

1 STRUCTURE AND EVOLUTION OF THE INSTITUTIONS UNDER THE BANCO DE ESPAÑA'S SUPERVISION IN 2006

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1.1 Structure and composition of the banking system

Spanish credit institutions (CIs) continued to expand their operating capacity in the domestic market in 2006. In particular, they supplemented the opening of branches with the strengthening of their electronic and telephone banking services, and extended their relationships with businesses through point-of-sale (POS) terminals. In fact, not only did they increase the size of their operational networks, but they also generally stepped up the pace of that growth. The presence of foreign banks in Spain increased, particularly through the establishment and expansion of branches of foreign CIs. There was a greater convergence between the market shares of domestic commercial banks and savings banks measured in total balance sheet terms.

1.1.1 TYPES OF CREDIT INSTITUTION

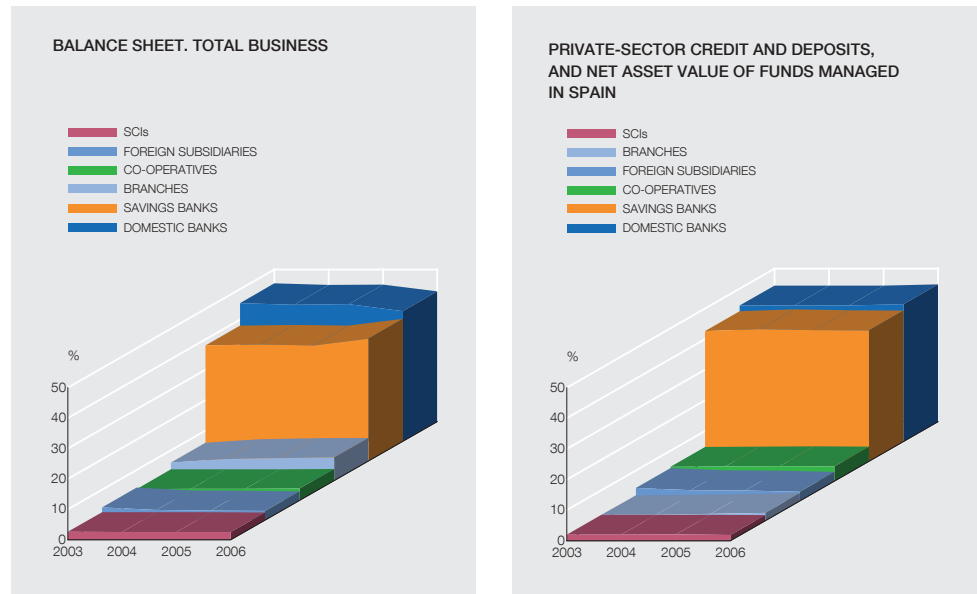
The upward trend of recent years in the opening of branches by European Union (EU) banks was reaffirmed in 2006. Accordingly, last year, as in 2005, the number of registered CIs in Spain rose, and it now stands at 355. The net increase of five CIs was the result of a net gain of four commercial banks and one SCI, since savings banks and credit co-operatives did not change in number or composition (see Table 1.A.1).

Last year the composition of two consolidated groups changed as a result of a merger. A Spanish commercial bank (Banco de Sabadell), the parent of the consolidated Sabadell group, absorbed a foreign subsidiary (Banco Urquijo). The group also inherited certain investments as a result of this acquisition, among which was a part of Caceis Bank España. Some months later the Sabadell group purchased the remaining capital and thus became the owner of all the shares of this foreign subsidiary, which consequently became a Spanish bank (the only new registration in 2006). By contrast, Banco Urquijo was dissolved and removed from the Banco de España's register of CIs. These two foreign subsidiaries made up the consolidated group with a foreign parent that disappeared in 2006 (the Urquijo group). The third subsidiary deregistered was a non-EU subsidiary (JP Morgan Bank SA) inactive since the end of 2005.

The number of branches increased in net terms by six. The only deregistration due to closure took place following full transfer of assets and liabilities to one of the seven new branches registered, all from the EU, which indicates that EU CIs continued their strategy of extending their presence in Spain. Hence, all in all, the presence of foreign banks in Spain increased by three institutions in 2006 (six new branches less three subsidiaries).

In the specialised credit institution (SCI) category, there were three registrations (one independent SCI and two foreign-owned SCIs) and two deregistrations, one as a result of the dissolution of a SCI absorbed by a savings bank.

As regards the market share of the various types of CIs measured in total balance sheet terms, savings banks raised their market share by 2.2 pp to 40.2%. The share of commercial banks diminished by the same amount to 42.8%, basically at the expense of Spanish commercial banks, since the share of foreign banks as a whole remained practically unchanged: the slight increase in the share of branches was partially offset by the drop in the share of foreign subsidiaries, in a process that has been underway for the last few years (see Chart 1.1 and Table 1.A.4 bis). This reshuffling of commercial and savings banks' market shares measured in total balance sheet terms was not significantly affected by the securitisation of assets, as is explained in more detail in Sections 1.2.2 and 1.2.3 of this Report.



SOURCE: Banco de España. Data available at 13 March 2007.

When market share is measured in terms of business with private-sector customers (loans, deposits and managed funds), minor variations are seen. The shares of savings banks and credit co-operatives remained practically unchanged. Commercial banks, particularly Spanish commercial banks, despite losing market share in total balance sheet terms, slightly raised (by 39 bp) their private-sector market share at the expense mainly of SCIs and foreign banks. Regarding foreign banks in Spain, the subsidiaries again lost ground also in business with private-sector customers, their share dropping by 38 bp, while the branches raised their share by 28 bp. These changes have some connection with the aforementioned restructurings in foreign banks in terms of the number of active subsidiaries and branches in Spain.

1.1.2 CIs' OPERATING RESOURCES

In 2006, for the sixth year running, the number of operational offices again rose for CIs as a whole, to a total of 43,785 offices, with a year-on-year increase of 4.1%. Consequently, the density of the office network grew to 11.8 offices per 10,000 inhabitants over 16 years of age, the highest density in the European banking industry (see Tables 1.1 and 1.A.2).

SCIs and foreign branches were the institutions with the highest growth rate of offices, at 6.5% and 6.2%. By contrast, foreign subsidiaries were the only ones to see an overall decline in their number of offices (-1.8%). Nevertheless, it should be noted that the increase in the number of offices of branches and the decrease in those of foreign subsidiaries was actually due to the change in the number of active institutions, since in terms of average operational offices per active institution, the figure for branches did not change while that for subsidiaries increased by five.

As is customary, savings banks, which have a lead in the number of operational offices, did not interrupt the ongoing expansion of their operational office networks. Their example was followed by Spanish commercial banks which, since the completion of their major internal restructuring processes in 2004, have stopped closing offices and have followed savings banks in their strategy of increasing their physical presence. However, in the past five years savings banks have, in absolute terms, opened more offices in the provinces of highest population density (such as Madrid and Barcelona), whereas commercial banks have shifted a part of their presence in these regions in order to establish themselves in areas with a lower bank office density.

Total business. Year-end data

	2003	2004	2005	2006
Serving employees per 10,000 inhab. > 16 years old	69.1	68.6	69.3	70.7
Operational branches per 10,000 inhab. > 16 years old	11.2	11.3	11.5	11.8
ATMs per 10,000 inhab. > 16 years old	14.7	14.9	15.2	15.5
Point-of-sale terminals per 10,000 inhab. > 16 years old	278.2	295.9	306.7	352.4
No. of credit and debit cards per inhab. > 16 years old	2.0	2.1	2.3	2.4

SOURCE: Banco de España and INE. Data available at 19 March 2007.

a. The population figure used as the denominator in the calculation of these ratios is the total Spanish resident population above 16 years old according to the Spanish Labour Force Survey (EPA), while the numerator takes total business including business both in Spain and abroad. Nonetheless, given the marginal nature of the contribution of the latter, there is no problem of any significant mismatch in the ratio.

Although there is a dense network of bank offices in Spain, these are smaller than in other EU countries, as measured in terms of employees. In 2006 the average office size remained unchanged at less than five employees per office. As in prior years, the lowest number of employees per office was in credit co-operatives and savings banks, which remained at the levels of recent years. Meanwhile, commercial banks continued on a converging path with savings banks as they diminished the number of employees per office.

Spain's ATM network is the densest in Europe and in 2006 approached 16 ATMs per 10,000 inhabitants over 16 years of age. Even so, last year the number of ATMs grew by practically 4%, largely due to the new ATMs of savings banks. In recent years the number of ATMs has been growing abreast with the number of offices, which seems to indicate that the institutions are not undertaking the expansion of ATMs outside their offices, i.e. they are using ATMs to complement, rather than replace, offices.

Point-of-sale (POS) terminals continued to expand rapidly in 2006, their numbers rising by 16.7% to exceed 1.3 million for CIs as a whole. Spanish commercial banks were those that made the biggest effort to pursue a closer relationship with businesses, with an increase of 22.4% in their POS terminals. Nevertheless, savings banks continued to have the most extensive network of POS terminals (618,057), although their advantage over commercial banks narrowed after the effort by commercial banks to widen their presence in this segment.

ATMs and POS terminals are linked to the use of debit and credit cards, so it is not surprising that, in consonance with the rise in the number of ATMs and POS terminals, the number of cards should also keep growing in 2006 (9%), when it topped 90 million cards, nearly 57% of which were credit cards. Commercial banks continued to hold the lead in the number of credit cards, with a share of 42% (38% in 2005), which breaks down into 32% for Spanish commercial banks, 8% for foreign subsidiaries and the other 2% for foreign branches. The share of the credit card market held by savings banks fell from 28% in 2005 to 25% in 2006. Debit card market shares were unchanged: savings banks remained in the lead with 59%, compared with the 32% share of commercial banks.

In recent years the number of agents has increased, and this process continued in 2006. In addition to expanding their staff by 5%, savings banks raised by 134% the number of banking agents empowered to arrange transactions. Foreign subsidiaries, while holding their number of employees unchanged, led the notable escalation in the number of agents in 2006, al-

though most of this rise was due to a change in the contractual status of previously existing collaborators engaged mainly in the sale of securities market services.

As regards electronic and telephone banking, the number of deposit accounts¹ arranged through these channels increased by more than 23% to exceed 2.3 million. By category, at end-2006 branches were the leading users of this mechanism, with more than 1.6 million accounts arranged by means of so-called "remote banking". These were followed by Spanish commercial banks with nearly 650,000 accounts, and savings banks came third with approximately 120,000. It should be noted that savings banks, although in overall terms they are still far from reaching the number of transactions carried out by commercial banks through these processes, recorded the highest year-on-year growth rate in the use of these business channels (50%).

1.1.3 CONSOLIDATED GROUPS OF CREDIT INSTITUTIONS

Consolidated groups (CGs) at end-2006 numbered 99 (four more than in 2005), of which only 31 were groups that, in addition to the parent or account submitter, included at least one other CI. The number of CGs whose parent is a CI increased by three in net terms. The category undergoing most changes was that of the groups whose parent is a credit co-operative, in which there were four additions and one deletion. The only change within the CGs containing at least two CIs was a newly registered CG whose parent is a savings bank. A CG with a foreign CI parent ceased to exist, as mentioned in Section 1.1.1². As regards other CGs whose parent is not a CI, there were two registrations and one deregistration of CGs whose ultimate holders are foreign, and, as a result, this category grew to seven CGs (see Table 1.A.3).

Royal Decree 1332/2005 was published in late 2005 to implement the legislation on the supervision of financial conglomerates (FCs) (Law 5/2005) and complete the transposition of Community law (Directive 2002/87/EC) to the Spanish legal system. Royal Decree 1332/2005 establishes rules for the calculations needed to identify FCs and adopts the new system of supplementary supervision designed by Law 5/2005 through capital adequacy policies, the definition of FCs' eligible own funds and reporting requirements. The entities subject to this system are credit institutions, investment firms, insurance and reinsurance undertakings, CII management companies and pension fund managers forming part of a FC. The Royal Decree defines the relevant competent authorities in the supervision of a FC and the single co-ordinator as the competent authority responsible for exercising and co-ordinating supplementary supervision. Non-consolidable mixed groups (MGs), whenever they cannot be identified as FCs because they do not meet the sectoral diversification criteria, shall also be subject to specific reporting requirements.

Table 1.A.3 shows that under these new regulations the sum of FCs and MGs at end-2006 had increased by ten with respect to 2005, which was remarkable given the downward trend that had prevailed in the number of MGs in Spain. Of the 42 groups, only seven could be classified as FCs under the applicable sectoral diversification criteria, although four of them were exempt from the supplementary supervision requirements pursuant to a decision by the relevant competent authorities and the single co-ordinator³. Therefore, in all, the Banco de España was responsible for the supervision of six FCs and 34 MGs, and the Directorate General of Insurance supervised one FC and one MG.

1. Deposit accounts include current accounts, savings accounts and time or other deposits. 2. This deregistration was not reflected in the category of CGs containing two or more CIs, since one of the two CIs forming the group was an investee. 3. Regarding the three non-exempt FCs, the Banco de España was designated as co-ordinator of two of them and the Directorate General of Insurance as co-ordinator of the other one.

1.2 Activity and results of credit institutions

In line with the trend of recent years, both individual credit institutions (CIs) and consolidated groups (CGs) put in a positive performance in terms of activity and results, directly influenced by the sound performance of the Spanish economy which, with a GDP growth rate of 3.9% (four basis points more than in 2005), did not show signs of slowing. The industrial production index showed the highest growth of the last five years, construction being the most vigorous economic sector, although investment in this segment slowed slightly. This slowdown was influenced by the interest rate rise, much stronger than in 2005, as a result of which the interest rate on Eurosystem main refinancing operations ended 2006 at 3.50% and EURIBOR at 3.92% (2.25% and 2.78% in December 2005, respectively).

International economic activity in 2006 was notable for its considerable buoyancy and for the US dollar's progressive depreciation against the euro to levels similar to those of December 2004, which played a major role in the slowdown in the CG activity figures expressed in euro. In the US the economic slowdown continued, although its GDP continued to grow at a rate above 3%. The situation of economic boom also prevailed in the EU, with euro area growth of 2.8% (1.5% in the previous year), the same as in the UK. Meanwhile, the overall performance of the Latin American economies was favourable, with growth of 5.3% in 2006, inflation at historical lows and a significant recovery in domestic demand, all of which impelled the activity and results of CGs.

1.2.1 ACTIVITY OF INDIVIDUAL CREDIT INSTITUTIONS

The favourable economic conditions in Spain in 2006 brought a fresh rise in CI activity. However, the balance sheet total changed its trend, since the growth rate slowed to 16.6% in 2006, leaving it at practically €2.5 billion as at December of that year. This represented a turning point in the growth path initiated four years earlier (see Table 1.A.4). The slowdown was caused, from the standpoint of assets, by a significant fall in the debt securities caption and by a slight slowdown in mortgage credit to the resident private sector, the behaviour of which was closely linked to the interest rate rises in 2006.

The growth rates of both credit (also referred to as "lending" or, in the balance sheet, "loans and advances") to the resident private sector and deposits from the private sector (liabilities)⁴ increased in 2006, although less so than in previous years (see Chart 1.2) and the weight of both items in the balance sheet increased. Specifically, CIs raised the weight of their credit to the resident private sector and adjusted downward both the weight of their fixed-income portfolio and that of interbank loans. On the financing side, there was a shift in relative weight from the "Deposits from central banks and from credit institutions" caption to "Deposits from other creditors" and to "Debt certificates including bonds", with high rates of issuance of covered bonds, frequently placed via securitisation. These changes were more marked in Spanish commercial banks, which lost market share slightly to savings banks. The growth of activity continued to be accompanied by progressive improvement in the credit quality of assets, and the doubtful assets ratio again decreased. This, along with higher general allowances and provisions, gave rise to further increases in the coverage ratio of CIs.

Mortgage credit was, yet another year, one of the most dynamic components of the balance sheet. Although its growth was down slightly (from 28.4% to 24.6%), the share of mortgage credit in the CI balance sheet rose further to stand at 36%. The volume of mortgage credit under management increased to €911 billion, although this variable also decelerated (see Chart 1.3). As regards the structure of lending to the resident private sector (see Table 1.A.6), the only activity in the "goods" category whose share increased was construction, while under the "services" heading, property development underwent significant growth. The slowdown in

4. Defined as total "Deposits from other creditors" excluding "Resident and non-resident general government".

Total business



SOURCES: INE and Banco de España. Data available at 9 March 2007.

a. CIs existing at each date.

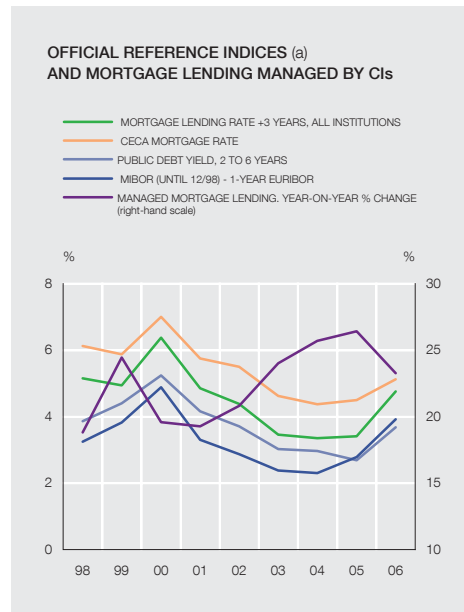
house purchase lending shifted the attention of CIs towards the financing of productive activities, which represented a change of trend with respect to the last few years and produced a decrease in the proportion of credit extended to households to finance housing. Also, while credit to the resident private sector gained weight in the balance sheet of CIs, debt securities underwent a notable decline (-18.1%) which reversed the previous year's rise and reduced their weight to less than 10% of the balance sheet total.

Moving on to financing, debt certificates including bonds, and especially the mortgage-backed securities accounting for 44% of this caption, were the most dynamic item and gained weight in CI liabilities, despite a slowdown of nearly 10 pp in their growth rate in 2006. At the end of that year, the outstanding balance of covered bonds (the only type of mortgage-backed security issued under this heading) amounted to €133 billion, up nearly 50% on 2005. It should be noted that the debt certificates caption does not include all the covered bonds issued, since the one-off covered bonds used as a basis for securitisations are recorded as "Fixed term and rate deposits" under the heading "Time deposits".

In view of the above, it was decided to add at the end of Table 1.A.4 a new heading "Total mortgage covered bonds issued", which represents the total volume of mortgage covered bonds issued by CIs and which includes both those considered to be marketable securities and those that are not because they were issued on a one-off basis for subsequent securitisation. Examination of this heading shows that in 2006 CIs had a volume of €228 billion of mortgage covered bonds issued, equal to 9.2% of their balance sheet total, of which 40% were securitised.

The most important liability-side item in absolute terms, namely deposits from other creditors, grew by 20% and, like marketable securities, underwent an increase in its weight within the balance sheet, in this case to 52.2% of the total. Notable in this item is the significant growth of time deposits since the new accounting rules (CBE 4/2004) came into force, which continued in 2006. This heading groups together different items, including the liability accounts⁵ that institutions have

5. The captions "Funds received under financial asset transfers" and "Other financial liabilities associated with transferred financial assets".



SOURCE: Banco de España. Data available at 9 March 2007.

a. For an exact definition of these indices, see annex VIII of Banco de España Circular 8/1990 of 7 September 1990.

to record when they securitise assets that they have been unable to remove fully or partially from the balance sheet because the risks and rewards are not considered to have been substantially transferred⁶. Also, the heading “Fixed term and rate deposits” includes the mortgage covered bonds issued that are not marketable securities, which currently comprise all securitised covered bonds. Consequently, the securitisation of assets and the securitisation of liabilities are having a similar effect on the balance sheet of CIs: an increase in the balance sheet total insofar as the assets have not been derecognised and new liabilities have been recognised for the amount of the external funds received (bonds issued and sold to third parties). The inclusion of these two captions in time deposits, in view of the recent behaviour of securitisations in general and of covered bonds in particular, explains why this item has more than doubled since 2003, accounting in 2006 for nearly one-quarter of the balance sheet total of CIs (€595 billion).

