Conectados) initiative. This initiative was widely backed by savings banks, which have granted more than 21,000 loans worth around twenty EUR 4 million; the joint venture is the financial group which has granted most loans of all the institutions subscribed to this agreement. In this respect, it is necessary to highlight that most loans granted, more than 75%, were made to towns of fewer than 25,000 inhabitants and to deprived areas, which were among the priorities set by the Industry Ministry when the agreement was signed and as part of Plan Avanza which is focusing the Ministry's efforts.

In 2006 a pilot project was launched aimed at validating technology without contacts and its commercial application in the small-amount payments segment. This pilot project was performed with MasterCard's "paypass" product and paves the way for savings banks to offer their customers an additional payment instrument that is easier and more convenient to use in environments that have hitherto been little penetrated by traditional cards. This project is the first of its kind in Spain.

////////// **A PILOT PROJECT WAS LAUNCHED**
(THE FIRST OF ITS KIND IN SPAIN) AIMED AT
VALIDATING TECHNOLOGY WITHOUT
CONTACTS AND ITS COMMERCIAL APPLICATION
IN SMALL-AMOUNT PAYMENTS. //////////

The Confederation also provides the technological services PECA, SAT and CARD to its members.

Retail outlet transactions:	
ON-US	18,873,845
Exchanges between savings banks	155,358,741
Exchanges between savings banks and other issuers	136,531,848
Exchanges between savings banks and other acquirers	117,682,765
ATM and branch transactions	
ON-US	41,164,745
Exchanges between savings banks	46,098,844
Exchanges between savings banks and other issuers	29,108,302
Exchanges between savings banks and other acquirers	20,624,523
Special services (Telephone top-up cards)	20,956,018
TOTAL 2006	586,399,631 13.3%
TOTAL 2005	517,600,707

It has enabled savings banks to offer their clients a full range of payment methods (chip cards, proximity cards, radio frequency identification systems for toll payment) for traditional services and new applications (digital certificates, authentication systems, citizen and public transport cards, university cards) and new areas for their use (e-commerce, mobility) based on the latest technology and security systems.

● NEW CHANNELS

The New Channels service provides services connected with virtual channels to 44 savings banks. These services are aimed at attaining scale economies with enough reach to enable the banks to distribute products and services via the new channels in the most efficient manner possible.

Its main service is the **multichannel electronic banking platform**. The availability of the service over the year, weighted for real traffic at any time was 99.91 %. In 2006, 301,631,249 financial transactions were processed for 630,698 monthly users. A major rates overhaul was implemented in the year. As well as cutting rates significantly, the savings banks subscribed to the service through a loyalty programme, enjoy a novel automatic discount system whereby the improvements in efficiency deriving from the higher transaction volume are immediately passed on to prices.

////////////////// THE E-BANKING MULTICHANNEL
PLATFORM IN 2006 PROCESSED A TOTAL OF
301,631,249 FINANCIAL TRANSACTIONS. //////////////////

In 2006, the Home Banking Windows service was closed down for the last savings bank customers as a result of their gradual migration to ASP applications which are less costly to maintain. This migration evidenced the growth in applications such as **the generation of online notebooks**, which now have generation applications of rules 19, 34, 34.1 and 58, with a volume of 3,829 active customers per month.

In 2006, CECA continued to be a meeting point in security for electronic banking at savings banks. CECA provides services to 38 banks under the terms of the framework agreement for anti-fraud services signed with S21Sec-Verisign. In 2006, 42 attacks on member savings banks subscribed to this service were detected and resolved. CECA contributed to the orderly migration of the coordinate cards of many banks, which used signatures as a security measure for their customers. Accordingly, it has added new identification means to its electronic banking service available to savings banks, such as tokens, certificates from various institutions (FNMT; CATcert; Carmerfirma). CECA is also getting ready for the use of digital ID in e-banking customers' authentication and signature.

which enables the operating integration of existing elements such as the Internet, mobile phone or ATM, facilitating the transfer of funds between private individuals or companies without knowing the beneficiary's account number.

////////// IN 2006 285,771 SECURITIES TRADES WERE
PERFORMED ONLINE USING THE CONFEDERATION'S
INTERNET STRUCTURE. //////////

In June 2005 the **new channels control panel** was made available to the savings banks. In 2006, the statistical tool for activity indicators of the new channels allowed data to be obtained with which to answer the new channels survey devised by CECA's Statistics Department which is designed to be a comprehensive study of the savings banks' activity in distributing their products and services.

////////// THE PAGOAMIGO SERVICE ENABLES
OPERATING INTEGRATION OF INTERNET, MOBILE
PHONE AND ATMS, FACILITATING THE TRANSFER
OF FUNDS BETWEEN PRIVATE INDIVIDUALS
OR COMPANIES WITHOUT KNOWING THE
BENEFICIARY'S ACCOUNT NUMBER. //////////

In 2006, the savings banks continued to pursue their policy of offering customers the possibility to contract financial products and services via the Internet. In this connection, CECA has supported these operations using its **e-marketing tools**, which provides e-banking guarantees to the savings banks' contracting processes and which in 2006 performed more than 2,000 product contracts. The **EnCuenta application**, with more than 16,000 registered users, continued to grow in the range of virtual services offered to savings banks, as an added value service, to facilitate suspension of paper correspondence or the sale of credit cards.

In e-commerce transactions, CECA's **virtual POS** continued to spread as a standard operating process among savings banks, now present at 33 banks, which in 2006 processed a total of 1,123,586 transactions.

online banking, etc. have intensified The period ended with a workshop in which, among other things, the Pulso control panel was added to complement the service.

Continuing the project which commenced in previous years, the corporate management platform called Agora was consolidated as a working environment for CECA executives, upgrading to a version that speeds up and simplifies browsing, making it easier to use.

