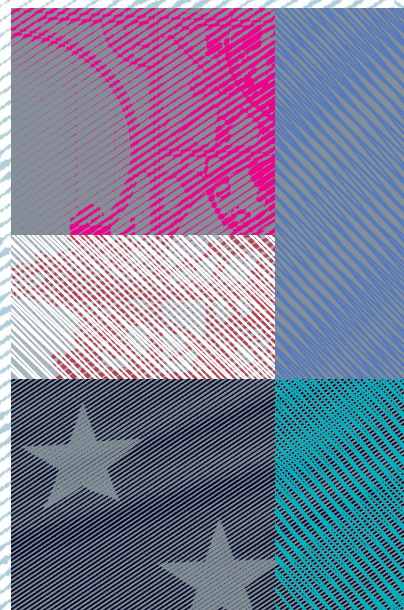


**REPORT ON BANKING
SUPERVISION IN SPAIN**

2007

BANCO DE **ESPAÑA**
Eurosistema



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ABBREVIATIONS

ACs	Appraisal companies
AIAF	Association of Securities Dealers
AIG	Accord Implementation Group; reports to the BCBS
AMA	Advanced Measurement Approach (for measuring operational risk)
APR	Annual percentage rate
ASBA	Association of Supervisors of Banks of the Americas
ATA	Average total assets
ATM	Automated teller machine
BAC	Banking Advisory Committee (EU)
BCBS	Basel Committee on Banking Supervision
BE	Banco de España
BIS	Bank for International Settlements
BOE	Official State Gazette
BSC	Banking Supervision Committee of the ESCB
CAAP	Capital Adequacy Assessment Process
CBE	Circular of the Banco de España
CCR	Central Credit Register of the Banco de España
CEBs	Currency exchange bureaux
CEBS	Committee of European Banking Supervisors
CECA	Spanish confederation of savings banks
CEIOPS	Committee of European Insurance and Occupational Pensions Supervisors
CESR	Committee of European Securities Regulators
CGs	Consolidated groups of CIs, DIs, etc.
CII	Collective investment institution (also CIU)
CIs	Credit institutions (DIs, SCIs, and the ICO)
CNAE	Clasificación Nacional de Actividades Económicas (Spanish National Classification of Economic Activities)
CNMV	National Securities Market Commission
COREP CEBS	Common Reporting Working Group
CRD	Capital Requirements Directive
DGF	Deposit Guarantee Fund
DGTPF	Directorate General of the Treasury and Financial Policy
DIs	Deposit institutions
EC	European Commission
ECB	European Central Bank
ECOFIN EU	Council of Ministers of Economy and Finance
EEA	European Economic Area
EIF	European Investment Fund
EFAAs	Earning financial assets
EMU	Economic and Monetary Union
ESCB	European System of Central Banks
EU	European Union
FCs	Financial conglomerates
FESCO	Forum of European Securities Commissions
FVC	Financial vehicle corporation (also SSPE)
GdC	Groupe de Contact
GDP	Gross domestic product
GTIAD	Working Group on the Interpretation and Application of the Banking Directives
IAIS	International Association of Insurance Supervisors
IASB	International Accounting Standards Board
IBFLs	Interest-bearing financial liabilities
ICBS	International Conference of Banking Supervisors
IFAC	International Federation of Accountants
IFRSs	International Financial Reporting Standards
ILG	International Liaison Group (formerly CPLG)
IMF	International Monetary Fund
IOSCO	International Organisation of Securities Commissions
IPO	Initial Public Offering
IRB	Internal Ratings-Based method
IWFCF	Interim Working Committee on Financial Conglomerates
LABE	Law on the Autonomy of the Banco de España (Law 13/1994)
LDI	Law on the discipline and intervention of credit institutions (Law 26/1988)
LGD	Loss given default
LMV	Law on the securities market (Law 24/1988)
MG	Non-consolidable mixed group

MGCs	Mutual guarantee companies
MO	Ministerial Order
OECD	Organisation for Economic Co-operation and Development
OJEU	Official Journal of the European Union
OTC	Over-the-counter (trading on unregulated markets)
PBT	Profit before tax
POS	Point of sale
RD	Royal Decree
RDL	Royal Decree Law
RGs	Regional (autonomous) governments
ROA	Return on assets (profit after tax as percentage of ATA)
ROE	Return on equity (profit after tax as percentage of own funds)
SCIs	Specialised credit institutions
SEPA	Single Euro Payments Area
SEPBLAC	Commission for the Prevention of Money Laundering and Monetary Offences
SMEs	Small and medium-sized enterprises
SNCE	Sistema Nacional de Compensación Electrónica (Spanish National Electronic Clearing System)
SSPE	Securitisation special purpose entity (also FVC)