The increase in CI activity did not, however, take place evenly. Examination of the breakdown of activity by institutional group shows a slight redistribution in 2006 of the market shares of the various institutions. In credit to the private sector, the share of commercial banks remained nearly unchanged because the slight fall observed in the resident sector was offset by a major increase in non-residents and general government. On the financing side, the decreases in funds received from central banks and CIs and in debt certificates including bonds were most marked in commercial banks, so savings banks raised their share with respect to the former. Also, it should be noted that the securitisation of assets and liabilities did not play a major role in this slight reshuffling of relative weights between commercial and savings banks, since that securitisation was shared evenly between these two types of banks.

⁶. Under the current accounting rules very few securitisations meet the requirements for removing the transferred assets from the balance sheet, as is analysed in greater depth in Section 1.2.3 of this chapter. Owing to the scant volume of the new securitisations removed from the balance sheet, the amount of the sub-heading “Assets transferred — Of which: Securitised” has decreased progressively since 2004 (with a fall of 8.4% in 2006 — see Table 1.A.4) in line with the decline in the outstanding balance of the securitisations prior to that date, which had always been removed from the balance sheet under the previous accounting rules.

End-of-year data (€ m)

	2003	2004	2005	2006
Consolidated foreign balance sheet (assets)	229,587	473,482	601,429	638,390
Financial assets	174,950	357,499	504,218	521,867
<i>EU</i>	49,303	213,515	276,446	275,690
<i>Latin America</i>	105,884	118,948	171,800	180,385
<i>Other</i>	19,762	25,037	55,972	65,792
Financial liabilities	196,980	337,224	462,696	480,048
<i>EU</i>	39,249	169,166	271,535	250,490
<i>Latin America</i>	96,437	107,226	135,565	157,269
<i>Other</i>	61,293	60,832	55,597	72,290
MEMORANDUM ITEM:				
Funds managed (net asset value)	57,494	72,615	124,515	133,472
<i>EU</i>	9,175	10,913	16,968	20,044
<i>Latin America</i>	42,519	52,681	97,249	107,707
<i>Other</i>	5,800	9,021	10,298	5,721

SOURCE: Banco de España. Data available at 9 March 2007.

a. Institutions existing at each date.

b. The information relating to 2003 is based on the accounting rules under CBE 4/1991, while that for 2004, 2005 and 2006 was taken from the statements reported under CBE 4/2004. Therefore, the break in the series, which it was attempted to minimise, occurs in the transition from 2003 to 2004.

Regarding the credit quality of CIs' assets in 2006, once again credit growth was not accompanied by a worsening of credit quality because, although more moderately than in previous years, the total doubtful assets ratio fell further to 0.46% (see Table 1.A.5). However, doubtful assets secured by completed housing were up by around 30% in 2006 following the substantial rise in this portfolio. Allowances and provisions rose significantly, due mainly to the strong growth of general allowances and provisions in 2006, closely linked to the volume of activity of CIs. As a result, the decrease in doubtful assets and the progressive rise in general allowances and provisions took the doubtful assets coverage ratio (via allowances and provisions) to 273%.

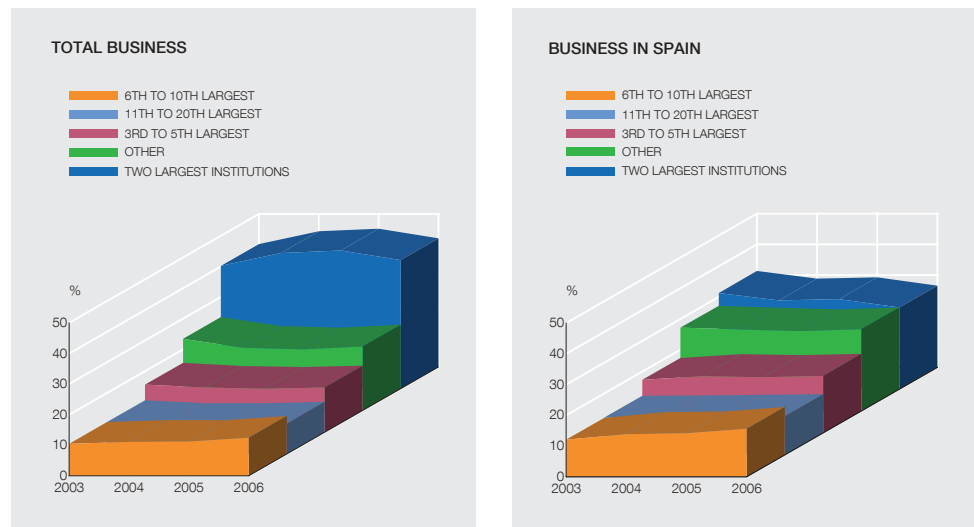
In line with the foregoing, the risk exposures reported to the Banco de España's Central Credit Register (CCR) continued to rise, both in number and in amount, at a rate similar to that of the previous year and in consonance with the growth in credit to the resident private sector (see Table 1.A.7). Resident foreign individuals were the borrowers that showed the most dynamic behaviour, with growth of nearly 40% for the third year running, sustained by the notable rise in the immigrant population in Spain. Also, in mid-2005 a mechanism for regular information exchange between the CCRs of various EU countries was put in place. This mechanism, in which the Banco de España participates, led to a significant rise in the reports issued to and received from other CCRs in 2006 (see Table 1.A.7).

1.2.2 ACTIVITY OF CONSOLIDATED GROUPS OF CREDIT INSTITUTIONS

The activity of CGs grew by 14.8% in 2006 (see Table 1.A.8), taking the balance sheet total very close to €3 billion, although this figure represented a significant slowdown with respect to the growth of 23.3% in the previous year. With regard to the distribution of business activity between Spain and abroad, the weight of the latter fell by 1.8 pp, reversing the movement seen in 2005 and entailing a decline in nearly all asset and liability items. It is important to realise that the figures for activity abroad were affected in 2006 by the depreciation of the US

CONCENTRATION OF CONSOLIDATED GROUPS OF CIs
BALANCE SHEET TOTAL (a)

CHART 1.4



SOURCE: Banco de España. Data available at 9 March 2007.

a. CIs existing at each date.

dollar and of certain Latin-American currencies⁷, which meant that the consolidated balance sheets of some large CGs showed a notably lower growth rate than in the previous year.

From the standpoint of assets, in 2006 there was a significant fall in the fixed-income portfolio (included in the balance sheet under “debt securities”) and in investments at consolidated level (down by 16.5% and 3%, respectively). The reasons for the restructuring of the fixed-income portfolio, which took place mainly in business in Spain, were the same as those indicated for individual CIs. The sale of investments, mainly seen in business operations abroad, should be viewed within the framework of the divestment of positions by some CGs (also observed in CIs), particularly in group companies or associates belonging to the insurance, real estate and construction sectors. The sale of investments generated notable capital gains at both individual and consolidated levels. Also, the growth of credit to the private sector was notable. From the standpoint of financing, although the proportion of securities issued in business in Spain increased substantially, it is also true that there was a slowdown in the issuance of debt certificates including bonds.

With regard to the geographical distribution of the business activity abroad of CGs and individual CIs, 2006 saw the continuation of the expansion strategy of certain large CGs initiated in 2004. They made significant acquisitions, mainly in the US, and, as a result, financial assets and liabilities both had their highest growth rates in the geographical area labelled as “rest”, which includes the US (18% and 30%, respectively, see Table 1.2). However, these acquisitions were much smaller in size than those of previous years which, together with the unfavourable exchange rate movements, meant that the consolidated balance sheet of operations abroad only grew by 6%, compared with 27% in 2005.

A look at the concentration of CGs in terms of the balance sheet total shows that in 2006 the two largest groups lost 3.15 pp of market share to the other CGs, particularly the middle-sized

7. The depreciation of the US dollar against the euro, based on December data, was 11% in 2006, as compared with an appreciation of 12% in 2005.

institutions (CGs in the 6th to 10th positions). This effect was apparent both at the level of total business and at that of business in Spain, but was much more pronounced in the latter, to the point that the downward trend interrupted in 2005 was resumed (see Chart 1.4).

1.2.3 SECURITISATION ACTIVITY OF CIs

The securitisation activity of CIs again saw high growth rates in 2006. New issues of securitisation bonds increased by 36% to €94 billion, in 62 new transactions, taking the outstanding balance of asset-backed bonds issued by Spanish entities to €243 billion (see Tables 1.A.9 and 1.A.10). 99% of these issues were backed by the assets or liabilities of CIs. Regarding asset securitisations and their impact on the balance sheet of CIs, only 5% of the assets securitised from 1 January 2004 met the minimum accounting requirement of substantial transfer of risks and rewards and could thus be removed from the balance sheet. The spectacular growth of securitisation, which allowed Spain to retain its position as the second most active country in the EU behind the United Kingdom, continued to be based on the securitisation of two underlying instruments: mortgage loans (assets) and covered bonds (liabilities). The slowdown in mortgage credit to the resident private sector led also to a slowdown in mortgage securitisation. Contrasting with this, albeit with appreciably lower volumes, was the growth of FTPYMES (SSPEs that securitise loans to SMEs) and of the category "Other" (particularly loans to firms of all types), which were ranked in third and fourth place by volume of new issues (see Chart 1.5.A).

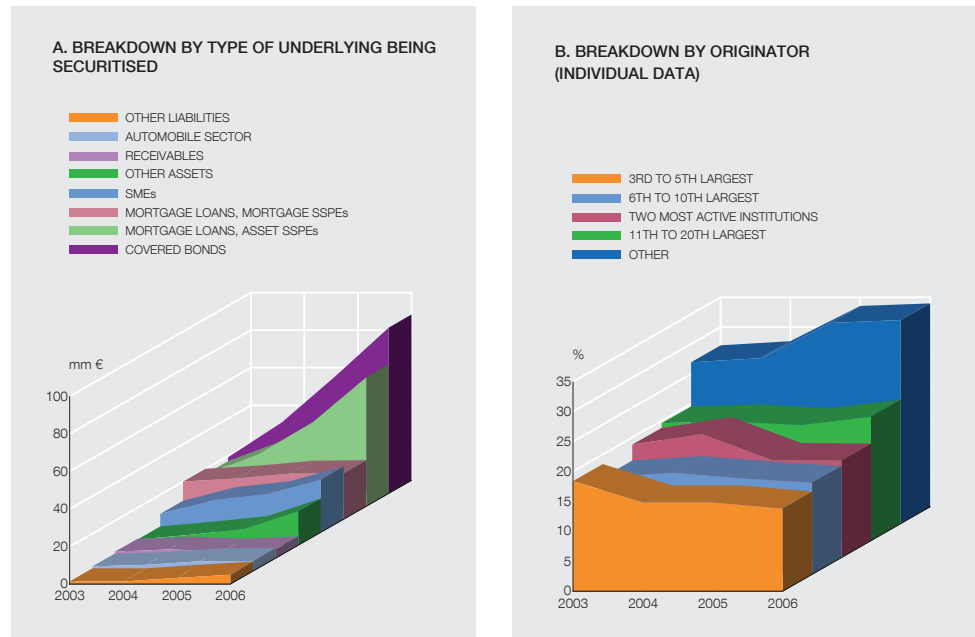
Mortgage loans to households were the main underlying instruments in the Spanish securitisation market and in 2006 were used to back 41% of the bonds issued⁸. However, year-on-year growth slowed considerably, falling from 57% to 31%, in line with the slowdown in mortgage loan extension. The amount of securitisations carried out through mortgage SSPEs decreased notably as a result of the growing securitisation of mortgage loans not meeting the requirements established in Royal Decree 685/1982 (such as the one specifying that the loan amount may not exceed 80% of the appraised value of the house) and that cannot therefore be securitised through asset SSPEs.

Mortgage covered bonds (bank liabilities issued by CIs and acquired by a third party that immediately sells them to an asset SSPE) were used to back 27.6% of new asset-backed bond issues and, with nearly €26 billion issued in 2006, reached a new historical high. An increasing number of CIs (57 institutions in 2006) use SSPEs as a mechanism for placing their covered bonds on the market. Hence, in aggregate terms, mortgage loans represent, either directly or indirectly through securitised covered bonds, the counterpart of nearly 80% of the new asset-backed bond issues (83% in terms of outstanding balances).

Thirdly, as is usual practice, securitisations of loans to SMEs were placed through so-called FTPYMES, which are SSPEs supported by a government guarantee of some of their series and therefore enable the CIs resorting to these structures to notably reduce their cost of debt. After a year of decline, in 2006 the issues nearly doubled despite the fact that the guarantees budgeted by the Spanish Treasury and the Catalonia regional government (the two governments that provide nearly all the guarantees for these programmes) decreased notably from €1.8 billion to €0.8 billion and from €1.5 billion to €1 billion, respectively⁹.

The Spanish market is gradually diversifying the underlying instruments used in securitisations. A notable development in 2006 was the incorporation of a new liability, namely

⁸. The growth was 52% if mortgage loans to legal entities (the category comprising loans to SMEs, developers and other firms) are also taken into account. ⁹. The European Investment Fund also guarantees certain series of FTPYMES (SSPEs that securitise loans to SMEs), although the volume is not significant.



SOURCE: Banco de España. Data available at 22 February 2007.

subordinated debt issued by various savings banks, via a mechanism similar to that used in covered bond securitisations. Another novel development was the two programmes set up to securitise mortgage covered bonds through existing SSPEs. These structures offer considerable flexibility both in the issuance of new series and in the incorporation of new originators and are enabling large volumes of covered bonds to be placed on the market: one of them placed nearly €20 billion in the period from December 2005 to December 2006 and the other in early 2007 raised its maximum issuance volume to €30 billion.

Analysis of securitisations by nature of the originator shows that CIs continued to dominate this market and, as a general rule, raised the volume of their issuance (see Table 1.A.9 and bottom of Table 1.A.10), with commercial banks doing so very substantially (by 68%). However, savings banks continued to account for more than half (55.4%) of the outstanding balance of asset-backed bonds, originating 85% of mortgage covered bond securitisations. Within their marginal status, the securitisations originated by non-financial corporations grew notably due to a transaction in receivables of a construction firm, their weight increasing to 1% of the total issued by Spanish SSPEs. The breakdown of originator CIs (see Chart 1.5.B) shows that the progressive deconcentration of securitisations continued. There were slight increases in the share of the less active institutions (“11th to 20th largest” and “other”) and no change in that of the most active ones. This is in accordance with the more general use of securitisation as a means of obtaining liquidity and transferring risk.

By analysing the confidential individual balance sheet, it can be determined what percentage of securitisations originated by CIs was removed from the balance sheet due to substantial transfer of the risks and rewards associated with the securitised assets. Table 1.A.10 shows that until 2006 only 5.3% of the asset securitisations by CIs originated from 1 January 2004 (when the new accounting rules of Banco de España Circular CBE 4/2004 came into force) involved removal of the securitised assets from the balance sheet. Despite the substantial increase in 2006 in securitisations removed from the balance sheet (50%), these still represent a very low

amount with respect to the total (€7.5 billion)¹⁰. Accordingly, and owing to the obligation to record a time deposit for the value of the bonds issued and transferred to third parties when the risks and rewards have not been substantially transferred, the securitisations gave rise to an increase, rather than a decrease, in the balance sheet, as mentioned in Section 1.2.1 above.

In 2007 the range of underlying instruments securitised is expected to continue to widen, although the volume will remain low until the implementation of the new solvency framework which, owing to its more risk-sensitive treatment of securitisation, will enable greater savings of own funds as the risk associated with the securitised assets increases. This, along with the slowdown in the real estate sector, makes it foreseeable that there will be a progressive decline in the weight of mortgage loans in the securitised portfolios, and an increase in the synthetic transactions (those using credit derivatives to transfer risk) expressly provided for in the future solvency regulations. In 2007 Q1 there were 17 new securitisations totalling nearly €40 billion, more than half of them mortgage-backed. Notable among them was a securitisation of inter-bank loans of €13.2 billion, the largest amount in a single issue to date.

1.2.4 RESULTS OF CREDIT INSTITUTIONS

Once again individual CIs and CGs benefited from the favourable economic environment in Spain and in the international markets and, despite the more competitive environment, their profit before tax grew significantly by 46% and 40%, respectively, more than twice the growth of activity (18% individual and 16% consolidated). As a result, except for consolidated net interest income, all margins expressed in terms of ATA rose in 2006, driven by the strong growth of gross income, moderate growth of operating expenses and significant gains on the sale of industrial holdings.

The more rapid growth of financial costs than financial income and the unchanged total spread of the institutions meant that, despite the higher interest rates, net interest income grew only moderately in terms of ATA. Credit institutions resorted to a greater extent to borrowed funds, a cost which also reflected the stronger competition in securing that funding. At individual level this effect was mitigated by the substantial dividend income, so finally net interest income grew by 18%. Fees and commissions decelerated as a direct result of the current competitive environment in the banking sector. However, credit institutions continued their efforts to moderate their operating expenses and, as a result, gross income grew notably and the efficiency ratio improved further at both individual and consolidated level. In any event, the favourable performance of the efficiency ratio was partly due to the significant increase in activity and therefore includes a major conjunctural component. Finally, as mentioned in Section 1.2.1 above, the sale of significant holdings in non-bank business lines (insurance, real estate and construction) yielded significant income at the levels of "Non-interest income" (specifically, "Available-for-sale financial assets") and of "Provisioning expenses, write-downs and other", since the investments were in group entities, jointly controlled entities and associates ("Other income"). This strongly improved both individual and consolidated profit before tax.

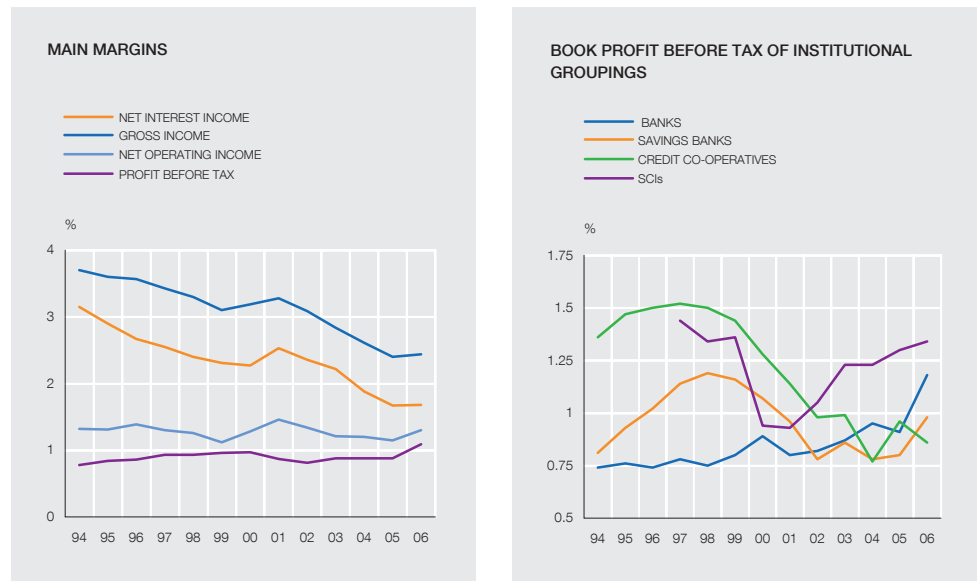
Hence 2006 was a turning point in all the margins expressed as a percentage of ATA, which had been on a downward trend since 2001. This was reflected in the marked upturn in return on equity (ROE), which was greatly boosted by the increase in earnings and by the moderate growth of average own funds.