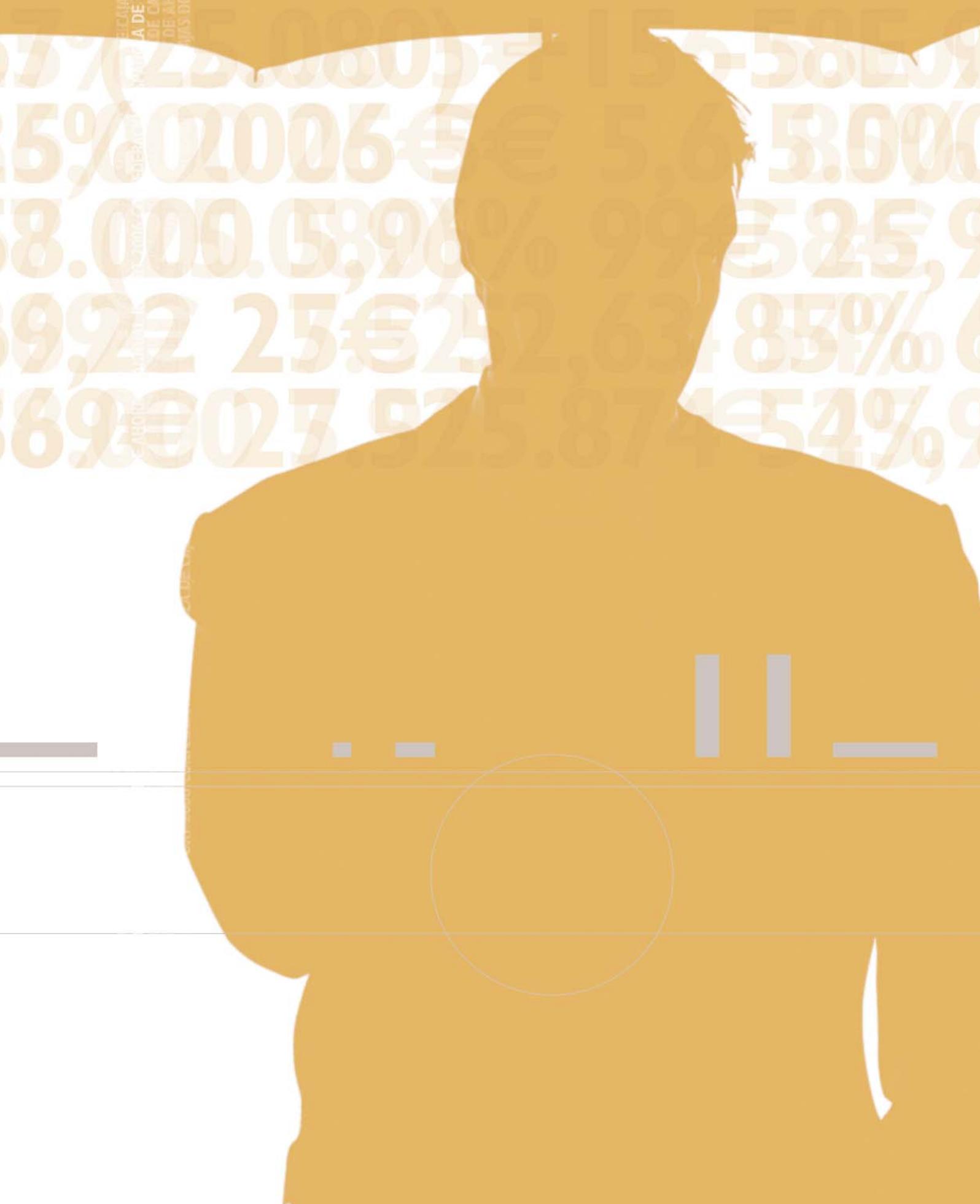
////////// THE PULSO SERVICE, WITH SIXTEEN
SAVINGS BANKS NOW USING IT, ADDED
NEW SERVICES SUCH AS THE POSSIBILITY
OF DETAILED ANALYSIS TO OFFICE AND
PRODUCT TYPE. //////////

Furthermore, a sector control panel was developed to complement the services CECA provides to savings banks, so that the latter can consult and analyse in depth their situation and performance and compare it with industry benchmarks. This is initially envisaged for the Pulso, human resources, payment methods and new channels services, to be complemented from the financial standpoint with public balance sheet data and income statements of the savings bank itself

Technological infrastructure

In 2006, the Hidra network provided the savings banks with a set of services aimed at both their branches and their central services. In total, 44 services are provided via this network, which are used by 45 savings banks and another 30 credit institutions and services companies. New MPLS technology from Telefónica's Macrolan service was added as a means of additional access. This technology allows the bandwidth of connections with savings banks and remote institutions to be increased to speeds similar to those of local networks, keeping costs at reasonable levels. This higher capacity helps expand the catalogue of applications offered by the Hidra network since new services that require considerable communications throughput.

EFICACIAS DE AJORROS ANUALES
DE CAJAS DE AHORROS ANUALES
DE AJORROS ANUALES REPORTES
DE CAJAS DE AHORROS ANUALES REP



233,69€ 27.525,874 53
0,636,000025€ +52,6385
99,25% 2.006,55€ 8,76 5
87,5 (8.6.000), 96% 958€ 2
89 58.00005, 96% 99,€ 5

■ Welfare Fund

The savings banks' Foundation (FUNCAS)

The main purpose of Fundación de las Cajas de Ahorros (FUNCAS), created by CECA almost thirty years ago, is to help enhance knowledge of Spain's economic and social reality. It must also disseminate the result of its research and for this purpose it issues a series of publications and organises, either on its own or with savings banks and other institutions, courses, seminars and technical and university surveys.

The results of its work in the economic and social sphere in 2006 were twelve basic research projects which have supplied material for the Foundation's various publications. In this regard, there has been considerable concern for issues relating with the financial system. Accordingly, six of these research projects focused on questions such as lending activity at the savings banks, particularly financing to SMEs and risk management. The other six covered issues of general interest, such as problems of real convergence with EU and OECD countries. Another twenty three research projects, on financial, historical, economic and social issues, are in an advanced stage and will soon yield their fruits.

////////// **FUNCAS'S MAIN PRIORITY IS TO
HELP ENHANCE KNOWLEDGE OF SPAIN'S ECONOMIC
AND SOCIAL REALITY.** //////////

Furthermore, in addition to these research projects, which are performed mainly by external researchers, it is worth highlighting the other standard tasks by the various offices within FUNCAS. These offices also prepare Spanish economic indicators, indicators of the Spanish economy's convergence with the EU and EMU, basic international economic indicators, homogeneous economic indicators for Spain's autonomous regions and indicators for the financial system which are extremely useful for researchers and analysts in these fields.

The Foundation's publications include four journals (*Papeles de Economía Española*, *Perspectivas del Sistema Financiero*, *Cuadernos de Información Económica* and *Panorama Social*). The first (issued four times a year) in 2006 covered the matters considered to be of the greatest general interest: housing, corporate social responsibility, regional European convergence and banking systems.

A special issue was published on the problems posed by the exchange rates in payment cards, a particularly controversial matter which has focused attention all year. This special issue was presented at a seminar involving the people who worked on it.

////////// THE FOUNDATION'S PUBLICATIONS
INCLUDE FOUR JOURNALS: PAPELES DE ECONOMÍA
ESPAÑOLA, PERSPECTIVAS DEL SISTEMA
FINANCIERO, CUADERNOS DE INFORMACIÓN
ECONÓMICA AND PANORAMA SOCIAL. //////////

Perspectivas del Sistema Financiero examined the recent Law on Collective Investment Institutions (Ley de Instituciones de Inversión Colectiva), the problems for self-employed businessmen, and European financial integration and consolidation, with the editorial line focusing as usual on matters concerning the financial system.

Cuadernos de Información Económica offers, in its six yearly issues, a spritely overview of the most current themes in its various sections. Its Spring issue has the most media impact and includes a preliminary report on economic growth in Spain's autonomous regions. The Autumn issue traditionally looks at savings in Spain.

Panorama Social is the newest of the Foundation's journals. Its aim is to deal with those areas in which Spanish society is particularly sensitive: dependency and personal autonomy and the problems of children and young people were the focus of attention in the 2006 issues.

But the Foundation's publishing activity does not end with the journals. Its collection entitled *Ensayos* (Essays) added five new works, most notably the volume analysing the new Basel Accord on supervision in the banking sector. This collection also includes the winning theses from the Foundation's annual prize programme which are given cum laude awards.

In the collection entitled *Estudios de la Fundación*, a study into real convergence for advanced economies was published.

As well as its publishing activity, the Foundation performs dissemination activities via the public events in which it is involved. In 2006, it was involved in twenty four such events. These included: firstly, the course entitled *España: retos económicos actuales* (Spain: current economic challenges), held in Malaga, sponsored by UNICAJA with the cooperation of Universidad de Málaga; secondly, presentation of the work entitled Basilea II (Basel II) and, thirdly, the meeting on comparative financial systems (*Jornada sobre Sistemas Financieros Comparados*), held in Zaragoza and sponsored by IBERCAJA.

In teaching activities, the Foundation manages the teaching for the expert-level course in managing financial institutions (*Curso de Experto en Dirección de Entidades Financieras*), sponsored by CECA within the framework of cooperation with Fundación Carolina. It also designs the material for this course.

Greater levels of connection with Spanish society have obliged the Foundation to expand its range of cultural activities. Action in this area was two-fold.

Firstly, continuing the traditional CECA award: the *Hucha de Oro* (golden piggy-bank) short story competition. In its XXXIII edition held in 2006, more than 6,000 short stories were sent in. The panel of judges, chaired by academic Luis Mateo Díez, awarded first prize to Ignacio Ferrando Pérez for his story entitled *Yarbird*. The awards ceremony was held in the Madrid Casino and the winning story was read by the actor José Sacristán.

Secondly, under the heading *Tiempo de Música* (time for music) the Foundation has launched a new activity. The event consisted of presentation of the book *El universo pianístico en la obra de Joaquín Rodrigo*. The event involve musicologist Ana Vega Toscano, maestro Rodrigo's daughter Cecilia Rodrigo, and the book's author, Paula Coronas, a pianist who entertained the audience with various works by the great maestro Rodrigo.

Lastly, FUNCAS also focused on environmental issues. It lent financial support to Europarc España with a series of bursaries for masters students in Natural Protected Spaces organised by this institution, and for the awards given on European Parks Day.



■ Appendices

Main legislation passed and draft laws processed in 2006

CECA publications

FUNCAS publications

Glossary

Chronology

Headquarters, branches and representative offices



156-58E0923369
5% 5:6 5:000636,000025€ 52,63
99% 25,99 25% 2006 5€ 5,6

f) Credit institutions

- /// Bank of Spain Circular 2/2006 for credit institutions, amending Circular 5/1993, regarding the establishment and control of minimum capital requirements.
- /// Bank of Spain Circular 3/2006, dated 28 July 2006, concerning residents with accounts abroad

d) Electronic signature:

- /// Agreement dated 15 September 2006, approved by the Board of Spain's Securities Commission (Comisión Nacional del Mercado de Valores), concerning adaptation of the CIFRADO/CNMV system to certification and recognised electronic signature services and creating the CNMV's Telematic Record

e) Deposit Guarantee Fund:

- /// Bank of Spain Circular 1/2006, dated 24 February, amending Circular 4/2001, dated 24 September, concerning information on balances constituting the basis for calculating contributions to deposit guarantee funds, and the scope of the guaranteed amounts

f) Corporate governance:

- /// Unified Code of Good Governance for Listed Companies (CNMV agreement dated 22 May 2006)

g) Collective Investment Institutions:

- /// Order EHA/1199/2006, dated 25 April, enacting the provisions of Law 35/2003, dated 4 November, regulating collective investment institutions, concerning free investment collective investment institutions and empowering the Securities Commission to issue various provisions
- /// CNMV Circular 1/2006, dated 3 May, concerning Free Investment Collective Investment Institutions
- /// CNMV Circular 2/2006, dated 27 June, concerning disclosure by foreign collective investment institutions registered with the Securities Commission
- /// CNMV Circular 3/2006, dated 26 October 2006, concerning collective investment institutions' prospectuses

h) Insurance brokerage:

- /// Law 26/2006, dated 17 July, concerning private insurance and reinsurance brokerage
- /// Insurance and Pension Funds Directorate Resolution dated 28 July 2006, establishing the requirements and guiding principles of the training programmes for insurance brokers, reinsurance brokers and other persons participating directly in private insurance and reinsurance brokerage

/// Spanish Data Protection Agency Resolution dated 1 September 2006, defining the information contained in the catalogue of files registered in the General Data Protection Register

m) Government sponsored housing:

/// Order VIV/1266/2006, dated 31 March, stating the most highly priced geographical areas in 2006 for the purposes of Royal decree 801/2005, dated 1 July, approving the 2005-2008 State Plan to help citizens access housing

/// Order VIV/1516/2006, dated 20 April, establishing the maximum volume of loans arranged for the 2006 Programme of the 2005-2008 State Housing Plan

/// Housing Ministry Under-Secretariat Resolution dated 10 May 2006, advertising the Council of Ministers resolution of 7 April 2006, to revise and modify effective annual interest rates for eligible loans awarded within the framework of the 1997 programmes (1996-1999 Housing Plan), 1998-2001 Housing Plan and 2002-2005 Housing Plan

/// Housing Ministry Under-Secretariat Resolution dated 10 May 2006, advertising the Council of Ministers resolution of 7 April 2006, to set the effective annual interest rates for loans arranged within the scope of the 2005-2008 Housing Plan

/// Order VIV/2784/2006, dated 27 July, establishing the isolated rehabilitation conditions and requirements to improve accessibility, sustainability and structural safety in the 2006 Programme of the 2005-2008 Housing Plan

/// Order VIV/3149/2006, dated 3 October, creating and regulating the Register of Government-Subsidised Housing

2. Main state-wide draft laws written or processed in 2006

/// Draft Law on Environmental Responsibility

/// Draft Law on competition and priority of loans in the event of special executions

/// Draft Law on private insurance and reinsurance brokerage

/// Draft Law amending Securities Market Law 24/1988, dated 28 July, to modify the system for takeover bids and the transparency of issuers

/// Draft Law in Catalonia to amend Legislative Decree 1/1994 (amended text of the Law on Savings Banks in Catalonia)

/// Draft Law on Savings Banks in Canary Islands

- ///
Draft Order enacting certain precepts of the regulation governing pension plans and funds
- ///
Draft Bank of Spain Circular amending Bank of Spain Circular 4/2001, dated 24 September, to institutions subscribing to a deposit guarantee fund, concerning disclosure of the balances used as the basis for calculating contributions to deposit guarantee funds and the scope of the amounts guaranteed, to adapt it to the provisions established in Bank of Spain Circular 4/2004
- ///
Draft Bank of Spain Circular amending Circular 5/1993, dated 26 March, concerning the definition and control of minimum capital requirements

II. INTERNATIONAL LEGISLATION:

Main EC provisions enacted in 2006

a) Account auditing:

- ///
Directive 2006/43/EC of the European Parliament and of the Council, dated 17 May 2006, on statutory audits of annual accounts and consolidated accounts, amending Council Directives 78/660/EEC and 83/349/EEC and repealing Council Directive 84/253/EEC

b) Money laundering:

- ///
On 1 August 2006, Directive 2006/70/EC was approved, which established the provisions of application of Directive 2005/60/EC of the European Parliament and of the Council concerning the definition of "politically exposed persons" and the technical criteria applicable in the simplified due diligence processes with respect to the customer, as well as concerning exemption for reasons of occasional or very limited financial activity.

c) Commission Procedures

- ///
Commission Decision, dated 30 March 2006, establishing a European group of experts in property securities markets to provide legal and economic advice on the application of EU Directives relating to property securities

d) Accounting:

- ///
Commission Regulation (EC) 108/2006, dated 11 January 2006, amending Regulation (EC) 1725/2003 adopting international accounting standards in accordance with Regulation (EC) 1606/2002 of the European Parliament and of the Council relating to International Financial Reporting Standards (IFRS) 1, 4, 6 and 7, and International Accounting Standards (IAS) 1, 14, 17, 32, 33 and 39 and interpretation (IFRIC) 6 of the International Financial Reporting Interpretation Committee

/// Directive 2006/49/EC of the European Parliament and of the Council, dated 14 June 2006, on the capital adequacy of investment firms and credit institutions (recast)

/// Central European Bank Guideline, dated 20 April 2006, amending Guideline ECB/2002/7 on the statistical reporting requirements of the European Central Bank in the field of quarterly financial accounts

h) Statistics:

/// Central European Bank guideline, dated 17 November 2005, amending Guideline ECB/2002/7 on the statistical reporting requirements of the European Central Bank in the field of quarterly financial accounts

/// Regulation (EC) No. 1027/2006 of the Central European Bank, dated 14 June 2006, on statistical reporting requirements in respect of post office giro institutions that receive deposits from non-monetary financial institution euro area residents

/// European Central Bank Guideline, dated 3 February 2006, concerning certain statistical reporting requirements of the ECB and the procedures for statistical information exchange in the European Central Banking System in the field of public finances statistics.

i) Euro:

/// Council decision dated 30 January 2006, amending and extending Decision 2001/923 /EC, establishing an exchange, assistance and training programme for the protection of the euro against counterfeiting (the 'Pericles' programme)

/// Commission Regulation (EC) No. 601/2006, dated 18 April 2006, implementing Regulation (EC) No 184/2005 of the European Parliament and of the Council as regards the format and the procedure for the transmission of data

/// Council Decision dated 30 January 2006, extending to member States not participating in the application of Decision 2006/75/EC, which amends and extends Decision 2001/923/EC, establishing a programme of action in relation to exchange, assistance and training for the protection of the euro against counterfeiting (Pericles Programme)

/// Commission Regulation (EC) No. 602/2006, dated 18 April 2006, adapting Regulation (EC) No 184/2005 of the European Parliament and of the Council through the updating of data requirements

CECA Publications

12.2

MONTHLY /// **Agrocajas**

Review of European agrarian legislation.