Results of individual credit institutions

Individual profit before tax grew by 46.5% in 2006, more than twice the usual rate of recent years, to stand at €24.8 billion. In terms of average total assets (ATA), all margins rose at indi-

¹⁰ In most of the transactions included here, which were predominantly originated by SCIs, the transfer of risks and rewards was to another CI in the group, so that, at consolidated level, the assets are not removed from the balance sheet. Also, the fact that they were carried out by SCIs explains the significant increase in the share of these institutions under the heading "Assets transferred – Of which: Securitised" in Table 1.A.4 bis.

Percentage of average total assets (a)



SOURCE: Banco de España. Data available at 9 March 2007.

a. The data in this chart refer to the institutions active at some time during each year.

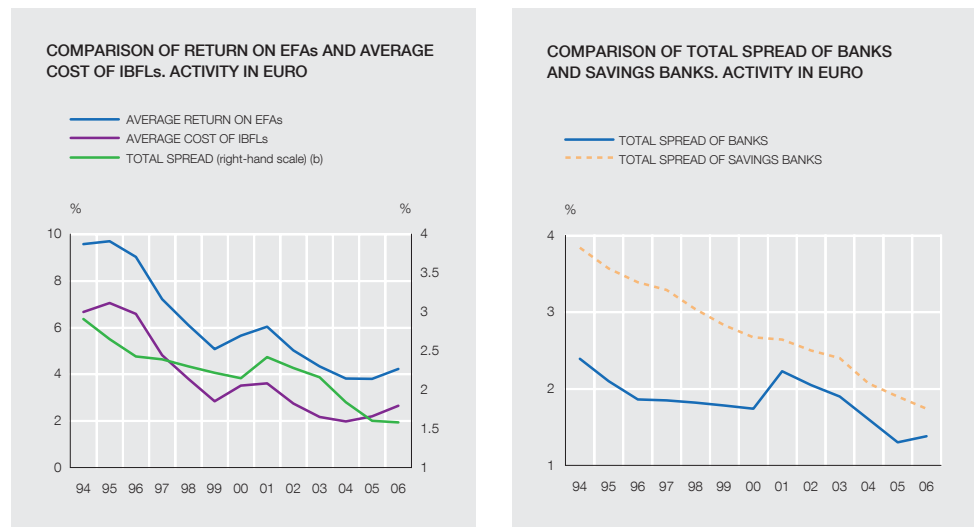
vidual level, reversing the downward trend initiated in 2001 (see Chart 1.6). After holding unchanged for three years, profit before tax rose notably in terms of ATA to stand at 1.09% of ATA. The course of this item by type of CI shows a recovery in the profits of commercial banks, reversing the fall in 2005 and approaching the profit before tax of SCIs. Credit co-operatives were the only CIs to show a fall-off in profit as a percentage of ATA.

The surge in profit before tax came about, firstly, because the increase in gross income of 20.1% exceeded that of 18% in ATA, which in turn was due to the sharp growth in net interest income and in gains on financial assets and liabilities. Secondly, a very important factor was the control exerted yet another year by CIs over operating expenses, which increased by only 7.5% and thus enabled the efficiency ratio to improve substantially (from 54.4% to 48.7% in 2006). The strict cost control in place takes on even greater importance in the current situation of CI expansion in Spain¹¹ (see left-hand panel of Chart 1.9), although, as noted above, it may have a significant conjunctural component. Thirdly, there was a significant decrease in net write-downs in which the gains on the sale of investments amply offset the sharp rise in impairment losses derived from the general allowances and provisions associated with the increased activity.

Net interest income grew slightly faster than ATA because, on the one hand, CIs reduced the weight of financing with own funds, as evidenced by the deceleration in average own funds and the fall therein in terms of ATA and, on the other, they increased their borrowed funds. This, along with a total spread (average return on EFAs less average cost of IBFLs) that remained nearly unchanged at 1.58%¹², meant that the positive impact of the interest rate escalation on net interest income (due to the direct impact that assets financed with own funds have on returns), was moderate. It was the dividends received which were responsible for net interest income finally growing by 1 pp in terms of ATA, since if the rise in the return on equity instruments in 2006 is disregarded, net interest income grew by only 8.4%. In ad-

11. In 2006 CIs opened 1,998 new offices in Spain. 12. By type of institution, there was a decrease in the spread of savings banks and an increase, although more moderate, in that of commercial banks.

Total CIs (a)



SOURCE: Banco de España. Data available at 9 March 2007.

- a. The data in this chart refer to institutions active at some time during each year.
- b. Total spread is defined as the average return on EFAs minus the average cost of IBFLs.

dition, the €9.3 billion of dividends received in 2006 were not shared evenly, since commercial banks recorded 70% of them and so their net interest income increased more significantly than that of other CIs (growth of 23.4% against -0.2 in 2005, see Table 1.A.12) and, moreover, they were the only CIs to report an increase in net interest income in terms of ATA¹³.

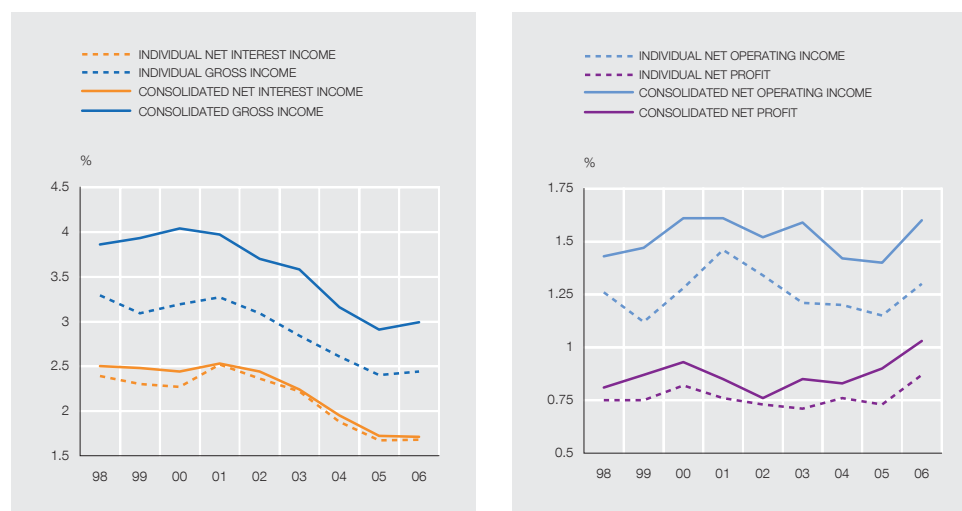
“Non-interest income” increased notably in terms of ATA due to a moderate rise in fees and commissions and to a very substantial jump in gains on financial assets and liabilities. Fees and commissions grew more moderately than in 2005 due to the fall in the “Collection and payment service” caption, and their behaviour indicates that they are at the centre of the institutions’ new competition strategy to extend their activity, including the attraction of deposits. Gains on financial assets and liabilities grew sharply in terms of ATA (from 0.14% to 0.20%, equal to €4.5 billion), due to the gains on the sale by various CIs of significant investments in the construction, insurance and real estate sectors.

The sale of investments formed part of a strategy to reduce the concentration in these economic sectors and the proceeds were used to finance the expansion of the banking business by increasing the office network and acquiring foreign institutions. Part of these sales gave rise to significant income in the “Available-for-sale financial assets” item (€4 billion) and, despite notable losses of €1.6 billion on the sale of a significant portion of the CIs’ fixed-income portfolio¹⁴, the income from available-for-sale financial assets contributed €3.3 billion to gross income. The remainder, another €4 billion of gains on the sale of investments, was recorded under the “Other income” caption because the investments were in group entities, jointly controlled entities and associates. This extraordinary income offset the notable increase in

¹³. Dividend payments received may include the realisation of gains on the sale of investments in CI subsidiaries. ¹⁴. The sale of a significant portion of the fixed-income portfolio by CIs in 2006 was mentioned in Section 1.2 above. The portion of the fixed-income securities included in the “Available-for-sale financial assets” item has to be recorded at fair value, but the changes in its value are not recognised in the income statement until it is removed from the balance sheet. Therefore, the €1.6 billion reflect the cumulative losses on securities resulting from the escalation of interest rates since the acquisition date. The same goes for the industrial holdings included under “Available-for-sale financial assets”.

TOTAL CIs (a)

Percentage of average total assets



SOURCE: Banco de España. Data available at 9 March 2007.

a. The data in this chart refer to the institutions active at some time during 2006.

impairment charges recorded by CIs and contributed to the substantial rise in profit before tax.

As a result of the earnings growth and of the slower growth of average own funds, the return on equity (ROE) grew by 31% to stand at 16.1% (see right-hand panel of Chart 1.9).

Results of consolidated groups of credit institutions

The profit before tax of CIs grew by 40.1% in 2005 to €37.1 billion (see Table 1.A.13). The behaviour of the consolidated income statement was similar to that at individual level. All margins in terms of ATA rose in 2006, except for the net interest margin, which decreased slightly due to the lower income from equity instruments received by commercial banks. CGs whose parents are commercial banks were the only ones to increase this margin in terms of ATA, in line with the developments at individual level.

As in CIs, half of the growth in profit before tax was due to the sharp growth of nearly 20% in gross income. This margin was driven by significant gains on financial assets and liabilities (including €5.5 billion of gains on available-for-sale financial assets), since both fees and commissions and the share of profit of entities accounted for using the equity method decelerated in 2006. Hence the income from the sale of industrial holdings also played a leading role in CGs.

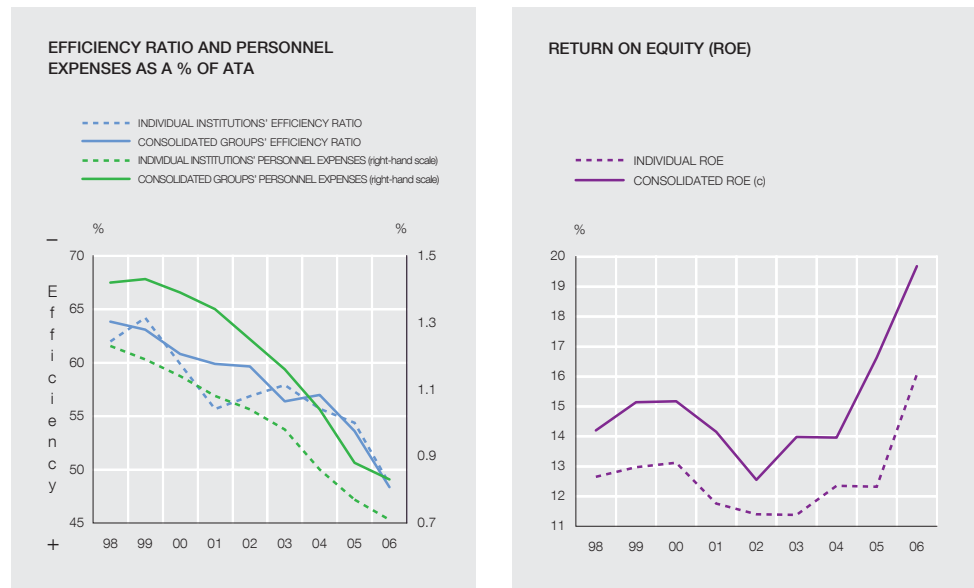
Additionally, CGs achieved significant savings in personnel and administrative expenses, since operating expenses grew by half as much as ATA. In particular, efficiency improved very significantly at consolidated level and the ratio fell to 48.3% (53.6% in 2005). In addition, the item "Other income", which includes that obtained from the sale of investments in group entities, jointly controlled entities and associates, had a balance of €6.8 billion in 2006 (growth of 87% with respect to 2005), largely mitigated the increases in allowances/provisions and in impairment losses on loans and advances in the period.

As for individual CIs, the return on equity of CGs also rose steeply, standing at 19.7%. Again, it was the sharp growth in profits and the significant deceleration in CGs' own funds that were behind this substantial rise.

COMPARISON OF CONSOLIDATED AND INDIVIDUAL EFFICIENCY RATIOS,
PERSONNEL EXPENSES AND ROE

CHART 1.9

Total CIs (a) (b)



SOURCE: Banco de España. Data available at 9 March 2007.

- a. The data in this chart refer to the institutions active at some time during 2006.
- b. The efficiency ratio is defined as operating expenses over gross income.
- c. Consolidated ROE calculated as net income attributed to the group divided by own funds of the group.

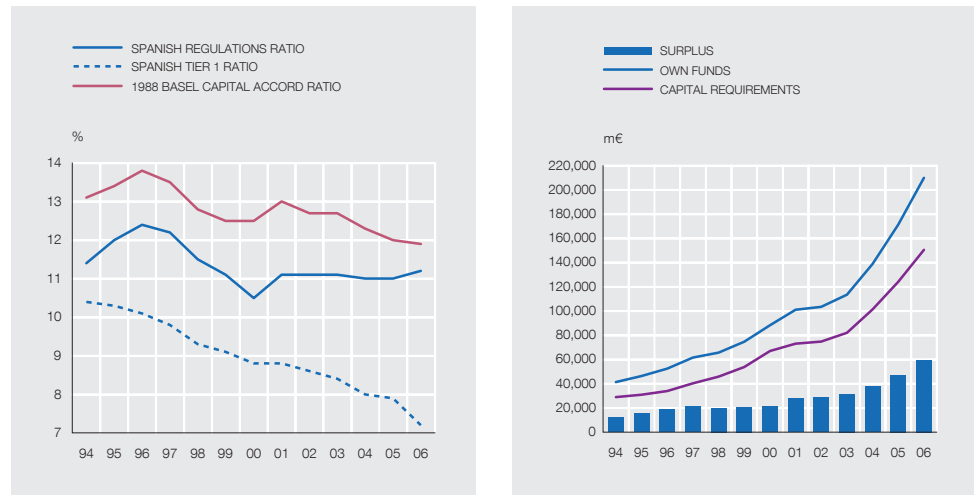
1.3 Solvency of credit institutions¹⁵

Pursuant to the provision on the entry into force of Banco de España Circular CBE 2/2006 of 30 June 2006, the consolidated groups and individual institutions not forming part of any group of credit institutions (CG) were permitted to voluntarily change their solvency data reported in the December 2005 return to take account of the new criteria set out in this Circular. These changes are responsible for the differences with respect to the information offered in the Report on Banking Supervision in Spain 2005. Since not all CGs opted to update their solvency returns, the impact of the new criteria established in CBE 2/2006 was spread over the years 2005¹⁶ and 2006¹⁷.

1.3.1 SOLVENCY OF CONSOLIDATED GROUPS

As noted above, the solvency ratio of CGs in 2006 was affected, among other factors, by the impact of the introduction of the new criteria established in CBE 2/2006, which permitted, in line with the Basel Capital Accord and the European solvency legislation, among other new developments, the introduction of two new elements as eligible tier 2 capital: (i) the general loan loss allowance/provision up to the limit of 1.25% of the risk exposures used as a basis for calculating it, weighted according to their classification in the various credit risk weighting buckets, and (ii) the gross amounts of gains (net of losses) on debt securities and on equity

15. For confidentiality reasons, this Report does not include separate information on the solvency of the two financial conglomerates subject to supplementary supervision requirements and in which the Banco de España exercises the function of co-ordinator. However, this information can be found in Table 1.A.18 aggregated with that for the 34 mixed groups and four financial conglomerates exempt from the supplementary supervision requirements, all of which are under the supervision of the Banco de España. 16. 29 CGs, including certain large Spanish CGs, decided to update their reported capital as at December 2005; 182 CGs applied the criteria stipulated in CBE 2/2006 for the first time in their 2006 capital reporting. 17. Additionally, the 2006 information is subject to possible subsequent changes as a result of the queries resolved by the Banco de España in March 2007 on new aspects of Spanish solvency regulations introduced by Royal Decree 1332/2005 of 11 November 2005 and, subsequently, by Banco de España CBE 2/2006, such as the requirements and eligibility limits applicable to new capital components and their effect on deductions from capital and on the risk exposures subject to concentration limits.



SOURCE: Banco de España. Data available at 26 March 2007.

a. The 2005 information includes any adjustments made by CGs pursuant to the provision on the entry into force of CBE 2/2006.

instruments classified as available-for-sale financial assets, after applying certain percentages to them. Also, the sharp rise in the profitability of CGs and the subsequent transfer of profits to reserves, analysed in Section 1.2 above, significantly influenced the course of own funds during the year. The behaviour of capital requirements reflected developments in the activity of CGs and their increased risk profile as a result of the growth of corporate credit and consumer finance, which are subject to a risk weighting of 100%.

For the third year running, own funds showed annual growth of more than 22% (see Chart 1.10 and Table 1.A.15). Capital requirements also exhibited high buoyancy (21.3%), although they continued the gentle slowdown seen since 2005. The solvency ratio thus increased by 0.2 pp to 11.2%, the highest value since 1998. The lesser tier 1 capital growth (11.1%) put the tier 1 solvency ratio at 7.2%, so it continued its downward trend since the entry into force of CBE 5/1993. The surplus capital increased by 26.1% in the year to €59.4 billion, reflecting the solvency margin with which CGs as a whole operate.

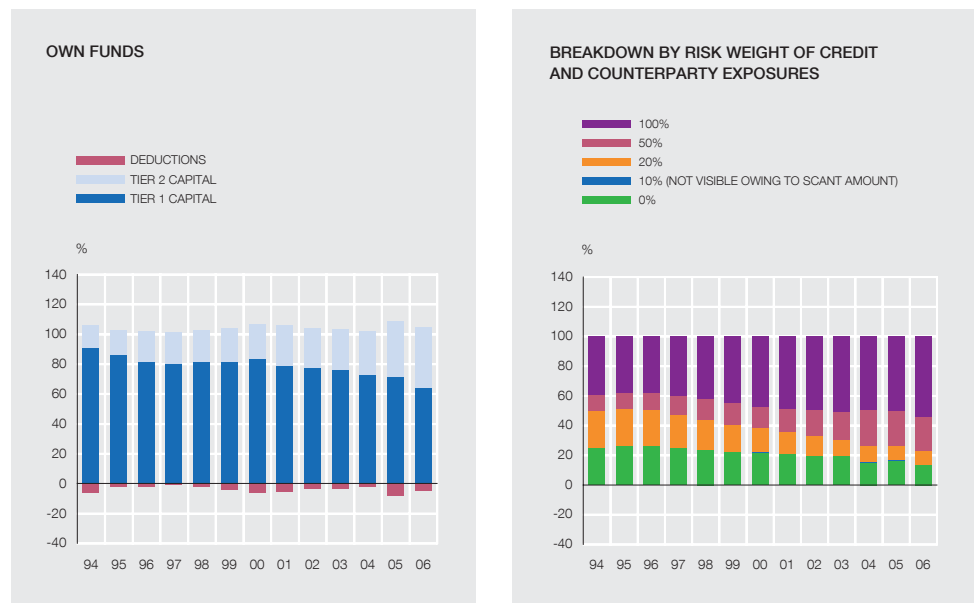
The distribution of CGs and of their assets according to the solvency ratio also showed a general improvement (see Table 1.A.16). The number and, in particular, the weight in total system assets, of the CGs whose solvency ratio was in the 9%-10% and 10%-11% brackets decreased ostensibly with respect to 2005, whereas the number of CGs with a solvency ratio between 11% and 12% increased. The percentage of system assets accounted for by the CGs in this latter bracket amounted to 28.3% in 2006 compared with 10.4% in 2005. The percentage of system assets accounted for by the CGs with a solvency ratio above 12% increased to 16.2%, the highest percentage since 2002. By contrast, the weight of CGs with a solvency ratio between 8% and 9%, which is the most sensitive bracket because it is next to the lower limit set in the solvency regulations, was only 2.1%. As in 2005, no CG had a capital shortfall.