QUARTERLY /// **Análisis Comparativo (*)**

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

ANNUAL /// **Anuario Estadístico de las Cajas de Ahorros**

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

MONTHLY /// **Apunte de Coyuntura Económica**

General overview of economic developments, both domestically and internationally.

ANNUAL /// **Asamblea de Montes de Piedad (*)**

Publication of the papers presented at the 14th General Assembly of Pawnbroking institutions held in Las Palmas, Gran Canaria.

MONTHLY /// **Balances de las Cajas de Ahorros**

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

QUARTERLY /// **Boletín COAS (*)**

Semi-monthly RDI bulletin. Brief roundup of latest news on new technologies in the field of information and communications systems.

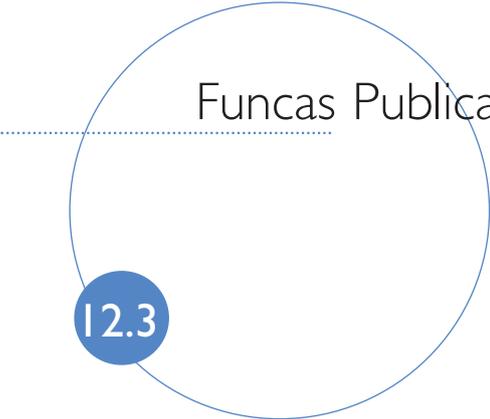
MONTHLY /// **Boletín Estadístico (*)**

Statistical gazette containing all the monthly data available for the savings bank sector, with the basic details of each entity and the financial system.

QUARTERLY /// **Cuentas de Perdidas y Ganancias de las Cajas de Ahorros**

Public Income Statements of each savings bank and for the sector as a whole.

- ANNUAL /// **Boletín Melania de la COAS**
Projects of the savings banks.
- SIX TIMES A YEAR /// **Boletín Melania de la ESCA**
Business management, training and leadership.
- MONTHLY /// **Boletín Melania de Marketing y Publicidad**
Financial products.
- HALF-YEARLY /// **Boletín Melania de Operaciones**
Operating management.
- THREE TIMES A YEAR /// **Boletín Melania de Recursos Humanos**
Selection, recruitment, hiring, human resources management, labour relations, prevention of occupational hazards training.
- WEEKLY /// **Boletín Melania de Seguridad**
Financial security, security products, topics and interviews relating to these areas..
- DAILY /// **Facsímiles de Billetes Extranjeros**
Facsimiles of foreign notes in operation for CECA.
- ANNUAL /// **Legislación de Cajas de Ahorros.**
Compilation of the legislation enacted by Spain's autonomous regions on matters affecting savings banks.



Funcas Publications

12.3

PAPERS ON THE SPANISH ECONOMY

- FEBRUARY 2006 /// Tarjetas de pago y tasas de intercambio; (2006), nº extraordinario.
- FEBRUARY 2006 /// Convergencia regional europea; (2006), nº 107.
- MAY 2006 /// Responsabilidad Social Corporativa; (2006), nº 108.
- NOVEMBER 2006 /// La vivienda: precios, mercados y financiación; (2006), nº 109.
- DECEMBER 2006 /// Sistemas bancarios comparados; (2006), Nº 110.

PROSPECTS OF THE FINANCIAL SYSTEM

- JANUARY 2006 /// Bolsas y mercados españoles; (2006), nº 85.
- JUNE 2006 /// Autónomos, emprendedores, economía social y su financiación; (2006), nº 86.
- JULY 2006 /// Instituciones de Inversión Colectiva; (2006), nº 87.
- DECEMBER 2006 /// Integración y consolidación financiera en Europa; (2006), nº 88.

ECONOMIC INFORMATION NOTEBOOKS

- MARCH 2006 /// IRPF. ¿Simple reforma o cambio de modelo?; (enero-febrero 2006), nº 190.
- MAY 2006 /// Desarrollo y crecimiento económico 2005. Los extremos se tocan; (marzo-abril 2006), nº 191.
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- JULY 2006 /// Coyuntura de vacaciones; (julio-agosto 2006), nº 193.

OCTOBER 2006 /// El irresistible ascenso del endeudamiento familiar; (septiembre-octubre 2006), nº 194.

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JULY 2006 /// Infancia y juventud: nuevas condiciones, nuevas oportunidades; (2006), nº 3.

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JULY 2006 /// Indicadores de convergencia real para los países avanzados. Encarnación Cereijo, Jaime Turrión y Francisco J. Velázquez; (2006), nº 2.

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JUNE 2006 /// Basilea II. Raimundo Poveda Anadón; (2006), nº 6.

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JUNE 2006 /// Yardbird y otros cuentos. XXXIII Concurso de Cuentos "Hucha de Oro".

DIGITAL PUBLICATIONS - WORKING DOCUMENTS

- JANUARY 2006 // // Bank ownership and informativeness of earnings. Víctor M. González; (2006), n° 234.
- JANUARY 2006 // // Developing a predictive method: a comparative study of the partial least squares vs. maximum likelihood techniques. Waymond Rodgers, Paul Pavlou and Andres Guiral; (2006), n° 235.
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- FEBRUARY 2006 // // Una estimación de la depreciación del capital humano por sectores, por ocupación y en el tiempo. Inés P. Murillo; (2006), n° 241.
- FEBRUARY 2006 // // Consumption and leisure externalities, economic growth and equilibrium efficiency. Manuel A. Gómez; (2006), n° 242.
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- FEBRUARY 2006 // // Did the European exchange-rate mechanism contribute to the integration of peripheral countries?. Salvador Gil-Pareja, Rafael Llorca-Vivero and José Antonio Martínez-Serrano; (2006), n° 244.
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- MARCH 2006 // // Measurement and analysis of the Spanish stock exchange using the lyapunov exponent with digital technology. Salvador Rojí Ferrari and Ana Gonzalez Marcos; (2006), n° 246.

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- MARCH 2006 /// Dinámica de precios en el mercado español de gasolina: un equilibrio de colusión tácita. Francisco García Pérez; (2006), n° 253.
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- APRIL 2006 /// Birth replacement ratios: new measures of period population replacement. José López Rodríguez; (2006), nº 261.
- APRIL 2006 /// Accidentes de tráfico, víctimas mortales y consumo de alcohol. José M^a Arranz and Ana I. Gil; (2006), nº 262.
- APRIL 2006 /// Análisis de la presencia de la mujer en los consejos de administración de las mil mayores empresas españolas. Ruth Mateos de Cabo, Lorenzo Escot Mangas and Ricardo Gimeno Nogués; (2006), nº 263.
- APRIL 2006 /// Crisis y reforma del pacto de estabilidad y crecimiento. Las limitaciones de la política económica en Europa. Ignacio Álvarez Peralta; (2006), nº 264.
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- MAY 2006 /// El cumplimiento del Protocolo de Kyoto para los hogares españoles: el papel de la imposición sobre la energía. Desiderio Romero-Jordán and José Félix Sanz-Sanz; (2006), nº 268.
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- JUNE 2006 /// Efficiency, subsidies and environmental adaptation of animal farming under CAP. Werner Kleinhanß, Carmen Murillo, Carlos San Juan and Stefan Sperlich; (2006), nº 270.
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- JULY 2006 /// Capital stock and unemployment: searching for the missing link. Ana Rosa Martínez-Cañete, Elena Márquez de la Cruz, Alfonso Palacio-Vera and Inés Pérez-Soba Aguilar; (2006), nº 274.

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- JULY 2006 /// Investment and growth in Europe during the Golden Age. Antonio Cubel and M^a Teresa Sanchis; (2006), n° 276.
- SEPTEMBER 2006 /// Efectos de vincular la pensión pública a la inversión en cantidad y calidad de hijos en un modelo de equilibrio general. Robert Meneu Gaya; (2006), n° 277.
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- OCTOBER 2006 /// Una visión panorámica de las entidades de crédito en España en la última década. Francisco García Pérez; (2006), n° 283.
- OCTOBER 2006 /// Foreign capital and business strategies: a comparative analysis of urban transport in Madrid and Barcelona, 1871-1925. Alberte Martínez López; (2006), n° 284.
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- OCTOBER 2006 /// Globalisation and the composition of government spending: an analysis for OECD countries. Norman Gemmill, Richard Kneller and Ismael Sanz; (2006), n° 289.

Abbreviations and Accronyms

12.4

AEAT	///	Agencia Estatal de Administración Tributaria (Central Tax Agency)
AEB	///	Asociación Española de Banca (Spanish Banking Association)
AENOR	///	Asociación Española de Normalización y Certificación (Spanish Quality Association)
AHE	///	Asociación Hipotecaria Española (Spanish Mortgage Association)
ALM	///	Asset Liability Management
AM/PB	///	Asset Management / Private Banking
ANCERT	///	Agencia Notarial de Certificación (Notarial Certification Agency)
AR	///	Autonomous Regions
ARS	///	Analysis and Redefinition of Services
ASNEF	///	Asociación Nacional de Establecimientos Financieros de Crédito (National Association of Financial Credit Establishments)
AUTELSI	///	Asociación Española de Usuarios de las Telecomunicaciones y de los Sistemas de Información (Spanish Association of Telecommunications and Information Systems Users)
BME	///	Bolsas y Mercados Españoles
BOE	///	Boletín Oficial del Estado (Official State Gazette)
BOS	///	Bank of Spain
BP	///	Basis Points
BPM	///	Business Process Management
BSR	///	Business Social Responsibility
CAMERFIRMA	///	Servicio de Certificación Digital de las Cámaras de Comercio, Industria y Navegación de España (Digital Certification Service for the Chambers of Commerce, Industry and Shipping of Spain)
CARD	///	Centro Activo para Resolución de Disputas (Active Centre for Dispute Resolution)
CATCERT	///	Agencia Notarial de Certificación (Catalonian Certification Agency)
CBE	///	Circular Banco de España (Bank Of Spain Circular)
CEA TSL	///	Cajas Españolas de Ahorros (Spanish Savings Banks) Trade Services Limited
CEBS	///	Committee of European Banking Supervisors
CECA	///	Confederación Española de Cajas de Ahorros

FEDECRÉDITO /// Federación de Cajas de Crédito y Bancos de los Trabajadores (Federation of Credit Banks and Employees' Banks)

FEMP /// Federación Española de Municipios y Provincias (Spanish Federation of Municipalities and Provinces)

FEPCMAC /// Federación Peruana de Cajas Municipales de Ahorro y Crédito (Peruvian Federation of Municipal Savings and Credit Banks)

FNMT /// Fabrica Nacional de Moneda y Timbre (Spanish National Mint)

FT /// File Transfer

FUNCAS /// Fundación Cajas de Ahorros (Savings Bank Foundation)