The growth of own funds (22.6%) was boosted as a result of the introduction in 2006, by 182 of the 211 reporting CGs, of new instruments eligible for inclusion in tier 2 capital¹⁸. Also

¹⁸. In 2006 these 182 CGs represented 41.9% of total CGs with regard to the eligible portion of the general loan loss allowance/provision and of the gains on debt securities and on equity instruments classified as available-for-sale financial assets.

PERCENTAGE BREAKDOWN OF OWN FUNDS AND OF CREDIT AND COUNTERPARTY EXPOSURE (a)

CHART 1.11



SOURCE: Banco de España. Data available at 26 March 2007.

a. The 2005 information includes any adjustments made by CGs pursuant to the provision on the entry into force of CBE 2/2006.

strongly affecting own funds was the decrease in the deductions from overall capital. Particularly notable was the fall (€-3.2 billion) in the deduction, introduced in 2005, of the investments in insurance companies exceeding 20% of their capital. This decrease reflects the divestments by CGs in the insurance line of business mentioned in Section 1.2 above. The more moderate growth of tier 1 capital gave rise to a nearly 7 pp decline in its weight in total own funds (see Chart 1.11).

Particularly buoyant within tier 1 capital was the profit for the year taken to reserves, which was impelled by the growth of CGs' earnings, and the reserves in consolidated firms, with growth rates of 35.8% and 68.5%, respectively. The weight of preference shares in tier 1 capital increased by more than one percentage point to 16.9%, still far from the limit of 30% set by the regulations on issuance of these instruments. The core solvency ratio, which unlike the tier 1 capital ratio does not include preference shares in the numerator, was 6.0%. The deductions from tier 1 capital increased significantly (€5.9 billion), basically due to the increase in deductions for intangible assets (€4.3 billion) and for financing granted to third parties to acquire instruments eligible as own funds of the CG (€1.2 billion).

As noted above, the growth of 33.4% in tier 2 capital in 2006 was strongly influenced by the new eligible items specified in CBE 2/2006. Other tier 2 capital, which is the category that includes the new eligible instruments, grew by 55.6% thanks to the general allowances and provisions and to the eligible gains on equity instruments. The eligible portion of the general loan loss allowance/provision showed growth of 108.2% to €19.3 billion. The eligible gains on equity instruments amounted to €11 billion as a result of the accumulation of surpluses during the recent years of positive capital market performance, whereas those on debt instruments were €735 million.

The 15.6% growth of eligible subordinated debt represented a pick-up with respect to 2005. Not only did the number of issues in the year increase, but their average amount practically

doubled. Thus the 60 issues in 2006 totalled €12.7 billion, against €5.2 billion in the 48 issues of 2005 (see Table 2.14). However, the comparatively greater buoyancy of other tier 2 capital meant that the weight of subordinated debt in total tier 2 capital fell from 55.6% in 2005 to 48.2%, thereby continuing the trend towards improved quality of the composition of tier 2 capital.

The buoyancy of the activity of CGs meant that, as in the preceding two years, capital requirements continued to grow at rates above 20%, albeit tending to slow slightly. The increase in overall capital requirements was driven by the high growth of requirements for credit and counterparty risk (22.1%), which accounted for 94.9% of the total requirements of CGs. The growth of requirements for trading book risk calculated by standard methods was much more moderate than in the previous year and their weight was 3.7% of total requirements. The capital requirements calculated under internal models, largely for the trading book, increased significantly, although their contribution to total requirements continued to be low because only two CGs calculated a part of their requirements for trading book risk or for exchange rate risk by internal models.

The strong growth of capital requirements for credit and counterparty risk was due to the increase in adjusted exposures (12.5%) and to the higher risk profile of lending activity. The average risk weight of the exposures subject to credit and counterparty risk stood at 67.4%, after rising by 3.5 pp in the year as a result of the sharp increase in loans to firms and individuals subject to a risk weight of 100%. Of the amount of exposures subject to credit and counterparty risk, 5.4% were secured by personal guarantees, which represented an increase of somewhat more than 1 pp in the use of these guarantees as a credit risk mitigation technique compared with 2005. The use of financial collateral decreased, being used to secure only 1.5% of the total amount of exposures (see Table 1.A.17). As a result of these guarantees or financial collateral, the percentage of adjusted exposures assigned to the 100% risk weight bucket decreased by 3.2 pp, whereas the percentage of adjusted exposures classified in the 0% risk weight bucket increased by 4.1 pp, basically due to exposures guaranteed by the public sector.

After the conversion factors had been applied to the exposures and contingent commitments, the breakdown of the exposures by risk weight reflected a significant decrease in the percentage of exposures weighted at 0% compared with 2005, whereas the percentage of exposures weighted at 100% rose to 54.0% (see Chart 1.11). The percentage of exposures weighted at 20% continued on its downward trend as a result of the diminishing role of CGs as fund-providers in the interbank market. Also, the proportion of mortgage-backed loans and securities meeting the requirements to be weighted at 50% declined.

The number of large exposures subject to a limit in total CG activity fell in 2006. However, the total amount of large exposures grew by 57.6% to an amount equal to 60.9% of own funds. This percentage, however, was well short of the regulatory ceiling set at eight times own funds. The growth in the average amount of large exposures in the last two years largely reflects the impact of the gains classified as valuation adjustments to available-for-sale financial assets. For CGs as a whole, the weight of the most significant large exposure to a non-group customer amounted to 17.3% of own funds, still well off the limit of 25%. In the case of the most significant large exposure to a customer belonging to the group, there is even more leeway, because it represents barely 1.1% of own funds¹⁹.

¹⁹ The ceiling on large exposures to a customer in the group is 20% of own funds.

1.3.2 SOLVENCY OF INDIVIDUAL INSTITUTIONS

The surplus capital of the Spanish banking subsidiaries forming part of a CG and of the institutions forming part of horizontally consolidated groups amounted to €12.1 billion in 2006, up €28.6% on 2005. Thus the coverage of net capital requirements by own funds was 236.3%, which meant that own funds were even higher than gross capital requirements, i.e. the requirements before they are reduced by the application of certain coefficients based on the percentage of the parent's ownership of its subsidiaries.

As in CGs, the growth of own funds was above 22% and, in any event, amply outstripped that of both net and gross capital requirements. The decrease of 0.4 pp in the percentage applicable to the capital requirements as a result of the increase in the parents' percentages of ownership of their subsidiaries led the growth rate of net capital requirements to stand at 15.2%, compared with 15.9% for gross requirements. The composition of the capital requirements in individual institutions was, as in previous years, dominated by credit and counterparty risk, which accounted for 98.2% of total requirements.

1.4 The structure and evolution of other institutions supervised by the Banco de España

1.4.1 APPRAISAL INSTITUTIONS

There were 59 operational appraisal institutions (AIs) at end-2006, of which three were appraisal services belonging to deposit institutions and 56 were appraisal companies²⁰. The amount of the appraisals carried out continued to grow, although more slowly than in 2005, the growth rate being 15% compared with 30% in 2005.

The number of appraisals carried out by AIs in 2006 (1.8 million) was similar to that in 2005, which represented a change in the growing momentum seen in recent years. This development, along with the increase in the amount of appraisals, reflected a fresh rise in the average value of the assets appraised²¹ (14% in 2006), except in the case of commercial real estate appraisals, the number and amount of which dropped by around 13% (see Table 1.A.19).

Appraisals continued to be a tool used mainly by financial institutions, since they are required for the extension of mortgage loans. Commercial and savings banks received the bulk of them, accounting for 25% and 50% of the total amount, respectively. The amount of the appraisals commissioned by commercial banks increased in 2006 (11%), whereas the number fell by 5%. This signified that the average amount of each appraisal increased.

In 2006 mortgages again accounted for 95% of the total number of appraisals performed. The appraisal of buildings and residential units represented 81% of this total and the major component was appraisals of dwellings forming part of a larger building (57% and €223 billion). The amount of the appraisals carried out for mortgages increased by nearly 18% in 2006 (29% in 2005) and represented approximately 87% of the total amount.

1.4.2 MUTUAL GUARANTEE AND REGUARANTEE COMPANIES

In 2006 there were 23 mutual guarantee companies (MGCs) and their activity continued to grow in that year, as shown by the increase of 32% in guarantees requested and granted. €2.2 billion of guarantees were arranged (see Table 1.A.20), which was 25% more than in the previous year. The outstanding guarantees of MGCs grew by 22% to €4,853 million. The outstanding exposures not reguaranteed continued their upward trend to more than 25% in 2006, while ceded exposures increased by slightly more than 18%. The risk exposures ceded were generally reguaranteed by Compañía Española de Reafianzamiento, S.A. (CERSA).

With regard to the distribution of outstanding exposures by economic sector, the tertiary sector absorbed approximately 60% of the guarantees, followed by manufacturing with 23%, and

²⁰. Two appraisal companies were deregistered in 2006. ²¹. The average value of the assets appraised is inferred from the quotient between the amount of the appraisals performed and the number of those appraisals (see Table 1.A.19).

the other exposures were spread between the primary sector and construction. As far as growth is concerned, the rate in the tertiary sector was similar to that of previous years (around 27%), while the primary sector and construction recorded growth of 24.5% and 22.5, respectively.

There was a significant increase in own funds (32%), due mainly to the contributions by patron members and to the formation of a new audiovisual company. The own funds of total MGCs stood at €262 million, which represented ample coverage of minimum capital requirements.

The doubtful assets ratios improved for total exposures and for non-reguaranteed exposures because doubtful assets and guarantees grew more slowly than MGC activity. The allowances/provisions for bad debts grew in line with MGC activity, rising from €36 million in 2005 to €42 million in 2006.

The average cost of guarantees did not change substantially, since the cost relative to total guarantees provided increased by 1 bp, while cost relative to on-balance-sheet exposures fell by 2 bp.

1.4.3 CURRENCY EXCHANGE AND TRANSFER BUREAUX

The only new development regarding these establishments in 2006 was the stabilisation of the number of registered proprietors, which had been declining since 2000 at erratic rates that peaked in 2005 (-9.3%). At the end of September there were 2,374 bureaux (see Table 1. A.21), 13 fewer than at the same date in 2005 (2,387). However, in the first nine months of 2006 for the first time the number of registrations exceeded the number of deregistrations (136 versus 99)²².

The cumulative figures for business activity in the first nine months of 2006 show a similar picture to that of previous years, with a sharp increase (35.7%) in the volume of outward transfers (from €2,847 million to €3,864 million), a fall of 10% in purchases from customers (from €1,106 million to €992 million), a mild fall in the transfers received (from €160 million to €150 million) and a slight recovery in sales to customers (from €51 million to €55 million).

Regarding currency purchases from customers (€992 million), as usual the largest volume was that of the group of bureaux authorised solely to purchase foreign currency (91.7%). Sterling was the most common currency (€776 million), followed by the US dollar (€101 million) and the euro (€89 million). In the case of outward transfers, the euro (€2,244 million) and the US dollar (€1,603 million) together accounted for 99.5% of the total volume handled. The concentration was high, since 30% of bureaux handled 78% of the outward transfers.

On the information available,²³ the main countries of destination continued to be Colombia and Ecuador, which accounted for 20.5% and 17.7%, respectively, of outward transfers. They were followed by Bolivia (8.3%), Romania (6.6%) and Morocco (5.7%).

The balance sheet and income statement information relates only to the bureaux authorised to buy or sell (B/S group) and to buy, sell or transfer (B/S/T group). Between June 2005 and June 2006, capital grew by 10% (there were three registrations and five deregistrations in this peri-

²². In 2006 there were 155 registrations (three of them in the B/S/T group and one in the B/S group) and 153 deregistrations (one in the B/S/T group and one in the B/S group), making a total of 2,338 at the end of the year, two more than at end-2005. ²³. Currency exchange and transfer bureaux only have to report the five main countries of destination and those countries of destination to which the volume of transfers exceeds 5% of total outward transfers. In September 2006 information was available on the country of destination of 78.6% of the volume of outward transfers, showing that 58.8% were to the five countries named in this paragraph and the other 19.8% to the rest.

od) and reserves were up by 34.5%, and, as a result, the sum of the two stood at €91 million in June 2006, compared with €74 million a year earlier. Income from ordinary activities in the first half of 2006 grew by 25% with respect to the same period of 2005, and reached €102 million, basically as a result of the momentum of outward transfers. In that period the number of agents (which are not authorised to engage in purchase or sale transactions²⁴) increased from 6,863 to 8,791.

24. Order of the Ministry of Economy 16/11/2000, Art. 10.4.

APPENDIX

NUMBER OF CIs REGISTERED IN SPAIN

TABLE 1.A.1

Year-end data (number)

	2003	2004	2005	2006
CREDIT INSTITUTIONS (a)	350	348	350	355
Deposit institutions	272	269	272	276
Banks	139	137	140	144
Domestic	56	53	53	54
Foreign	83	84	87	90
<i>Branches</i>	58	61	65	71
<i>Subsidiaries</i>	25	23	22	19
Savings banks	47	47	47	47
Co-operatives	86	85	85	85
Specialised credit institutions	78	79	78	79
MEMORANDUM ITEMS:				
Mergers and acquisitions (b)	6	6	3	2
Between banks	5 (11)	5	1	1
Between credit co-operatives	1	1	–	–
Between SCIs	–	–	1	–
SCIs acquired by merged with deposit institutions	–	–	1	1

SOURCE: Banco de España. Data available at 31 December 2006.

a. In this table, the number of registered CIs includes ICO, which is included in the domestic banks category. However, in the rest of the tables of this Report, ICO is excluded, unless stated otherwise.

b. In brackets is the number of institutions concerned if the mergers/acquisitions include operations in which more than two CIs are involved, i.e. if the number of CIs concerned is not equal to twice the number of operations.

SERVING EMPLOYEES, OPERATIONAL OFFICES, ATMs AND AGENTS OF ACTIVE CIs

TABLE 1.A.2

Year-end data

NUMBER OF ACTIVE INSTITUTIONS	SERVING EMPLOYEES (NUMBER)					THOUSANDS OF HOURS WORKED	NO. OPERATIONAL OFFICES			NO. OF CARDS (000)	NO. POINT OF SALE TERMINALS	NO. AGENTS	EMPLOYEES PER OPERATIONAL OFFICE (5/7)
	TOTAL	OF WHICH:			TOTAL		OWNED OR UNDER FINANCIAL LEASE	NO. ATM					
		PART-TIME	AT CENTRAL SERVICES	AT OFFICES									
1	2	3	4	5	6	7	8	9	10	11	12	13	
TOTAL CIs													
2003	344	244,863	2,081	56,555	186,907	398,933	39,828	22,061	52,037	71,114	985,719	5,709	4.7
2004	344	247,175	2,275	57,035	188,679	399,459	40,682	22,498	53,624	76,402	1,066,426	4,836	4.6
2005	345	254,121	3,067	58,848	193,693	417,905	42,074	23,221	55,610	82,564	1,124,107	5,239	4.6
2006	350	263,387	3,926	61,118	200,474	431,720	43,785	23,859	57,804	90,090	1,312,194	11,163	4.6
Banks													
2003	136	111,794	671	27,292	83,478	188,419	14,116	6,252	18,901	24,823	399,262	5,215	5.9
2004	136	110,101	582	27,231	81,835	184,395	14,199	6,155	19,051	26,573	464,632	4,444	5.8
2005	138	111,298	678	27,453	82,830	188,832	14,577	6,330	19,602	29,122	500,671	4,824	5.7
2006	141	113,064	1,069	28,250	83,705	189,377	15,135	6,502	19,995	33,933	612,303	10,339	5.5
Domestic													
2003	55	94,727	489	18,980	74,794	159,352	12,478	5,637	17,196	21,363	383,670	4,632	6.0
2004	52	95,135	383	19,060	75,036	159,492	12,848	5,720	17,658	22,847	451,399	4,226	5.8
2005	52	95,585	291	19,013	75,595	160,187	13,267	5,920	18,382	24,358	492,294	4,430	5.7
2006	53	97,107	426	19,427	76,625	162,553	13,838	6,139	18,796	28,036	602,420	4,624	5.5
Foreign subsidiaries													
2003	24	13,484	78	5,323	8,090	23,103	1,524	604	1,688	3,296	15,592	542	5.3
2004	23	10,974	74	4,763	6,215	18,253	1,229	424	1,376	3,390	13,233	183	5.1
2005	21	11,150	73	4,570	6,541	20,451	1,181	401	1,203	4,022	8,377	356	5.5
2006	19	10,819	169	4,460	6,305	18,039	1,160	355	1,181	4,646	9,883	5,670	5.4
Foreign branches													
2003	57	3,583	104	2,989	594	5,964	114	11	17	164	0	41	5.2
2004	61	3,992	125	3,408	584	6,650	122	11	17	335	0	35	4.8
2005	65	4,563	314	3,870	694	8,194	129	9	17	742	0	38	5.4
2006	69	5,138	474	4,363	775	8,785	137	8	18	1,250	0	45	5.7
Savings banks													
2003	47	110,243	669	21,686	88,407	175,209	20,894	13,507	29,169	32,731	519,034	369	4.2
2004	47	113,408	846	22,120	91,097	177,550	21,529	14,031	30,355	34,210	533,374	260	4.2
2005	47	118,072	1,417	23,322	94,483	190,785	22,443	14,468	31,585	34,663	544,237	294	4.2
2006	47	124,139	1,958	24,341	99,459	200,268	23,456	14,839	33,187	36,274	618,057	689	4.2
Credit co-operatives													
2003	83	17,067	216	3,823	13,240	26,536	4,460	2,260	3,967	3,605	67,423	90	3.0
2004	83	17,650	256	3,953	13,697	27,845	4,563	2,270	4,218	3,609	68,420	81	3.0
2005	83	18,395	306	4,109	14,285	27,864	4,657	2,382	4,423	4,367	78,899	71	3.1
2006	83	19,382	414	4,414	14,966	31,245	4,771	2,476	4,622	4,477	81,484	68	3.1
SCIs													
2003	78	5,759	525	3,754	1,782	8,770	358	42	–	9,954	–	35	5.0
2004	78	6,016	591	3,731	2,050	9,668	391	42	–	12,010	–	51	5.2
2005	77	6,356	666	3,964	2,095	10,424	397	41	0	14,411	300	50	5.3
2006	79	6,802	485	4,113	2,344	10,831	423	42	0	15,406	350	67	5.5

SOURCE: Banco de España. Data available at 19 March 2007.

NUMBER AND COMPOSITION OF CONSOLIDATED GROUPS OF CIs

TABLE 1.A.3

Year-end data (number)

	BREAKDOWN OF INVESTEEES 2006 (a)																		
	CONSOLIDATED GROUPS EXISTING AT YEAR-END				FULLY CONSOLIDATED						PROPORTIONALLY CONSOLIDATED (a)				OTHER INVESTEEES (b)				
					CREDIT INSTITUTIONS		INVESTMENT COMPANIES		OTHER		INSURANCE COMPANIES		OTHER FINANCIAL		NON-FINANCIAL				
	2003	2004	2005	2006	SPAIN	ABROAD	SPAIN	ABROAD	SPAIN	ABROAD	SPAIN	ABROAD	SPAIN	ABROAD	SPAIN	ABROAD	SPAIN	ABROAD	
Consolidated groups (c)	99	98	95	99	99	105	18	23	798	442	163	19	30	27	6,002	3,979	2,144	280	
Parent credit institution	86	85	83	86	81	105	17	23	771	440	161	19	29	27	5,845	3,884	2,025	263	
Spanish banks	12	12	13	13	41	103	6	23	269	402	22	10	6	27	1,299	2,054	294	198	
Savings banks	46	46	46	47	22	2	7	0	411	37	134	9	21	0	3879	1504	1,600	46	
Co-operatives	14	14	13	16	0	0	1	0	43	0	3	0	1	0	589	292	99	0	
Foreign CIs	14	13	11	10	18	0	3	0	48	1	2	0	1	0	78	34	32	19	
Other consolidated groups	13	13	12	13	18	0	1	0	27	2	2	0	1	0	157	95	119	17	
Spanish parent	6	6	6	6	8	0	0	0	21	2	0	0	1	0	146	80	60	0	
Foreign parent	7	7	6	7	10	0	1	0	6	0	2	0	0	0	11	15	59	17	
Consolidated groups including two or more Spanish CIs (d)	30	29	30	31	85	105	12	23	534	431	103	18	15	27	2,785	2,764	1,120	260	
Parent credit institution	25	25	26	27	76	105	12	23	530	431	103	18	15	27	2,740	2,708	1,102	249	
Spanish banks	6	6	6	6	41	103	6	23	227	401	17	10	5	27	986	1,887	236	198	
Savings banks	14	14	15	16	22	2	5	0	274	29	85	8	9	0	1,708	797	840	37	
Foreign CIs	5	5	5	5	13	0	1	0	29	1	1	0	1	0	46	24	26	14	
Other consolidated groups	5	4	4	4	9	0	0	0	4	0	0	0	0	0	45	56	18	11	
Spanish parent	1	1	1	1	3	0	0	0	3	0	0	0	0	0	43	47	5	0	
Foreign parent	4	3	3	3	6	0	0	0	1	0	0	0	0	0	2	9	13	11	
Mixed groups and financial conglomerates	38	36	32	42															
Supervised by Banco de España	35	33	29	40															
Supervised by DGS including CIs	3	3	3	2															
MEMORANDUM ITEM:																			
Bank offices abroad	7,198	7,472	8,680	8,664															

SOURCE: Banco de España. Data available at 12 April 2007.

- The number matches that of those reported and, therefore, it may be higher than that of the institutions owing to the fact that one and the same institution may be reported by more than one consolidated group.
- Including jointly controlled entities and associates.
- A consolidated group (CG) is considered as such provided it includes, in addition to the parent (or failing this the reporting institution), another or other fully or proportionally consolidated financial institutions. The CG classification is given by the nature and nationality of the parent (ultimate holder).
- Consolidated groups that include two or more Spanish credit institutions, including the parent or the reporting institution.

BREAKDOWN OF ACTIVITY OF CIs (a) (b)

TABLE 1.A.4

Total business. Year-end data (€m and %)

	2003	2004	2005	2006	MEMORANDUM ITEMS: 2006		
					STRUCTURE		% ANNUAL
					%	CHANGE IN PP	Δ
BALANCE SHEET TOTAL	1,463,406	1,747,033	2,126,089	2,478,553	100.0	0.0	16.6
ASSETS:							
Cash and central banks	21,905	21,032	24,368	29,408	1.2	0.0	20.7
Loans and advances to credit institutions	221,289	246,330	293,033	320,328	12.9	-0.9	9.3
Of which: interbank	151,436	172,873	207,012	226,700	9.1	-0.6	9.5
Loans and advances to other debtors	846,151	1,022,564	1,265,941	1,594,650	64.3	4.8	26.0
Resident general government	36,363	40,096	41,337	41,862	1.7	-0.3	1.3
Resident private sector	776,176	944,530	1,173,834	1,475,462	59.5	4.3	25.7
Of which: commercial credit	55,535	64,237	75,393	85,387	3.4	-0.1	13.3
Of which: secured by a mortgage	430,892	552,670	709,716	884,003	35.7	2.3	24.6
Non-residents	33,612	37,938	50,769	77,326	3.1	0.7	52.3
Debt securities	219,017	231,638	285,540	233,880	9.4	-4.0	-18.1
Other equity instruments	16,737	37,394	48,530	67,914	2.7	0.5	39.9
Trading derivatives	-	23,017	36,184	45,889	1.9	0.1	26.8
Other financial assets	7,801	11,727	17,092	26,516	1.1	0.3	55.1
Hedging derivatives	-	18,455	19,394	14,116	0.6	-0.3	-27.2
Investments	71,341	71,755	76,538	83,574	3.4	-0.2	9.2
Insurance contracts linked to pensions	3,552	9,912	9,854	10,252	0.4	0.0	4.0
Fixed assets	18,097	24,558	25,221	26,816	1.1	-0.1	6.3
Tax assets	10,563	17,006	17,123	16,536	0.7	-0.1	-3.4
Other assets	26,953	11,643	7,272	8,675	0.4	0.0	19.3
LIABILITIES AND EQUITY:							
Deposits from central banks and from CIs	348,033	393,027	498,811	503,710	20.3	-3.1	1.0
Deposits from other creditors	807,374	910,025	1,078,908	1,294,470	52.2	1.5	20.0
Resident and non-resident general government	37,218	45,248	59,234	68,955	2.8	0.0	16.4
Resident private sector	651,458	768,203	929,806	1,137,269	45.9	2.2	22.3
Unadjusted overnight deposits	317,793	348,629	400,601	452,400	18.3	-0.6	12.9
Current accounts	172,711	187,806	222,140	259,908	10.5	0.0	17.0
Savings accounts	145,082	157,734	173,753	186,439	7.5	-0.7	7.3
Other deposits	0	3,088	4,707	6,053	0.2	0.0	28.6
Time deposits and redeemables at notice	246,929	323,833	437,024	594,944	24.0	3.4	36.1
Repos	86,496	90,287	84,324	83,507	3.4	-0.6	-1.0
Non-residents	118,698	96,574	89,867	88,246	3.6	-0.7	-1.8
Debt certificates including bonds	87,124	151,311	221,811	304,461	12.3	1.9	37.3
Of which: mortgage securities (c)	42,327	57,422	90,390	133,556	5.4	1.1	47.8
Trading derivatives	583	27,337	37,335	48,679	2.0	0.2	30.4
Subordinated liabilities	48,741	58,049	61,977	70,565	2.8	-0.1	13.9
Other financial liabilities	17,131	23,022	27,890	33,326	1.3	0.0	19.5
Provisions	19,537	26,159	26,637	27,959	1.1	-0.1	5.0
Of which: provisions for pensions and similar	13,397	20,571	20,510	21,794	0.9	-0.1	6.3
Equity	84,623	117,520	129,384	147,696	6.0	-0.1	14.2
Valuation adjustments	-	5,275	7,814	11,225	0.5	0.1	43.6
Own funds	84,623	112,245	121,569	136,471	5.5	-0.2	12.3
Of which: capital and reserves (including share premium)	77,034	103,142	111,307	120,982	4.9	-0.4	8.7
Other liabilities	50,261	40,582	43,337	47,687	1.9	-0.1	10.0
MEMORANDUM ITEMS:							
Unadjusted earning financial assets	1,409,971	1,656,354	2,017,636	2,355,460	95.0	0.1	16.7
Unadjusted securities portfolio	307,413	341,019	410,158	386,103	15.6	-3.7	-5.9
Equity portfolio	88,078	110,065	125,434	152,396	6.1	0.2	21.5
Investments in the group	57,651	67,322	71,643	76,768	3.1	-0.3	7.2
Other investments	13,643	5,349	5,260	7,714	0.3	0.1	46.6
Other equity securities	16,737	37,394	48,530	67,914	2.7	0.5	39.9
Contingent exposures and liabilities	194,799	193,764	266,120	392,835	15.8	3.3	47.6
Variable-rate credit	568,318	690,483	910,532	1,173,791	47.4	4.5	28.9
Asset transfers	54,483	77,209	100,806	142,545	5.8	1.0	41.4
Of which: securitised (d)	53,396	43,764	36,642	33,573	1.4	-0.4	-8.4
Total mortgage covered bonds issued (e)	62,057	90,599	156,902	227,603	9.2	1.8	45.1

SOURCE: Banco de España. Data available at 9 March 2007.

- Institutions existing at each date.
- The information relating to 2003 is based on the accounting rules under CBE 4/1991, while that for 2004, 2005 and 2006 was taken from the statements reported under CBE 4/2004. Therefore, the break in the series, which it was attempted to minimise, occurs in the transition from 2003 to 2004.
- This item almost entirely corresponds to mortgage covered bonds which are marketable securities. Accordingly, privately placed (and securitised) mortgage covered bonds are not included.
- This figure relates solely to the outstanding volume of securitisations whose underlying assets have been derecognised from the CI's balance sheet and thus classified as «transferred». In order to see total asset securitisations originated by CIs, please refer to Chart 1.A.10 under the item «transfer of assets due to securitisation».
- Figure taken from the confidential return «Supplementary information on the Balance Sheet» of CIs, under the new accounting rules in CBE 4/2004. It includes all mortgage covered bonds, whether marketable or not.

BREAKDOWN OF ACTIVITY BY INSTITUTIONAL GROUPS OF CIs (a)

TABLE 1.A.4. BIS

Total business. December 2006 (%)

	DEPOSIT INSTITUTIONS											
	TOTAL	BANKS									SCIs	
		TOTAL	DOMESTIC	FOREIGN						SAVINGS BANKS		CO-OPERATIVES
				TOTAL	SUB-SIDIARIES	TOTAL	BRANCHES		NON-EU			
						EU						
BALANCE SHEET TOTAL	97.5	53.4	42.8	10.6	3.0	7.6	7.4	0.2	40.2	3.9	2.5	
ASSETS:												
Cash and central banks	99.8	47.9	40.5	7.3	2.5	4.8	4.4	0.4	48.2	3.7	0.2	
Deposits from credit institutions	99.3	70.0	53.4	16.6	4.1	12.5	12.2	0.3	26.4	2.9	0.7	
Of which: interbank	99.1	71.9	52.4	19.5	3.0	16.5	16.0	0.5	23.4	3.7	0.9	
Loans and advances to other debtors	96.3	45.8	38.7	7.1	3.3	3.9	3.6	0.2	45.7	4.8	3.7	
Resident general government	95.0	60.3	50.8	9.5	8.8	0.7	0.7	0.0	33.4	1.3	5.0	
Resident private sector	96.3	43.9	37.1	6.9	3.1	3.8	3.6	0.2	47.2	5.2	3.7	
Of which: commercial credit	85.4	51.9	47.8	4.1	2.4	1.7	1.5	0.2	29.5	4.0	14.6	
Of which: mortgage-backed	99.3	36.6	32.8	3.8	2.8	1.0	1.0	0.0	56.5	6.2	0.7	
Non-residents	96.9	73.4	62.4	11.0	3.5	7.5	6.6	0.9	23.1	0.5	3.1	
Debt securities	99.9	67.2	36.3	30.8	2.0	28.9	28.9	0.0	31.2	1.6	0.1	
Other equity instruments	100.0	55.8	41.3	14.4	0.6	13.8	13.8	0.0	42.2	2.0	0.0	
Trading derivatives	100.0	86.2	79.8	6.4	1.1	5.2	5.1	0.1	13.5	0.3	0.0	
Other financial assets	100.0	79.0	68.5	10.5	3.8	6.7	6.6	0.0	19.1	1.9	0.0	
Hedging derivatives	99.6	35.2	30.3	4.8	0.8	4.0	4.0	0.0	63.9	0.5	0.4	
Investments	100.0	76.5	73.3	3.2	0.8	2.4	2.4	0.0	23.1	0.3	0.0	
Insurance contracts linked to pensions	99.9	71.6	70.3	1.2	1.2	0.0	0.0	0.0	28.4	0.0	0.1	
Fixed assets	96.9	27.7	25.6	2.1	1.4	0.7	0.7	0.0	62.0	7.2	3.1	
Tax assets	97.6	58.6	53.6	4.9	3.1	1.8	1.6	0.2	37.2	1.9	2.4	
Other assets	95.0	65.1	49.6	15.4	2.9	12.5	12.3	0.2	26.8	3.2	5.0	
LIABILITIES AND EQUITY:												
Deposits from central banks and from credit institutions	90.7	73.0	35.9	37.1	6.3	30.8	30.2	0.7	16.9	0.8	9.3	
Deposits from other creditors	99.5	43.6	39.3	4.3	2.5	1.8	1.8	0.0	49.8	6.1	0.5	
Resident and non-resident general government	100.0	46.1	45.2	0.9	0.9	0.1	0.0	0.0	49.9	4.0	0.0	
Resident private sector	99.9	41.2	37.0	4.2	2.5	1.8	1.7	0.0	52.0	6.7	0.1	
Unadjusted overnight deposits	100.0	41.9	36.5	5.4	2.7	2.7	2.6	0.1	51.2	6.9	0.0	
Current accounts	100.0	49.2	40.8	8.4	4.0	4.3	4.2	0.1	46.0	4.8	0.0	
Savings accounts	100.0	31.7	30.5	1.2	0.7	0.5	0.5	0.0	58.2	10.1	0.0	
Other deposits	99.7	40.7	34.0	6.6	5.1	1.6	1.6	0.0	56.7	2.3	0.3	
Time deposits and redeemables at notice	99.9	37.8	35.3	2.5	1.6	0.9	0.9	0.0	54.8	7.3	0.1	
Repos	100.0	61.7	51.2	10.5	7.8	2.7	2.7	0.0	37.3	1.0	0.0	
Non-residents	94.2	73.0	64.5	8.5	4.3	4.2	4.1	0.2	20.5	0.7	5.8	
Debt certificates including bonds	99.8	54.2	53.4	0.8	0.8	0.0	0.0	0.0	44.8	0.8	0.2	
Of which: mortgage securities (b)	100.0	64.3	64.3	0.0	0.0	0.0	0.0	0.0	35.7	0.0	0.0	
Trading derivatives	99.8	88.8	80.2	8.6	1.0	7.5	7.5	0.1	11.0	0.1	0.2	
Subordinated liabilities	99.0	56.5	54.7	1.8	1.7	0.1	0.1	0.0	41.7	0.8	1.0	
Other financial liabilities	91.2	67.0	57.9	9.1	3.5	5.6	5.5	0.1	21.6	2.6	8.8	
Provisions	99.0	72.1	70.2	1.9	1.3	0.6	0.5	0.1	25.9	1.0	1.0	
Of which: provisions for pensions and similar	99.9	76.2	75.1	1.1	1.1	0.1	0.0	0.0	23.5	0.1	0.1	
Equity	97.1	53.0	49.1	3.9	2.5	1.4	0.8	0.6	38.9	5.2	2.9	
Valuation adjustments	99.8	26.6	25.3	1.3	0.0	1.3	1.3	0.0	71.9	1.4	0.2	
Own funds	96.9	55.1	51.0	4.1	2.7	1.4	0.7	0.7	36.2	5.5	3.1	
Of which: capital and reserves	96.8	56.1	52.1	4.0	2.9	1.1	0.4	0.7	34.9	5.8	3.2	
Other liabilities	97.9	44.9	39.6	5.2	2.1	3.1	3.0	0.1	50.9	2.2	2.1	
MEMORANDUM ITEMS:												
Unadjusted earning financial assets	97.3	52.5	41.6	10.8	3.1	7.8	7.5	0.2	40.9	4.0	2.7	
Unadjusted securities portfolio	100.0	67.1	45.2	21.9	1.4	20.4	20.4	0.0	31.5	1.4	0.0	
Equity portfolio	100.0	67.1	58.8	8.2	0.7	7.5	7.5	0.0	31.8	1.1	0.0	
Investments in the group	100.0	77.9	74.7	3.1	0.5	2.6	2.6	0.0	21.9	0.2	0.0	
Other investments	100.0	59.3	54.6	4.7	4.7	0.0	0.0	0.0	39.1	1.5	0.0	
Other equity securities	100.0	55.8	41.3	14.4	0.6	13.8	13.8	0.0	42.2	2.0	0.0	
Contingent exposures and liabilities	100.0	77.9	56.0	21.9	2.2	19.7	17.7	2.0	20.2	1.9	0.0	
Variable-rate credit	98.8	40.4	34.1	6.3	2.4	3.9	3.7	0.2	52.6	5.7	1.2	
Asset transfers	93.2	48.0	41.1	6.9	5.6	1.3	1.3	0.0	37.6	7.6	6.8	
Of which: securitised (c)	74.1	35.5	28.6	6.9	6.4	0.5	0.5	0.0	33.6	5.0	25.9	
Total mortgage covered bonds issued (d)	100.0	42.0	41.9	0.1	0.1	0.0	0.0	0.0	55.5	2.4	0.0	

SOURCE: Banco de España. Data available at 9 March 2007.

- Institutions existing at each date.
- This item almost entirely corresponds to mortgage covered bonds which are marketable securities. Accordingly, privately placed (and securitised) mortgage covered bonds are not included.
- This figure relates solely to the outstanding volume of securitisations whose underlying assets have been derecognised from the CI's balance sheet and thus classified as «transferred». In order to see total asset securitisations originated by CIs, please refer to Chart 1.A.10 under the item «transfer of assets due to securitisation».
- Figure taken from the confidential return «Supplementary information on the Balance Sheet» of CIs, under the new accounting rules in CBE 4/2004. It includes all mortgage covered bonds, whether marketable or not.

CREDIT INSTITUTIONS (a): DOUBTFUL EXPOSURES AND THEIR COVERAGE (b)

TABLE 1.A.5

Total business (€m). Year-end data

	2003	2004	2005	2006
Doubtful assets and contingent exposures	7,859	9,785	10,174	11,406
Past-due mortgages on completed housing	653	1,223	1,069	1,405
Other past-dues	3,251	4,501	4,579	5,219
Other	3,954	4,061	4,526	4,782
Allowances and provisions	19,323	21,467	25,609	31,170
Specific	4,469	4,558	4,838	5,126
General	14,855	16,909	20,771	26,044
Other information				
Total exposures (c)	914,653	1,642,075	2,061,369	2,497,725
Write-offs as at year-end	20,462	22,059	20,066	20,380
Additions	2,378	2,373	1,996	2,621
Reductions and other	2,232	2,130	3,981	1,872
Of which: due to expiration	29	560	2,456	503
Ratios (%)				
Doubtful / Total exposures	0.86	0.60	0.49	0.46
Doubtful exposures to ORS / Total lending to ORS	0.89	0.91	0.76	0.70
(Allowances + Provisions) / Doubtful exposures	245.88	219.39	251.72	273.27

SOURCE: Banco de España. Data available at 9 March 2007.

a. Institutions existing at each date.

b. The information relating to 2003 is based on the accounting rules under CBE 4/1991, while that for 2004, 2005 and 2006 was taken from the statements reported under CBE 4/2004. Therefore, the break in the series, which it was attempted to minimise, occurs in the transition from 2003 to 2004.

c. In 2004, 2005 and 2006, all information in this chart is taken from Return T.10. Due to the application of CBE 4/2004, the total credit exposure includes all debt instruments except those measured at fair value and those covered by country risk allowances or provisions. Excluded until 2003, aside from country risk, were exposures to general government and deposits with CIs. As a result, in 2004 there was an increase in the series (denominator of the ratio "doubtful/total exposures").