GDI /// Gross Disposable Income

GMRA /// Global Master Repurchase Agreement

GMSLA /// Global Master Securities Lending Agreement

GRAF /// Grupo de Responsables de Formación de Entidades Financieras (Financial Institutions Training Managers Group)

GRI /// Global Reporting Initiative

HR /// Human Resources

IAS /// International Accounting Standards

IBERCLEAR /// Spain's Central Securities Clearing and Settlement System

ICCA /// Instituto de Crédito de las Cajas de Ahorros (Savings Bank Credit Institute)

ICO /// Instituto de Crédito Oficial (Official Credit Institute)

IFRIC /// International Financial Reporting Interpretations Committee

IFRS /// International Financial Reporting Standards

IGIC /// Impuesto General Indirecto Canario (Indirect Tax Applicable in the Canary Islands)

IICIL /// Free Investment Collective Investment Institutions

IMF /// International Monetary Fund

IMSERSO /// Instituto de Mayores y Servicios Sociales (Institute for the Elderly and Social Services)

INCUAL /// Instituto Nacional de Cualificaciones Profesionales (National Institute for Professional Qualifications)

INVERCO /// Asociación de Instituciones de Inversión Colectiva y Fondos de Pensiones (Association of Collective Investment Institutions and Pension Funds)

IRPF /// Impuesto Sobre la Renta de las Personas Físicas (Personal Income Tax)

ISDA /// International Swaps and Derivatives Association

LAE /// Lotería y Apuestas del Estado (Spanish State Lottery Company)

LG /// Local Government

LOPD /// Ley Orgánica de Protección de Datos (Spanish Data Protection Act)

LORCA /// Ley Órganos Rectores de las Cajas de Ahorros (Law on the Governing Bodies of Savings Banks)

MEFG /// Mortgage Funding Experts Group

MICDGE /// Mortgage Industry And Consumer Dialogue Group

Chronology

12.5

January 2

/// Delivery of the results of the COAS survey on cooperation in the sector to Directors General of savings banks

January 12

/// Presentation of the second issue of the FUNCAS journal Panorama Social (Dependencia y autonomía personal: dilemas y compromisos)

January 17-20

/// Visit of the Dominican Republic league of Savings and Loan Associations (LIDAAPI)

January 18

/// Board of Directors

January 18

/// Awards ceremony of the XXXIII Short Story Competition Hucha de Oro (Golden Piggy Bank)

January 19

/// Meeting of the Organisation, Automation and Services Committee (COAS)

January 25

/// Compliance Committee Meeting

February 2

/// Presentation of the extraordinary issue of Papeles de Economía (Tarjetas de pago y tasas de intercambio), by FUNCAS

February 2

/// Launch of COAS project for automated control of loans and guarantees

February 14

/// Award of the Gold Cross of the Civil Order of Social Solidarity (Cruz de Oro de la Orden Civil de la Solidaridad Social) to CECA, in the Royal Palace (Zarzuela)

February 14

/// 3rd workshop for General Secretaries

February 15

/// Meeting of the Board of Directors, Salamanca

February 15

/// Monitoring Committee meeting, Salamanca

February 16

/// Presentation of COAS industry study on fundamental variables in human resources management

April 19

/// Board of Directors

April 19

/// Monitoring Committee Meeting

April 20

/// Meeting of the Organisation, Automation and Services Committee (COAS)

April 24-27

/// COAS 27th CEN/ISS/XFS Workshop (international working group specialising in the European standard for self-serving tools)

April 25

/// Meeting of the Association of Retired Executives

April 27

/// Meeting on copyright management (CECA_VEGAP)

May 2

/// Agreement between CECA and Citibank to provide services in Latin America to companies that are customers of savings banks

May 4-5

/// 9th European Symposium on the History of Savings Banks

May 4-5

/// 2nd Meeting on Operating Risk, in Palma de Mallorca

May 9

/// 3rd workshop on the savings bank/SME business

May 17

/// Board of Directors

May 18

/// Meeting of the Organisation, Automation and Services Committee (COAS)

May 18

/// Presentation of prizes to Spanish winners of the university Stock Market Game, at Trading Room of the Madrid Stock Exchange

May 24

/// Monitoring Committee Meeting

May 24

/// Meeting of FUNCAS trustees

May 24

/// Awards ceremony to mark European Parks Day, funded by FUNCAS

May 25

/// First COAS specialist meeting on savings bank branches: communicating with customers.

May 25

/// Premios Inversión awards ceremony for Welfare Fund projects by the savings banks

May 25-26

/// 8th Advertising Convention, in León

May 25-26

/// 6th Meeting of the Heads of Securities and Fund Custody, in A Coruña

May 31-June 2

/// 19th Workshop on Management Planning and Control, Vigo (Pontevedra)

June 29

/// Presentation of results from the pilot process on Quality - Efficiency Indicators (COAS)

July 2

/// Presentation to savings banks of the expert credit rating model of new residents for mortgages, cards and consumer credit (COAS)

July 6

/// 55th Meeting of Tax Experts, in London (UK)

July 12

/// Presentation of doctoral theses winning FUNCAS awards in the 2004-2005 edition

July 19

/// Board of Directors

July 20

/// Presentation of the third issue of the FUNCAS journal Panorama Social (Infancia y juventud: nuevas condiciones, nuevas oportunidades)

July 20

/// Meeting of the Organisation, Automation and Services Committee (COAS)

July 21

/// Signature of the CECA-CGN-ANCERT framework agreement for the provision of IT services via the corporate notary technology platform (COAS)

July 26

/// Monitoring Committee Meeting July 26 Meeting with CAHS WG of the EPC – with the involvement of COAS – at the European Central Bank, for extension of the period of implementation of the cash framework (mission accomplished)

September 13

/// Board of Directors

September 20-22

/// 31st Training and Development Managers Conference, Bilbao

September 20-22

/// 31st Auditors Conference, Palma de Mallorca

September 21

/// Meeting of the Organisation, Automation and Services Committee (COAS)