STRUCTURE OF LENDING TO RESIDENT PRIVATE SECTOR (a)

TABLE 1.A.6

Business in Spain. Year-end data (%)

	2003	2004	2005	2006
Lending to business	51.0	50.8	50.0	51.6
Goods	20.7	19.5	18.6	18.2
<i>Agriculture, fishing and extractive industries</i>	2.5	2.3	2.1	1.9
<i>Manufacturing</i>	8.2	7.3	6.8	6.2
<i>Energy and electricity</i>	1.8	1.7	1.3	1.3
<i>Construction</i>	8.2	8.3	8.4	8.8
Services	30.3	31.2	31.4	33.4
<i>Commerce, repairs and hotels and restaurants</i>	7.7	7.2	6.8	6.4
<i>Transport and communications</i>	3.2	3.1	2.8	2.5
<i>Real estate development</i>	9.8	11.9	13.5	16.4
<i>Financial intermediation</i>	1.6	1.9	1.1	1.2
<i>Other services</i>	8.1	7.1	7.1	6.9
Lending to households	46.7	47.0	48.2	46.7
Housing (purchase and refurbishing)	34.7	35.5	37.3	36.3
Consumer credit	4.4	4.1	3.8	3.4
Other purposes	7.7	7.4	7.1	7.0
Other	2.3	2.3	1.8	1.8

SOURCE: Banco de España. Data available at 17 May 2007.

a. Institutions existing at each date.

Year-end data

	2003	2004	2005	2006
Reporting institutions (number)	353	354	351	357
Exposures admitted (number)	23,360,635	25,699,044	28,100,024	30,914,293
Of which:				
Banks	8,990,775	9,871,632	10,689,643	11,884,646
Savings banks	11,017,236	12,147,532	13,263,428	14,518,098
Co-operatives	1,697,842	1,887,683	2,071,721	2,224,253
Exposures admitted (€m)	1,761,103	2,024,205	2,510,884	3,191,096
Of which:				
Banks	900,420	1,028,130	1,286,398	1,617,888
Savings banks	714,325	829,539	1,037,637	1,346,652
Co-operatives	84,437	99,643	119,857	140,513
Different borrowers (number)	13,713,433	14,683,686	15,706,037	16,799,763
Resident Spanish individuals	12,567,991	13,359,688	14,146,762	14,911,657
Resident foreign individuals	336,648	460,586	641,226	899,579
Resident legal entities	799,045	852,597	903,115	968,608
Non-resident individuals	5,305	6,626	10,542	14,598
Non-resident legal entities	4,444	4,189	4,392	5,321
Other items				
Incorrectly identified borrowers (number)	7,648	1,362	4,454	5,740
Suspended exposures (€m)	339	231	1,231	1,380
Borrower additions (number) (a)	5,730,563	6,170,406	6,711,919	7,086,200
Borrower deletions (number) (a)	4,429,941	4,672,844	4,986,216	5,473,400
Access and rectification rights exercised (number)	24,877	25,068	28,853	44,470
Reports issued				
Automatically	210,876,798	228,069,991	246,966,045	269,172,543
Requested by reporting institutions	2,946,685	4,156,253	5,365,159	6,242,990
For debtors	64,289	66,746	75,303	89,742
Data Protection Agency	12	5	7	16
Courts	425	109	1,284	457
Other central credit registers	29	12	3,746	5,068
MEMORANDUM ITEM:				
Reports received from other central credit registers (b)	—	—	9,106	11,385

SOURCE: Banco de España. Data available at 19 March 2007.

a. The 2005 figures of borrower additions and deletions have changed slightly due to data adjustments made in 2006.

b. From June 2005 onwards, the figures come from reports issued or received within a new framework of data exchange established in that year with six other EU central credit registers.

ACTIVITY OF CIs AND OF THEIR CONSOLIDATED GROUPS (a) (b)

TABLE 1.A.8

Year-end data (€m and %)

	2003	2004	2005	2006	MEMORANDUM ITEMS: 2006			
					BUSINESS IN SPAIN		BUSINESS ABROAD	
					2005	2006	2005	2006
BALANCE SHEET TOTAL	1,565,098	2,057,111	2,536,680	2,912,955	76.3	78.1	23.7	21.9
ASSETS:								
Cash and central banks	32,518	33,911	46,478	49,319	51.7	58.9	48.3	41.1
Loans and advances to credit institutions	177,960	191,834	223,377	245,842	83.0	85.0	17.0	15.0
Loans and advances to other debtors	935,875	1,258,138	1,573,954	1,951,871	78.6	80.0	21.4	20.0
Debt securities	268,279	308,968	390,848	326,234	67.6	65.3	32.4	34.7
Investments	39,258	25,012	28,587	27,764	77.8	87.4	22.2	12.6
Tangible assets	24,929	32,303	34,551	36,229	79.1	80.6	20.9	19.4
Other assets	86,279	206,945	238,886	275,695	73.1	75.9	26.9	24.1
<i>Of which: consolidated goodwill</i>	<i>9,282</i>	<i>16,338</i>	<i>16,425</i>	<i>17,936</i>	<i>4.1</i>	<i>3.8</i>	<i>95.9</i>	<i>96.2</i>
LIABILITIES AND EQUITY:								
Deposits from credit institutions	287,843	342,998	443,726	454,209	82.3	83.4	17.7	16.6
Deposits from other creditors	853,687	1,067,441	1,231,164	1,390,931	74.8	77.1	25.2	22.9
Debt certificates including bonds	157,220	250,084	386,555	554,927	74.6	80.1	25.4	19.9
Subordinated liabilities	33,995	58,480	64,475	72,945	58.0	68.6	42.0	31.4
Provisions	25,629	35,352	36,590	36,890	76.6	79.5	23.4	20.5
Tax liabilities	...	11,863	14,282	17,931	81.0	81.6	19.0	18.4
Equity	88,897	128,201	151,281	176,237	95.3	93.7	4.7	6.3
<i>Minority interest</i>	<i>6,214</i>	<i>4,999</i>	<i>6,274</i>	<i>5,705</i>	<i>63.6</i>	<i>64.2</i>	<i>36.4</i>	<i>35.8</i>
<i>Valuation adjustments</i>	<i>—</i>	<i>12,253</i>	<i>18,901</i>	<i>22,471</i>	<i>85.7</i>	<i>93.0</i>	<i>14.3</i>	<i>7.0</i>
<i>Own funds</i>	<i>86,132</i>	<i>110,949</i>	<i>126,106</i>	<i>148,061</i>	<i>98.3</i>	<i>95.0</i>	<i>1.7</i>	<i>5.0</i>
<i>Of which: capital and reserves (including share premium)</i>	<i>74,755</i>	<i>100,074</i>	<i>109,713</i>	<i>124,763</i>	<i>101.5</i>	<i>98.8</i>	<i>-1.5</i>	<i>1.2</i>
Other liabilities	117,828	162,691	208,606	208,885	66.8	57.4	33.2	42.6
MEMORANDUM ITEMS:								
Interest-bearing financial liabilities	1,401,623	1,785,440	2,205,537	2,544,306	75.7	78.6	24.3	21.4
Off-balance-sheet customer funds	...	303,027	589,398	676,993	100.0	100.0	—	—
<i>Of which: managed by the group</i>	<i>304,972</i>	<i>357,032</i>	<i>473,718</i>	<i>519,631</i>	<i>73.7</i>	<i>74.3</i>	<i>26.3</i>	<i>25.7</i>
Unadjusted securities portfolio	327,507	396,670	494,182	453,539	71.9	72.1	28.1	27.9
<i>Of which: equity portfolio</i>	<i>59,227</i>	<i>88,099</i>	<i>104,169</i>	<i>127,402</i>	<i>88.2</i>	<i>89.7</i>	<i>11.8</i>	<i>10.3</i>
Investments in the group	7,366	10,995	14,175	8,657	58.0	90.2	42.0	9.8
Other investments	25,506	12,095	12,590	15,662	96.9	87.8	3.1	12.2
Other equity securities	26,352	65,009	77,404	103,083	92.3	89.9	7.7	10.1
CIs abroad (number)	162	166	159	159				
Subsidiaries	113	115	108	106				
Rest of European Union	29	31	26	37				
Latin America	37	36	36	28				
Other	47	48	46	41				
Branches	49	51	51	53				
Rest of European Union	34	37	36	37				
Latin America	1	1	1	1				
Other	14	13	14	15				

SOURCE: Banco de España. Data available at 9 March 2007.

a. Institutions existing at each date.

b. The information relating to 2003 is based on the accounting rules under CBE 4/1991, while that for 2004, 2005 and 2006 was taken from the statements reported under CBE 4/2004. Therefore, the break in the series, which it was attempted to minimise, occurs in the transition from 2003 to 2004.

Year-end data (€m and %)

	2003	2004	2005	2006	MEMORANDUM ITEMS: 2006		
					STRUCTURE		% ANNUAL CHANGE
					%	CHANGE IN PP	
BREAKDOWN BY TYPE OF UNDERLYING BEING SECURITISED:							
Total	36,157	52,510	68,904	93,801	100.0	-	36.1
Assets of CIs (Bond issuance)	24,391	32,391	43,961	64,193	68.4	4.6	46.0
Mortgage loans (not to SMEs or property developers)	16,858	18,853	29,617	38,889	41.5	-1.5	31.3
Of which: Mortgage SSPEs (PH) (a)	5,030	4,890	6,850	5,050	5.4	-4.6	-26.3
Of which: Asset SSPEs (PH and CTH) (a)	11,828	13,963	22,767	33,839	36.1	3.0	48.6
Mortgage loans to property developers	0	475	730	0	0.0	-1.1	-100.0
SMEs	6,253	8,764	6,571	12,795	13.6	4.1	94.7
Consumer loans	1,280	235	0	5,527	5.9	5.9	-
Credit to general government	0	1,850	0	0	0.0	0.0	-
Auto loans	0	1,763	3,235	1,369	1.5	-3.2	-57.7
Corporate loans	0	0	3,100	5,536	5.9	1.4	78.6
Other	0	451	796	77	0.1	-1.0	-90.3
Assets of CIs (commercial paper issuance) (b)	-734	1,196	-1,327	904	1.0	2.9	-
Of which: receivables	-702	1,210	-925	1,055	1.1	2.5	-
Assets of non-financial corporations	300	239	145	1,032	1.1	0.9	612.2
Liabilities of CIs	12,200	18,685	26,125	27,673	29.5	-8.4	5.9
Mortgage covered bonds	10,800	18,685	24,280	25,925	27.6	-7.6	6.8
Territorial covered bonds	1,400	0	665	0	0.0	-1.0	-100.0
Treasury bonds	0	0	1,180	1,450	1.5	-0.2	22.9
Subordinated loans	0	0	0	298	0.3	0.3	-
MEMORANDUM ITEMS:							
Total mortgage-backed assets (c)	20,848	25,301	34,895	48,546	51.8	1.1	39.1
Total funding to mortgage market	31,648	43,986	59,175	74,471	79.4	-6.5	25.8
Bonds issued on foreign stock markets	150	965	1,035	1,421	1.5	0.0	37.3
BREAKDOWN BY TYPE OF ORIGINATOR:							
Total	36,157	52,510	68,904	93,801	100.0	-	36.1
Banks	9,629	22,676	20,325	34,262	36.5	7.0	68.6
Savings banks	23,298	25,071	40,019	47,951	51.1	-7.0	19.8
Co-operatives	849	2,715	5,463	6,792	7.2	-0.7	24.3
SCIs	1,404	1,810	2,953	3,687	3.9	-0.4	24.9
Unclassified from financial institutions	678	0	0	77	0.1	0.1	-
Non-financial corporations	300	239	145	1,032	1.1	0.9	612.2

SOURCES: CNMV, AIAF and Banco de España. Data available at 22 February 2007.

a. PH: Collateralised mortgage bonds (*participaciones hipotecarias*) as defined in Royal Decree 685/1982. CTH: mortgage transfer certificates (*certificados de transmisión hipotecaria*) as defined in Law 44/2002.

b. For this category in particular, the data provided are the change in the outstanding balance of securitisation in the year, which is equal to net promissory note issuance. Since the securitised assets are very short-term, a large amount of promissory notes is issued and redeemed under ABCP programmes during the year. This also explains why there may be negative net issuance of the securities of these vehicles.

c. Sum of the items "Mortgage loans (not to SMEs or property developers)", "Mortgage loans to property developers", and the mortgage-backed part of those funds classified as "SMEs", "corporate loans" and "other".

INFORMATION ON OUTSTANDING AMOUNTS OF SPANISH SSPE LIABILITIES

TABLE 1.A.10

Year-end data (€m and %)

	2003	2004	2005	2006	MEMORANDUM ITEMS: 2006		
					STRUCTURE		% ANNUAL Δ
					%	CHANGE IN PP	
BREAKDOWN BY TYPE OF UNDERLYING BEING SECURITISED:							
Total	76,628	120,443	173,592	243,163	100.0	-	40.1
Assets of CIs (Bond issuance)	52,431	75,593	103,003	144,188	59.3	0.0	40.0
Mortgage loans (not to SMEs or property developers)	37,197	49,657	68,969	93,330	38.4	-1.3	35.3
<i>Of which: mortgage SSPEs (PH) (a)</i>	<i>20,050</i>	<i>21,737</i>	<i>24,310</i>	<i>24,528</i>	<i>10.1</i>	<i>-3.9</i>	<i>0.9</i>
<i>Of which: asset SSPEs (PH and CTH) (a)</i>	<i>17,146</i>	<i>27,920</i>	<i>44,658</i>	<i>68,802</i>	<i>28.3</i>	<i>2.6</i>	<i>54.1</i>
Mortgage loans to property developers	129	476	992	697	0.3	-0.3	-29.7
SMEs	9,759	17,113	20,252	28,069	11.5	-0.1	38.6
Consumer loans	1,324	1,459	938	6,087	2.5	2.0	548.9
Credit to general government	868	2,665	2,126	1,749	0.7	-0.5	-17.7
Auto loans	2,455	3,273	5,213	5,337	2.2	-0.8	2.4
Corporate loans	0	0	3,100	7,625	3.1	1.3	146.0
Other	699	950	1,413	1,293	0.5	-0.3	-8.5
Assets of CIs (Commercial Paper issuance) (b)	3,349	5,078	4,284	5,255	2.2	-0.3	22.7
Of which: receivables	3,349	4,543	3,581	4,703	1.9	-0.1	31.3
Assets of non-financial corporations	300	539	656	397	0.2	-0.2	-39.5
Liabilities of CIs	20,548	39,233	65,650	93,323	38.4	0.6	42.2
Mortgage covered bonds	19,148	37,833	62,405	88,330	36.3	0.4	41.5
Territorial covered bonds	1,400	1,400	2,065	2,065	0.8	-0.3	0.0
Treasury bonds	0	0	1,180	2,630	1.1	0.4	122.9
Subordinated loans	0	0	0	298	0.1	0.1	-
MEMORANDUM ITEMS:							
Total mortgage-backed assets (b)	42,788	61,052	83,381	112,999	46.5	-1.6	35.5
Total funding to mortgage market	61,936	98,884	145,786	201,329	82.8	-1.2	38.1
Bonds issued on foreign stock markets	2,055	2,611	3,561	2,842	1.2	-0.9	-20.2
Transfer of assets due to securitisation (c)	-	76,089	99,614	140,969	-	-	41.5
Securitised assets held on the balance sheet	-	32,352	63,104	107,396	-	-	70.5
Assets transferred via securitisation	54,483	43,737	36,642	33,573	-	-	-8.4
<i>Of which: securitisations originated from 1.1.2004</i>	<i>0</i>	<i>1,860</i>	<i>3,631</i>	<i>7,477</i>	<i>-</i>	<i>-</i>	<i>50.5</i>
<i>% of total securitised assets of CIs</i>	<i>-</i>	<i>2.3</i>	<i>3.6</i>	<i>5.3</i>	<i>-</i>	<i>-</i>	<i>6.4</i>
BREAKDOWN BY TYPE OF ORIGINATOR:							
Total	76,628	120,443	173,592	243,163	100.0	0.0	40.1
Banks	27,649	46,192	59,244	82,277	33.8	-0.3	38.9
Savings banks	42,994	64,665	96,666	134,692	55.4	-0.3	39.3
Co-operatives	940	3,564	10,305	16,615	6.8	0.9	61.2
SCIs	3,531	4,532	6,004	8,083	3.3	-0.1	34.6
Unclassified from financial institutions	1,214	951	716	1,099	0.5	0.0	53.4
Non-financial corporations	300	539	656	397	0.2	-0.2	-39.5
HOLDERS OF ASSET-BACKED BONDS ISSUED BY SPANISH SSPEs (d) (e):							
Total held by:	77,586	122,537	174,491	244,216	100.0	-	40.0
Non-financial corporations and households	1,591	1,807	1,594	4,663	1.9	1.0	192.5
Financial institutions	30,444	43,096	45,583	42,385	17.4	-8.8	-7.0
<i>Banks and savings banks</i>	<i>22,452</i>	<i>29,323</i>	<i>29,610</i>	<i>24,665</i>	<i>10.1</i>	<i>-6.9</i>	<i>-16.7</i>
<i>Money market funds (f)</i>	<i>2,541</i>	<i>3,158</i>	<i>2,938</i>	<i>0</i>	<i>0.0</i>	<i>-1.7</i>	<i>-100.0</i>
<i>Non-monetary CIUs</i>	<i>3,237</i>	<i>4,700</i>	<i>5,617</i>	<i>8,876</i>	<i>3.6</i>	<i>0.4</i>	<i>58.0</i>
<i>Insurance companies</i>	<i>2,213</i>	<i>5,915</i>	<i>7,418</i>	<i>8,844</i>	<i>3.6</i>	<i>-0.6</i>	<i>19.2</i>
Rest of the world	45,553	77,636	127,314	197,168	80.7	7.8	54.9
OTHER LIABILITIES: CREDIT EXTENDED TO SPANISH SSPEs:							
Total	3,668	3,000	4,000	4,000	100.0	-	0.0
Of which: by CIs	3,668	3,000	4,000	4,000	100.0	-	0.0

SOURCES: CNMV, AIAF and Banco de España. Data available at 22 February 2007. For holders of asset-backed bonds, data available at 24 April 2007.

 a. PH: Collateralised mortgage bonds (*participaciones hipotecarias*) as defined in Royal Decree 685/1982. CTH: mortgage transfer certificates (*certificados de transmisión hipotecaria*) as defined in Law 44/2002.

b. Sum of the items "Mortgage loans (not to SMEs or property developers)", "Mortgage loans to property developers", and the mortgage-backed part of those funds classified as "SMEs", "corporate loans" and "other".

c. All the data provided under the caption "Transfer of assets due to securitisation" come from the confidential balance sheet of CIs under the new accounting regulations established in CBE 4/2004. The difference between the total of this caption and the sum of the captions "Assets of, and bonds issued by, CIs" and "Assets of, and promissory notes issued by, CIs" in this table, stems from the fact that in the former, the institutions report the outstanding balance of underlying securitised assets, while in the latter, the figure is the outstanding balance of the securities in the AIAF market.

d. Unlike the outstanding balances broken down by type of securitised asset and issuer, the figures in this section are market prices, since they are drawn from another statistical source. Nearly all asset-backed bonds not belonging to covered-bond securitisations pay a floating rate coupon and are therefore listed at 100% of their nominal value. The divergences thus arise in fixed-coupon asset-backed bonds.

e. The figures in this table have been slightly modified due to a periodic revision of the balance of payments position data.

f. Owing to the publication of the regulations implementing the Collective Investment Institutions Law (Royal Decree 1309/2005 of 4 November 2005), there were no funds in the money market fund category (FIAMM) in 2006.

BREAKDOWN OF THE INDIVIDUAL INCOME STATEMENT FOR CIs (a) (b)

TABLE 1.A.11

Data of each year (€m and %)

	AMOUNT				% OF ATA				% ANNUAL Δ			
	2003	2004	2005	2006	2003	2004	2005	2006	2003	2004	2005	2006
Financial income	57,198	58,746	69,221	91,346	4.16	3.61	3.59	4.02	-4.3	2.7	17.8	32.0
Interest and similar income	51,947	52,373	63,169	81,987	3.78	3.22	3.28	3.61	-4.1	0.8	20.6	29.8
Return on equity instruments	5,251	6,373	6,052	9,359	0.38	0.39	0.31	0.41	-6.1	21.4	-5.0	54.6
Financial cost	-26,618	-28,197	-36,986	-53,082	-1.94	-1.73	-1.92	-2.34	-12.1	5.9	31.2	43.5
NET INTEREST INCOME	30,580	30,549	32,235	38,264	2.22	1.88	1.67	1.68	3.8	-0.1	5.5	18.7
<i>Of which: investment of own funds</i>	4,224	4,594	5,567	6,889	0.31	0.28	0.29	0.30	-2.2	8.8	21.2	23.7
Non-interest income	8,493	11,855	13,956	17,222	0.62	0.73	0.72	0.76	-7.1	39.6	17.7	23.4
Fees and commissions (net)	8,747	9,937	11,290	12,742	0.64	0.61	0.59	0.56	8.2	13.6	13.6	12.9
Collection and payment service (net)	4,894	5,325	5,802	5,655	0.36	0.33	0.30	0.25	6.1	8.8	9.0	-2.5
Securities service (revenue)	1,069	1,082	1,189	1,411	0.08	0.07	0.06	0.06	-2.0	1.2	9.8	18.7
Marketing of non-banking products (revenue)	2,314	2,873	3,369	4,097	0.17	0.18	0.17	0.18	11.2	24.2	17.3	21.6
Contingent exposures and commitments (net)	1,035	1,122	1,283	1,533	0.08	0.07	0.07	0.07	11.2	8.3	14.4	19.5
Exchange of foreign currencies and banknotes (revenue)	61	57	51	52	0.00	0.00	0.00	0.00	-18.9	-5.3	-11.7	3.1
Other fees and commissions (net)	-626	-523	-403	-6	-0.05	-0.03	-0.02	0.00	-11.6	-16.5	-22.9	-98.5
Gains or losses on financial assets and liabilities and exchange differences (net)	-253	1,918	2,666	4,479	-0.02	0.12	0.14	0.20	-	-	39.0	68.0
Held for trading	948	730	1,118	919	-	0.04	0.06	0.04	-	-	53.1	-17.8
Other financial instruments	-	1	-13	-79	-	0.00	0.00	0.00	-	-	-	517.0
Available-for-sale financial assets	-	1,252	1,412	2,331	-	0.08	0.07	0.10	-	-	12.8	65.1
Loans and receivables	-	53	127	22	-	0.00	0.01	0.00	-	-	141.0	-82.5
Other gains or losses on financial assets and liabilities (c)	16	-573	-318	320	-	-0.04	-0.02	0.01	-	-	-44.5	-
Exchange differences	-1,217	456	339	967	-0.09	0.03	0.02	0.04	-	-	-25.5	184.9
GROSS INCOME	39,073	42,404	46,191	55,486	2.84	2.61	2.40	2.44	1.2	8.5	8.9	20.1
Operating expenses	-22,623	-23,616	-25,118	-26,995	-1.65	-1.45	-1.30	-1.19	3.1	4.4	6.4	7.5
Personnel	-13,427	-14,030	-14,875	-16,038	-0.98	-0.86	-0.77	-0.71	3.3	4.5	6.0	7.8
Other administrative expenses	-7,101	-7,455	-8,096	-8,819	-0.52	-0.46	-0.42	-0.39	4.0	5.0	8.6	8.9
Depreciation and amortisation	-2,094	-2,130	-2,147	-2,137	-0.15	-0.13	-0.11	-0.09	-1.1	1.7	0.8	-0.4
Other operating income	133	771	996	1,120	0.01	0.05	0.05	0.05	60.4	478.1	29.2	12.5
NET OPERATING INCOME	16,584	19,559	22,069	29,611	1.21	1.20	1.15	1.30	-0.9	17.9	12.8	34.2
Provisioning expenses, write-downs and other (net)	759	-5,170	-5,160	-4,839	0.06	-0.32	-0.27	-0.21	3.7	-	-0.2	-6.2
Impairment losses (net)	-	-4,263	-4,732	-6,585	-	-0.26	-0.25	-0.29	-	-	11.0	39.2
Loans and receivables	-	-4,278	-4,594	-6,315	-	-0.26	-0.24	-0.28	-	-	7.4	37.5
Other	-	15	-138	-270	-	0.00	-0.01	-0.01	-	-	-	95.1
Provisioning expenses (net)	-	-1,952	-2,026	-2,910	-	-0.12	-0.11	-0.13	-	-	3.8	43.7
Other income (net)	-	1,099	1,672	4,734	-	0.07	0.09	0.21	-	-	52.1	183.1
Mandatory transfer to welfare funds	-	-54	-75	-78	-	0.00	0.00	0.00	-	-	37.8	4.2
PROFIT OR LOSS FOR THE PERIOD BEFORE TAXES	12,143	14,390	16,909	24,772	0.88	0.88	0.88	1.09	19.6	18.5	17.5	46.5
Income tax	-2,417	-2,079	-2,848	-4,951	-0.18	-0.13	-0.15	-0.22	130.7	-14.0	37.0	73.8
PROFIT FOR THE PERIOD	9,726	12,310	14,061	19,821	0.71	0.76	0.73	0.87	6.8	26.6	14.2	41.0
MEMORANDUM ITEMS:												
Average total assets	1,374,957	1,627,238	1,926,334	2,272,200	100.00	100.00	100.00	100.00	10.1	18.3	18.4	18.0
Average own funds (d)	85,503	99,665	114,137	123,105	6.22	6.12	5.93	5.42	7.1	16.6	14.5	7.9
Efficiency ratio (e)	-	-	-	-	57.90	55.69	54.38	48.65	-	-	-	-
Return on average equity (d)	-	-	-	-	11.38	12.35	12.32	16.10	-	-	-	-
Credit risk allowances and provisions												
Specific allowances or provisions	-1,902	-3,079	-1,478	-1,731	-0.14	-0.19	-0.08	-0.08	-17.9	61.9	-52.0	17.1
General allowances or provisions	-3,308	-159	-3,809	-5,338	-0.24	-0.01	-0.20	-0.23	72.1	-95.2	297.1	40.2
Net additions to country-risk allowances and provisions	-3	0	105	-36	0.00	0.00	0.01	0.00	-96.1	-	-	-

SOURCE: Banco de España. Data available at 9 March 2007.

- The data in this table refer to institutions active at some time during 2006.
- The information relating to 2003 is based on the accounting rules under CBE 4/1991, while that for 2004, 2005 and 2006 was taken from the statements reported under CBE 4/2004. Therefore, the break in the series, which it was attempted to minimise, occurs in the transition from 2003 to 2004.
- For 2004 to 2006, this item includes gains or losses on hedging derivatives as well as other gains or losses not included in the items «held for trading», «other financial instruments», «available-for-sale financial assets» and «loans and receivables». For 2003, it includes any other item that cannot be specifically allocated.
- Includes own funds for accounting purposes excluding retained earnings; also included are declared dividends and remuneration, and valuation adjustments arising from exchange differences.
- The efficiency ratio is defined as operating expenses divided by gross income.

MAIN MARGINS OF THE INDIVIDUAL INCOME STATEMENT FOR CIs (a) (b)

TABLE 1.A.12

Data for each year (€m and %)

	AMOUNT				% OF ATA				% ANNUAL Δ			
	2003	2004	2005	2006	2003	2004	2005	2006	2003	2004	2005	2006
Net interest income:												
Banks	15,143	15,022	14,989	18,502	1.98	1.67	1.40	1.50	1.5	-0.8	-0.2	23.4
Savings banks	12,774	12,861	14,191	16,325	2.43	2.06	1.92	1.83	6.2	0.7	10.3	15.0
Co-operatives	1,597	1,525	1,686	1,917	3.09	2.50	2.34	2.21	3.5	-4.5	10.5	13.7
SCIs	1,066	1,141	1,369	1,520	3.17	2.77	2.82	2.65	11.7	7.1	20.0	11.0
Gross income:												
Banks	19,661	22,123	23,294	28,393	2.58	2.45	2.18	2.30	-3.8	12.5	5.3	21.9
Savings banks	16,349	16,985	19,086	22,799	3.10	2.72	2.58	2.55	6.5	3.9	12.4	19.5
Co-operatives	1,960	1,953	2,164	2,462	3.79	3.21	3.00	2.84	7.5	-0.3	10.8	13.7
SCIs	1,103	1,344	1,647	1,832	3.28	3.26	3.39	3.19	13.1	21.8	22.6	11.2
Net operating income:												
Banks	8,643	11,184	11,776	16,005	1.13	1.24	1.10	1.30	-8.4	29.4	5.3	35.9
Savings banks	6,554	6,874	8,419	11,415	1.24	1.10	1.14	1.28	8.5	4.9	22.5	35.6
Co-operatives	771	725	882	1,083	1.49	1.19	1.22	1.25	7.7	-6.0	21.7	22.8
SCIs	616	777	992	1,108	1.83	1.88	2.04	1.93	12.8	26.1	27.7	11.7
Profit before tax:												
Banks	6,666	8,578	9,691	14,542	0.87	0.95	0.91	1.18	17.6	28.7	13.0	50.1
Savings banks	4,555	4,839	5,896	8,714	0.86	0.78	0.80	0.98	23.2	6.2	21.9	47.8
Co-operatives	510	466	691	747	0.99	0.77	0.96	0.86	11.2	-8.6	48.2	8.1
SCIs	412	507	631	770	1.23	1.23	1.30	1.34	25.6	23.0	24.5	22.0
Profit for the period:												
Banks	5,260	7,391	7,965	11,582	0.69	0.82	0.75	0.94	9.5	40.5	7.8	45.4
Savings banks	3,767	4,193	5,075	7,114	0.72	0.67	0.69	0.80	2.4	11.3	21.0	40.2
Co-operatives	439	402	613	657	0.85	0.66	0.85	0.76	7.5	-8.4	52.4	7.2
SCIs	260	323	409	469	0.77	0.78	0.84	0.82	19.9	24.3	26.4	14.6

SOURCE: Banco de España. Data available at 9 March 2007.

a. The data in this table refer to institutions active at some time during 2006.

b. The information relating to 2003 is based on the accounting rules under CBE 4/1991, while that for 2004, 2005 and 2006 was taken from the statements reported under CBE 4/2004. Therefore, the break in the series, which it was attempted to minimise, occurs in the transition from 2003 to 2004.

BREAKDOWN OF THE CONSOLIDATED INCOME STATEMENT FOR CIs (a) (b)

TABLE 1.A.13

Data for each year (€m and %)

	AMOUNT				% OF ATA				% ANNUAL Δ			
	2003	2004	2005	2006	2003	2004	2005	2006	2003	2004	2005	2006
Financial income	66,200	67,951	93,775	115,884	4.45	3.92	4.04	4.30	-14.3	2.6	38.0	23.6
Interest and similar income	65,547	66,301	91,826	113,282	4.41	3.83	3.96	4.20	-14.5	1.2	38.5	23.4
Return on equity instruments	654	1,651	1,950	2,602	0.04	0.10	0.08	0.10	18.5	152.5	18.1	33.5
Financial cost	-32,904	-34,134	-53,807	-69,866	-2.21	-1.97	-2.32	-2.59	-22.9	3.7	57.6	29.8
NET INTEREST INCOME	33,296	33,818	39,968	46,019	2.24	1.95	1.72	1.71	-3.6	1.6	18.2	15.1
<i>Of which: investment of own funds</i>	3,678	4,304	6,210	7,636	0.25	0.25	0.27	0.28	-7.1	17.0	44.3	23.0
Non-interest income	19,932	20,972	27,416	34,698	1.34	1.21	1.18	1.29	12.1	5.2	30.7	26.6
Share of profit or loss of entities accounted for using the equity method	3,504	2,447	3,579	4,572	0.24	0.14	0.15	0.17	34.6	-30.2	46.2	27.7
Associates	-	1,259	1,979	1,653	-	0.07	0.09	0.06	-	-	57.3	-16.5
Jointly controlled entities	-	416	527	667	-	0.02	0.02	0.02	-	-	26.7	26.5
Group entities	-	773	1,072	2,252	-	0.04	0.05	0.08	-	-	38.8	110.1
Fees and commissions (net)	13,643	15,187	18,280	20,793	0.92	0.88	0.79	0.77	0.2	11.3	20.4	13.7
Collection and payment service (revenue)	7,164	7,523	8,615	9,224	0.48	0.43	0.37	0.34	-0.3	5.0	14.5	7.1
Securities service (revenue)	3,193	3,612	2,362	2,631	0.21	0.21	0.10	0.10	-4.9	13.1	-34.6	11.4
Marketing of non-banking products (revenue)	3,092	3,681	6,486	7,614	0.21	0.21	0.28	0.28	6.7	19.0	76.2	17.4
Contingent exposures and commitments (revenue)	948	1,146	1,296	1,554	0.06	0.07	0.06	0.06	9.1	20.9	13.1	19.9
Exchange of foreign currencies and banknotes (revenue)	106	106	124	136	0.01	0.01	0.01	0.01	-18.6	-0.3	17.2	9.0
Other fees and commissions (net)	-860	-881	-604	-367	-0.06	-0.05	-0.03	-0.01	3.3	2.4	-31.4	-39.3
Gains or losses on financial assets and liabilities and exchange differences (net)	2,784	3,338	5,558	9,333	0.19	0.19	0.24	0.35	77.5	19.9	66.5	67.9
Held for trading	1,247	1,687	2,288	2,726	-	0.10	0.10	0.10	-	-	35.6	19.1
Other financial instruments	-	15	47	-111	-	0.00	0.00	0.00	-	-	-	-
Available-for-sale financial assets	-	2,495	3,505	5,549	-	0.14	0.15	0.21	-	-	40.5	58.3
Loans and receivables	-	93	249	110	-	0.01	0.01	0.00	-	-	168.9	-55.9
Other gains or losses on financial assets and liabilities (c)	891	-1,859	-1,253	142	-	-0.11	-0.05	0.01	-	-	-32.6	-
Exchange differences	646	907	722	918	0.04	0.05	0.03	0.03	-40.4	40.5	-20.5	27.1
GROSS INCOME	53,229	54,790	67,385	80,716	3.58	3.16	2.91	2.99	1.7	2.9	23.0	19.8
Operating expenses	-30,015	-31,219	-36,113	-39,018	-2.02	-1.80	-1.56	-1.45	-3.8	4.0	15.7	8.0
Personnel	-17,242	-17,971	-20,492	-22,258	-1.16	-1.04	-0.88	-0.83	-2.2	4.2	14.0	8.6
Other administrative expenses	-9,880	-10,166	-12,454	-13,396	-0.66	-0.59	-0.54	-0.50	-5.7	2.9	22.5	7.6
Depreciation and amortisation	-2,892	-3,081	-3,167	-3,364	-0.19	-0.18	-0.14	-0.12	-6.6	6.5	2.8	6.2
Other operating income	391	997	1,241	1,462	0.03	0.06	0.05	0.05	29.1	154.9	24.5	17.8
NET OPERATING INCOME	23,605	24,568	32,513	43,160	1.59	1.42	1.40	1.60	10.2	4.1	32.3	32.7
Provisioning expenses, write-downs and other (net)	-6,994	-6,682	-6,049	-6,078	0.17	-0.39	-0.26	-0.23	72.6	-	-9.5	0.5
Impairment losses (net)	-	-5,858	-6,546	-9,100	-	-0.34	-0.28	-0.34	-	-	11.7	39.0
Goodwill impairment losses	-	-360	-13	-73	-	-0.02	0.00	0.00	-	-	-96.3	449.6
Loans and receivables	-	-5,462	-6,354	-8,776	-	-0.32	-0.27	-0.33	-	-	16.3	38.1
Other	-	-36	-179	-251	-	0.00	-0.01	-0.01	-	-	403.0	39.9
Provisioning expenses (net)	-	-2,814	-3,059	-3,700	-	-0.16	-0.13	-0.14	-	-	8.7	21.0
Other income (net)	-	2,044	3,631	6,800	-	0.12	0.16	0.25	-	-	77.7	87.2
Mandatory transfer to welfare funds	-	-54	-75	-78	-	0.00	0.00	0.00	-	-	37.8	4.2
PROFIT OR LOSS FOR THE PERIOD BEFORE TAX	16,611	17,886	26,464	37,082	1.12	1.03	1.14	1.38	26.5	7.7	48.0	40.1
Income tax	-4,005	-3,464	-5,516	-9,214	-0.27	-0.20	-0.24	-0.34	71.2	-13.5	59.3	67.0
CONSOLIDATED PROFIT OR LOSS FOR THE PERIOD	12,606	14,422	20,948	27,868	0.85	0.83	0.90	1.03	16.9	14.4	45.2	33.0
Profit or loss attributed to the group	11,543	13,604	19,835	26,483	0.78	0.79	0.86	0.98	16.3	17.9	45.8	33.5
Profit or loss attributed to minority interests	1,064	818	1,112	1,386	0.07	0.05	0.05	0.05	23.6	-23.1	35.9	24.6
MEMORANDUM ITEMS:												
Average total assets (ATA)	1,487,390	1,732,600	2,319,369	2,696,863	100.00	100.00	100.00	100.00	5.3	16.5	33.9	16.3
Average own funds of the group (d)	82,569	97,469	119,253	134,325	5.55	5.63	5.14	4.98	4.4	18.0	22.3	12.6
Efficiency ratio (e)					56.39	56.98	53.59	48.34				
Return on average equity of the group (d)					13.98	13.96	16.63	19.72				

SOURCE: Banco de España. Data available at 9 March 2007.

- The data in this table refer to institutions active at some time during 2006.
- The information relating to 2003 is based on the accounting rules under CBE 4/1991, while that for 2004, 2005 and 2006 was taken from the statements reported under CBE 4/2004. Therefore, the break in the series, which it was attempted to minimise, occurs in the transition from 2003 to 2004.
- For 2004 to 2006, this item includes gains or losses on hedging derivatives as well as other gains or losses not included in the items "held for trading", "other financial instruments", "available-for-sale financial assets" and "loans and receivables". For 2003, it includes any other item that cannot be specifically allocated.
- Includes own funds for accounting purposes excluding retained earnings; also included are declared dividends and remuneration, and valuation adjustments arising from exchange differences.
- The efficiency ratio is defined as operating expenses divided by gross income.