September 21-22

/// 4th Accounting Conference, Vigo (Pontevedra)

September 25

/// CECA awarded 2006 Nuevo Lunes prize for transparency and disclosure at business organisations

September 26-28

/// Visit by a delegation of Peruvian Federation of Municipal Savings and Credit banks (FEPCMAC)

September 27

/// Meeting of the Welfare Fund Research Committee

19-20 October

/// 32nd national meeting on the Welfare Fund, Salamanca

19-20 October

/// Annual Credit Risk Meeting, Lisbon (Portugal)

19-20 October

/// 18th meeting of Heads of International Divisions, Murcia

21 October

/// Monitoring Committee

23 October

/// Meeting on corporate social responsibility and presentation of working groups to savings banks

24 October

/// Presentation of COAS ARS project to the media

25 October

/// Organisation, Automation and Services Committee (Comisión de Organización, Automación y Servicios - COAS)

25-27 October

/// 26th meeting of Heads of Organisation, IT and New Services "Jornadas COAS 2006", Seville

26 October

/// Meeting on the Technical Building Code

26-27 October

/// 29th meeting on marketing, Toledo

26-27 October

/// 4th Meeting of Bill Portfolio Managers, Alicante

30 October

/// Involvement of COAS in development of plan to implement SEPA in Spain, promoted by the Bank of Spain

31 October

/// Presentation of issue No. 194 of Cuadernos de Información Económica (El irresistible ascenso del endeudamiento familiar), by FUNCAS

7 - 8 November

/// Participation in Global Reporting Initiative workshop for the revision of Financial Supplement Standards, Geneva (Switzerland)

9 November

/// FUNCAS Trustee's board meeting

10 November

/// Board of Directors meeting in Cáceres

10 November

/// Monitoring Committee meeting in Cáceres

11 November

/// Welfare fund meeting for chairmen and General Managers savings banks, in Cáceres

16 November

/// Organisation, Automation and Services Committee (COAS)

16-17 November

/// 4th Meeting of Quality Managers, León

21 November

/// 2nd Meeting of Savings Banks Research Units, Madrid

22 November

/// Meeting on Keeping apace with Money Laundering Prevention

23 November

/// Industry-wide presentation, by COAS, of MiFID Project: Impact on EC MiFID Directive on savings banks

27 November

/// Presentation of the book El camino a Europa (the Road to Europe), Caja España

28 November

/// COAS Conference on Markets in Financial Instruments (MiFID)

29 November

/// COAS Presentation of the general findings of the savings banks operating efficiency survey; 2005

4 December

/// Presentation of issue No. 88 of Perspectivas del Sistema Financiero (Integración y consolidación financiera en Europa), by FUNCAS

11-15 December

/// Visit by a delegation from the Savings Bank of the Russian Federation

12 December

/// 1st Meeting on Consumer Finance, COAS

13 December

/// 94th CECA General Assembly

14 December

/// Presentation by COAS of the findings of the ARS Project to the Bank of Spain

14 December

/// 4th Meeting on savings banks/SMEs business

14-15 December

/// 66th Meeting of Legal Advisors

18 December

/// 56th Meeting of Tax Experts

20-21 December

/// Conference on Microcredits and Social Inclusion

21 December

/// Organisation, Automation and Services Committee (COAS)

21 December

/// Presentation to savings banks' Human Resources Managers of the COAS industry-wide survey of fundamental variables in human resources management

27 December

/// Integration of banque Internationale pour le Mali as a partner in the COAS immigrant project; it was the last of the twelve new partners to join over 2006

Branches and Representative Offices

12.6

Confederación Española de Cajas de Ahorros

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Tel.: 91 596 50 00
Fax: 91 596 57 42
Website: <http://www.ceca.es>
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Registered in the Madrid Mercantile Register: Volume 5197, Book O, Folio 180, Section 8, Sheet M-85116, 1st Entry.

Branches and representative offices

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

Operating branch abroad

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

Representative offices abroad

GERMANY

Schaumainkai, 69
60596 FRANKFURT am Main

BENELUX

Avenue des Arts, 3-4-5.
1210 BRUXELLES (BÉLGICA)

FRANCE

14, Avenue du Président Wilson
F-75116 PARIS.

SWITZERLAND

Rue du Grand-Pré, 64 1210 GINEBRA

HONG-KONG

9 a/F, Two Harbourfront 22 Tak Fung Street
Hunghom, Kowloon Hong-Kong (CHINA)

 kutxa

Bancaja 

CAJA GENERAL DE AHORROS DE CANARIAS
Caja Canarias 


Caja de Burgos

 **cajaRioja**

Caixa  Penedès

Caja Duero  CAJA GRANADA

caja  **segovia**

 CAIXA GALICIA

 CAJA MADRID


Caja de Guadalajara

 CAIXA LAIETANA

iberCaja 

"SA NOSTRA"
CAIXA DE BALEARS

caixanova 

ct *
*caixaterrassa

 Caixa de Girona

 | **CajadeÁvila**

 CAJA CANTABRIA


Colonya
Caixa Pollença

 **cajacírculo**

 CAJA DE AHORROS
EL MONTE

bbk =

 **CajaSur**

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

 **CCM**
Caja
Castilla
La Mancha

cajAstur 

Caja Vital  **Vital Kutxa**



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CAJA SAN FERNANDÓ

 **CAM** Caja de Ahorros
del Mediterráneo

 **La Caja** de CANARIAS

 **caixaManresa**

 **Caja de Badajoz**

 **Unicaja**

 **Caja de Extremadura**

 **cajanavarra**

 **Caixa de Manlleu**

Caja España 

CAIXA 
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 **CAJAMURCIA**


Caixa Sabadell

 **CAJA DE JAEN**
CAJA PROVINCIAL DE AHORROS DE JAEN

 **Caixa Tarragona**

CAIXA CATALUNYA 