MAIN MARGINS OF THE CONSOLIDATED INCOME STATEMENT FOR CIs (a) (b)

TABLE 1.A.14

Data for each year (€m and %)

	AMOUNT				% OF ATA				% ANNUAL Δ			
	2003	2004	2005	2006	2003	2004	2005	2006	2003	2004	2005	2006
Net interest income:												
Banks	18,979	19,302	23,686	27,498	2.16	1.91	1.64	1.67	-9.2	1.7	22.7	16.1
Savings banks	12,195	12,467	13,794	15,813	2.24	1.93	1.77	1.69	4.8	2.2	10.7	14.6
Co-operatives	1,591	1,522	1,677	1,903	3.07	2.47	2.29	2.17	3.5	-4.4	10.2	13.5
SCIs	532	527	811	804	4.23	3.75	3.84	3.51	10.9	-0.9	53.8	-0.9
Gross income:												
Banks	32,270	33,704	42,714	50,511	3.67	3.34	2.96	3.06	-3.5	4.4	26.7	18.3
Savings banks	18,427	18,494	21,598	26,751	3.39	2.86	2.77	2.86	11.2	0.4	16.8	23.9
Co-operatives	1,972	1,974	2,182	2,480	3.80	3.20	2.98	2.82	8.1	0.1	10.5	13.7
SCIs	559	617	892	975	4.45	4.40	4.22	4.26	12.0	10.4	44.4	9.3
Net operating income:												
Banks	14,441	15,656	20,791	26,732	1.64	1.55	1.44	1.62	5.5	8.4	32.8	28.6
Savings banks	8,087	7,840	10,327	14,787	1.49	1.21	1.32	1.58	19.7	-3.1	31.7	43.2
Co-operatives	774	734	890	1,091	1.49	1.19	1.22	1.24	9.3	-5.1	21.3	22.5
SCIs	303	338	505	551	2.41	2.41	2.39	2.41	12.6	11.5	49.2	9.2
Profit before tax:												
Banks	10,145	11,292	17,556	23,558	1.15	1.12	1.22	1.43	23.0	11.3	55.5	34.2
Savings banks	5,763	5,892	7,852	12,359	1.06	0.91	1.01	1.32	35.7	2.2	33.3	57.4
Co-operatives	523	488	697	764	1.01	0.79	0.95	0.87	13.0	-6.7	42.7	9.7
SCIs	180	214	360	400	1.43	1.53	1.70	1.75	9.1	18.8	68.0	11.2
Consolidated profit or loss for the period:												
Banks	7,168	8,901	13,203	16,780	0.82	0.88	0.91	1.02	16.2	24.2	48.3	27.1
Savings banks	4,666	4,840	6,533	9,625	0.86	0.75	0.84	1.03	14.5	3.7	35.0	47.3
Co-operatives	290	277	409	438	0.56	0.45	0.56	0.50	32.2	-4.5	47.6	7.1
SCIs	69	81	152	169	0.55	0.58	0.72	0.74	-2.8	17.6	87.2	11.1

SOURCE: Banco de España. Data available at 9 March 2007.

a. The data in this table refer to CGs, and individual CIs not belonging to any CG, active at some time during 2006.

b. The information relating to 2003 is based on the accounting rules under CBE 4/1991, while that for 2004, 2005 and 2006 was taken from the statements reported under CBE 4/2004. Therefore, the break in the series, which it was attempted to minimise, occurs in the transition from 2003 to 2004.

SOLVENCY OF CONSOLIDATED GROUPS OF CIs (a)

TABLE 1.A.15

Year-end data (€m and %)

	AMOUNT				STRUCTURE %				% ANNUAL Δ			
	2003	2004	2005	2006	2003	2004	2005	2006	2003	2004	2005	2006
Own funds	113,496	138,853	171,249	209,972	100.0	100.0	100.0	100.0	9.7	22.3	23.3	22.6
Tier 1 capital	86,346	101,208	122,127	135,733	76.1	72.9	71.3	64.6	7.8	17.2	20.7	11.1
<i>Capital stock, reserves and similar items</i>	80,725	100,544	117,484	128,016	71.1	72.4	68.6	61.0	4.8	24.6	16.8	9.0
<i>Preference shares</i>	16,091	19,265	19,310	22,878	14.2	13.9	11.3	10.9	-0.9	19.7	0.2	18.5
<i>Other tier 1 capital (b)</i>	-1,188	2,461	1,758	2,774	-1.0	1.8	1.0	1.3	14.1	-307.2	-28.6	57.8
<i>Consolidation goodwill</i>	-9,282	-21,061	-16,425	-17,936	-8.2	-15.2	-9.6	-8.5	-23.0	126.9	-22.0	9.2
Tier 2 capital	31,095	40,613	63,433	84,589	27.4	29.2	37.0	40.3	14.1	30.6	56.2	33.4
<i>Subordinated debt</i>	27,388	31,916	35,291	40,801	24.1	23.0	20.6	19.4	11.9	16.5	10.6	15.6
<i>Other tier 2 capital (c)</i>	3,708	8,697	28,141	43,788	3.3	6.3	16.4	20.9	32.6	134.6	223.6	55.6
Deductions (d)	-3,945	-2,969	-14,310	-10,351	-3.5	-2.1	-8.4	-4.9	0.4	-24.8	382.0	-27.7
Requirements	81,994	101,330	124,126	150,546	100.0	100.0	100.0	100.0	9.7	23.6	22.5	21.3
Standard methods	81,390	100,723	123,566	149,855	99.3	99.4	99.5	99.5	10.0	23.8	22.7	21.3
<i>Credit and counterparty risk</i>	78,071	97,423	117,085	142,914	95.2	96.1	94.3	94.9	10.1	24.8	20.2	22.1
<i>Trading book risk</i>	2,758	2,429	5,341	5,557	3.4	2.4	4.3	3.7	22.7	-11.9	119.9	4.0
<i>Foreign exchange and gold risk</i>	561	870	1,140	1,381	0.7	0.9	0.9	0.9	-33.9	55.1	31.0	21.1
<i>Commodity risk</i>	0	0	0	3	0.0	0.0	0.0	0.0	—	-3.8	128.0	560.5
Internal models	0	206	193	299	0.0	0.2	0.2	0.2	—	—	-6.3	54.5
Additional and deduction for netting arrangements	604	401	367	392	0.7	0.4	0.3	0.3	-19.5	-33.7	-8.4	6.9
Average weight of credit and counterparty risk (%)	62.4	63.8	63.9	67.4								
Solvency ratio (%)	11.1	11.0	11.0	11.2								
Tier 1 (%)	8.4	8.0	7.9	7.2								
Core capital ratio (%) (e)	6.9	6.5	6.6	6.0								
MEMORANDUM ITEM: Other solvency ratios estimated:												
1988 Basel Capital Accord (%)	12.7	12.3	12.0	11.9								
<i>Of which: tier 1 (%)</i>	8.6	8.1	8.2	7.6								

SOURCE: Banco de España. Data available at 26 March 2007.

- The 2005 information includes any adjustments made by CGs pursuant to the provision on the entry into force of CBE 2/2006.
- Amount net of specific deductions from tier 1 capital, except for consolidation goodwill.
- Amount net of deductions and specific eligibility limits for tier 2 capital.
- Deductions made from total own funds.
- The numerator of this ratio is tier 1 capital excluding preference shares.

DISTRIBUTION OF CONSOLIDATED GROUPS AND ASSETS ACCORDING TO SOLVENCY (a)

TABLE 1.A.16

Year-end data

	NUMBER OF CGS				% OF ASSETS			
	2003	2004	2005	2006	2003	2004	2005	2006
Distribution according to overall solvency ratio:								
< 8%	1	1	–	–	0.0	0.0	–	–
≥ 8 and < 9 %	13	21	11	12	3.8	5.1	3.9	2.1
≥ 9 % and < 10 %	34	33	30	20	10.1	6.7	14.9	11.2
≥ 10 % and < 11 %	29	32	36	32	44.9	58.7	51.7	35.7
≥ 11 % and < 12 %	34	26	21	33	23.5	13.9	10.4	28.3
> 12%	105	103	117	114	12.3	9.4	12.9	16.2
Distribution according to tier 1 solvency ratio:								
< 5%	1	–	–	2	0.0	–	–	1.6
≥ 5 and < 6 %	1	2	5	11	0.4	1.8	2.4	5.6
≥ 6 % and < 8 %	27	31	46	52	60.5	64.7	70.6	70.5
≥ 8 % and < 10 %	64	65	52	42	25.1	19.9	14.8	10.3
≥ 10 % and < 11 %	18	18	12	15	1.5	2.1	0.9	1.7
> 11%	105	100	100	89	7.0	5.3	5.1	3.9
MEMORANDUM ITEMS:								
Institutions not subject to capital requirements (b)	52	56	60	65	5.4	6.1	6.2	6.4
Number of reporting CGs	216	216	215	211	94.6	93.9	93.8	93.6

SOURCE: Banco de España. Data available at 26 March 2007.

a. The 2005 information includes any adjustments made by CGs pursuant to the provision on the entry into force of CBE 2/2006.

b. The CGs not subject to the solvency ratio in Spain are branches of Community institutions and branches of institutions of third countries with equivalent regulations.

CAPITAL REQUIREMENTS FOR CREDIT AND COUNTERPARTY RISK OF CONSOLIDATED GROUPS OF CIs (a)

TABLE 1.A.17

End-2006 data (%)

	EXPOSURES SUBJECT TO CREDIT AND COUNTERPARTY RISK	VALUATION ADJUSTMENTS	ADJUSTED EXPOSURE	RISK MITIGATION TECHNIQUES					SUBSTITUTED AND ADJUSTED EXPOSURES	BREAKDOWN OF SUBSTITUTED AND ADJUSTED EXPOSURES OF OFF-BALANCE-SHEET ITEMS BY CONVERSION FACTOR				ADJUSTED, SUBSTITUTED AND CONVERTED EXPOSURES	RISK-WEIGHTED ASSETS	CAPITAL REQUIREMENTS
				AMOUNT OF RISK MITIGATION TECHNIQUES APPLIED		SUBSTITUTION EFFECT OF RISK MITIGATION TECHNIQUES		0%		20%	50%	100%				
				PERSONAL GUARANTEES	FINANCIAL COLLATERAL	INFLOWS	OUTFLOWS (-)									
Risk weights:																
0%	8.2	0.0	8.2	0.3	0.0	4.3	-0.3	12.3	0.6	0.0	0.6	0.6	11.3	0.0	0.0	
10%	0.1	0.0	0.1	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.1	0.0	0.0	
20%	8.6	-0.1	8.5	0.3	1.1	1.7	-1.4	8.8	0.5	0.0	0.9	0.6	7.9	1.6	0.1	
50%	21.0	0.0	21.0	1.4	0.0	0.2	-1.4	19.8	0.0	0.0	0.7	0.7	19.4	9.7	0.8	
100%	62.1	-1.8	60.3	3.5	0.4	0.7	-3.9	57.1	7.4	0.1	8.5	3.8	45.4	45.4	3.6	
TOTAL	100.0	-1.9	98.1	5.4	1.5	7.0	-7.0	98.1	8.5	0.1	10.7	5.7	84.2	56.7	4.5	

SOURCE: Banco de España. Data available at 26 March 2007.

a. Standardised amounts as a percentage of total exposures subject to credit and counterparty risk.

**INFORMATION PROVIDED BY NON-CONSOLIDATED MIXED GROUPS OF FINANCIAL INSTITUTIONS
AND FINANCIAL CONGLOMERATES SUBJECT TO SUPERVISION BY THE BANCO DE ESPAÑA (a)**

TABLE 1.A.18

Year-end data (€m and %)

	AMOUNT				STRUCTURE %				Δ ANNUAL %			
	2003	2004	2005	2006	2003	2004	2005	2006	2003	2004	2005	2006
Effective own funds	84,091	104,580	146,876	188,123	100.0	100.0	100.0	100.0	11.9	24.4	40.4	28.1
<i>Credit institutions or groups</i>	83,128	102,875	137,345	183,240	98.9	98.4	93.5	97.4	12.8	23.8	33.5	33.4
<i>Insurance undertakings or groups</i>	4,248	9,354	11,349	6,781	5.1	8.9	7.7	3.6	10.1	120.2	21.3	-40.2
<i>Deductions</i>	-3,284	-7,649	-1,817	-1,899	-3.9	-7.3	-1.2	-1.0	35.3	132.9	-76.2	4.5
Capital requirements	62,421	79,159	105,515	136,030	100.0	100.0	100.0	100.0	11.4	26.8	33.3	28.9
<i>Credit institutions or groups</i>	60,898	76,283	100,133	132,724	97.6	96.4	94.9	97.6	11.7	25.3	31.3	32.5
<i>Insurance undertakings or groups</i>	1,908	3,574	5,595	3,624	3.1	4.5	5.3	2.7	1.6	87.3	56.5	-35.2
<i>Deductions</i>	-385	-697	-212	-318	-0.6	-0.9	-0.2	-0.2	16.9	80.9	-69.5	49.6
Surplus or deficit	21,670	25,420	41,361	52,093	-	-	-	-	13.5	17.3	62.7	25.9
Surplus or deficit of CGs	22,229	26,593	37,212	50,516	-	-	-	-	15.7	19.6	39.9	35.8

SOURCE: Banco de España. Data available at 26 March 2007.

a. Until 2004 the figures relate to compliance with the minimum capital requirements for mixed groups. From 2005, the figures are the aggregate of the information reported by mixed groups and that on compliance with the additional capital adequacy requirements for financial conglomerates. The 2005 information includes any adjustments made by financial conglomerates and mixed groups pursuant to the provision on the entry into force of CBE 2/2006.

APPRAISAL COMPANIES AND SERVICES

TABLE 1.A.19

Key data for each year (a)

	2003	2004	2005	2006	% ANNUAL Δ
Operational appraisal companies (number)	65	58	58	56	-3.4
DI appraisal services (number)	3	3	3	3	0.0
Number of appraisers	8,627	9,389	9,958	9,888	-0.7
<i>Of which: associate appraisers</i>	554	523	526	555	5.5
Number of appraisals performed (thousands)	1,411	1,630	1,820	1,802	-1.0
Of which:					
Complete buildings for residential use (b)	43	42	48	53	10.4
<i>Of which: primary residence (b)</i>	...	39	44	49	11.4
Dwellings (c)	1,151	1,290	1,434	1,411	-1.6
<i>Of which: part of larger building (c)</i>	...	939	1,038	1,021	-1.6
Commercial premises	69	76	90	78	-13.3
Commissioned by banks	487	548	555	526	-5.2
Commissioned by savings banks	682	770	906	915	1.0
For provision of mortgage collateral	1,321	1,538	1,719	1,713	-0.3
Amount of appraisals performed (€m)	445,973	574,815	747,021	862,344	15.4
Of which:					
Complete buildings for residential use (b)	100,348	129,879	155,060	192,770	24.3
<i>Of which: primary residence (b)</i>	...	115,136	140,021	176,220	25.9
Dwellings (c)	198,111	249,383	313,983	345,829	10.1
<i>Of which: part of larger building (c)</i>	...	161,789	202,228	223,071	10.3
Commercial premises	17,042	21,118	28,908	25,319	-12.4
Commissioned by banks	133,457	166,885	193,741	215,812	11.4
Commissioned by savings banks	209,662	264,313	346,972	398,850	15.0
For provision of mortgage collateral	388,509	505,676	634,637	746,981	17.7
Floor area in thousands of m²					
Complete buildings for residential use (b)	84,308	93,712	100,811	115,636	14.7
<i>Of which: primary residence (b)</i>	...	84,184	92,014	106,497	15.7
Dwellings (c)	151,992	156,692	175,933	172,165	-2.1
<i>Of which: part of larger building (c)</i>	...	89,437	99,307	96,856	-2.5
Appraisal companies					
Total assets (€m)	172.1	207.4	243.8	276.8	13.5
<i>Of which: profit (€m)</i>	30.7	41.4	54.4	61.7	13.4
ROE (%)	49.3	63.4	76.3	73.3	-3.9

SOURCE: Banco de España. Data available at 17 April 2007.

a. Data refer to the institutions existing as at end-December each year.

b. Includes those for residential use that are finished or under construction, taking their expected value upon completion. From 2004, information is available that enables buildings used as a primary residence to be distinguished from those used as a secondary residence, these categories including those buildings that because of their characteristics and location are most likely to be used as a habitual or temporary residence, respectively.

c. This refers to dwellings as individual elements of buildings, including single-family buildings. The information available from 2004 enables dwellings that form part, or are elements, of a building to be distinguished from those known as single-family buildings.

MUTUAL GUARANTEE COMPANIES

TABLE 1.A.20

Year-end data

	2003	2004	2005	2006	% ANNUAL Δ
Operational entities (number) (a)	23	23	23	23	4.3
Patron and participating members (number)	69,742	75,514	80,670	86,492	7.2
<i>Of which: participating members</i>	69,010	74,783	79,931	85,746	7.3
Financial items (€m)					
Balance sheet total	447	509	582	705	21.0
Outstanding exposure on guarantees	2,852	3,329	3,967	4,853	22.3
<i>Non-reguaranteed exposure</i>	1,606	1,895	2,327	2,911	25.1
<i>Reguaranteed exposure (assigned)</i>	1,246	1,434	1,641	1,941	18.3
Outstanding exposure on guarantees by economic sector:					
<i>Primary</i>	77	91	98	122	24.4
<i>Industrial</i>	858	933	1,005	1,114	10.8
<i>Construction</i>	453	537	613	750	22.5
<i>Tertiary</i>	1,441	1,745	2,229	2,842	27.5
Doubtful assets and guarantees (b)	134	177	227	271	19.2
<i>Of which: non-reguaranteed</i>	73	97	116	136	17.4
Own funds	163	178	198	262	31.9
Net technical provisions	176	202	228	271	18.7
Provision for bad debts	29	35	36	42	16.1
Turnover in the year (€m)					
Guarantees requested	1,772	2,150	2,404	3,176	32.1
Guarantees provided	1,342	1,704	2,015	2,665	32.3
Guarantees formalised	1,256	1,495	1,809	2,259	24.9
Ratios (%)					PP ANNUAL Δ
Weight of members participating in capital	55.84	58.45	61.81	59.14	-2.67
Doubtful assets and guarantees/exposure	4.28	4.84	5.27	5.11	-0.16
Doubtful assets and guarantees/exposure. Non-reguaranteed	3.85	4.39	4.33	4.05	-0.28
Guarantee commissions as % of total exposure	0.98	0.97	0.96	0.97	0.01
Guarantee commissions as % of total exposure, net of reguarantees	1.74	1.69	1.61	1.59	-0.02

SOURCES: Banco de España and CEGGAR for number of members. Data available at 22 March 2007.

- a. The register includes one company that is inactive and in the process of being liquidated.
- b. Doubtful assets and guarantees are presented net of commissions received not included in profit and loss, of capital disbursed by the holder and of monetary contributions received specifically for covering exposures.

CURRENCY EXCHANGE BUREAUX AND MONEY TRANSFER AGENCIES

TABLE 1.A.21

Key year-end data, unless otherwise indicated

	DECEMBER			SEPTEMBER	
	2003	2004	2005	2005	2006
Number of licensed establishments	2,664	2,575	2,336	2,387	2,374
Foreign currency purchasing (Buy group)	2,609	2,517	2,279	2,329	2,315
<i>Main activity</i>	255	548	199	198	201
<i>Non-core activity</i>	2,345	2,269	2,080	2,131	2,114
Foreign currency buying and selling (B/S group)	15	15	14	14	14
B/S and transfers (B/S/T group)	40	43	43	44	45
<i>B/S and transfers by immigrants or for living expenses</i>	35	38	38	39	40
<i>B/S and transfers of all types</i>	5	5	5	5	5
Currency transactions from the beginning of the year (€m)					
Purchases from customers	1,570	1,505	1,407	1,106	992
Sales to customers	90	79	68	51	55
Purchases from other currency exchange bureaux or from CIs	42	44	43	33	29
Sales to other currency exchange bureaux or to CIs	1,532	1,477	1,390	1,096	971
Transfers dispatched	2,821	3,423	4,015	2,847	3,864
Transfers received	224	213	211	160	150
Balance sheet and income statement of B/S and B/S/T groups (€m)					
	JUNE				
Capital y reserves	65	70	86	74	91
Income from main activity	151	178	187	81	102
Other information on B/S and B/S/T groups (number)					
Branches	191	173	191	180	188
Salaried employees	1,377	1,485	1,578	1,540	1,584
Agents	4,968	6,483	7,876	6,863	8,791
<i>Of which: individuals</i>	2,826	3,900	4,921	4,166	5,632
Premises on which agents conduct business	6,754	8,649	18,725	16,854	18,248

SOURCE: Banco de España. Data on licensed proprietors available at 27 April 2007. Other data available at 27 February 2007.