€ m	Millions of euro
€ bn	Billions of euro
Q1, Q4	Calendar quarters
P	Placed after a date [Jan (P)], indicates that all the related figures are provisional. Placed after a figure, indicates that this and only this figure is provisional
bp	Basis points
pp	Percentage points
...	Not available
—	Nil, non-existence of the event considered or insignificance of changes when expressed as rates of growth

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REPORT ENVISAGED IN LAW 44/2002 ON FINANCIAL SYSTEM REFORM MEASURES.
2007

27.03.2008

REPORT ENVISAGED IN LAW 44/2002 ON FINANCIAL SYSTEM REFORM MEASURES. 2007

1. Introduction

The Second Additional Provision of Law 44/2002 of 22 November 2002 on Financial System Reform Measures established, in consonance with its name, certain measures to improve the efficiency, effectiveness and quality of supervision procedures.

These measures include most notably the obligation of supervisory agencies, including the Banco de España, to prepare annually "a report on their supervisory function". This report shall include "a report by the respective internal control bodies on how closely the decisions taken by their governing bodies conform to the procedural rules applicable in each case".

The 2008 Internal Audit Plan of the Banco de España, approved by the Governor on 27 December 2007 and notified to the Executive Commission on 9 January 2008, includes the drafting of the report envisaged in Law 44/2002 of 22 November 2002 on Financial System Reform Measures, so that it may be included in the Banco de España's annual report on its supervisory function.

2. Purpose, scope and methodology of the report

This report falls within the bounds of the legal mandate contained in the Second Additional Provision of Law 44/2002. As mentioned above, this Second Additional Provision defines the scope of the report by reference to three basic elements:

1. The supervisory function of the Banco de España.
2. The decisions taken by the governing bodies in exercise of the supervisory function.
3. Conformity of the foregoing decisions to the "procedural rules applicable in each case".

The period addressed by the report is the same as that covered by the Report on Banking Supervision in which it has to be included, i.e. 2007 in this case.

The subject matter of the report is the decisions taken by the Banco de España's governing bodies within the spheres of competence of the Directorates General of Banking Supervision and of Banking Regulation.

Regarding applicable legislation, account was taken of the supervisory powers and procedures contained in Law 13/1994 of 1 June 1994 on the Autonomy of the Banco de España and in the Internal Rules of the Banco de España.

Also, the Executive Commission established, via a resolution of 14 February 2003, the procedural rules for proposals on matters within the competence of the Directorate General of Banking Supervision, and, via a resolution of 30 June 2006, the procedural rules for proposals on matters within the competence of the Directorate General of Banking Regulation.

The examination was performed by stratified sampling in nine strata or types of decision taken by the Directorate General of Banking Supervision and in twelve strata or types of decision taken by the Directorate General of Banking Regulation. Different sampling fractions (100%, 10%, 5% or 1%) were applied to these strata depending on the materiality, numerical volume and internal homogeneity of each stratum.

The work was performed in accordance with the Internal Audit Manual, which includes the International Standards for the Professional Practice of Internal Auditing, approved by the Institute of Internal Auditors, including those relating to the Code of Ethics.

3. Opinion

In our opinion, the decisions taken by the governing bodies of the Banco de España in 2007 in the exercise of its supervisory function were taken by bodies with sufficient own or delegated powers in accordance with the Banco de España's Internal Rules and with the provisions laid down by its Executive Commission, and are in conformity, in all material respects, with the existing procedural rules applicable in each case.

Madrid, 27 March 2008
Director of the Internal Audit Department

A handwritten signature in black ink, consisting of several overlapping loops and a vertical stroke, enclosed within a large, irregular oval shape.

Juan González Gallegos

THE GOVERNOR OF THE BANCO DE ESPAÑA
THE DEPUTY GOVERNOR OF THE BANCO DE ESPAÑA

1 Structure and composition of the banking system in 2007¹

1.1 Types of credit institution

In 2007, branches continued to be opened by foreign credit institutions (CIs), most of which were from the EU. Consequently, the number of registered CIs increased again, to 358 (see Table 1.1). The increase of three in the number of credit institutions (CIs) was the result of nine extra branches of foreign CIs, one fewer Spanish commercial bank, one fewer foreign subsidiary, one fewer savings bank and three fewer SCIs. Twelve new branches of foreign CIs were registered and three deregistered, one of the registrations being the result of the alteration of status of a subsidiary of a foreign CI (Banco Espirito Santo). In addition, a Spanish commercial bank (Caceis Bank, a subsidiary of Banco Sabadell) was acquired by a branch.

The unusual decline of one in the number of savings banks was attributable to the merger between Caja de Ahorros de San Fernando, de Sevilla y Jerez and Monte de Piedad y Caja de Ahorros de Huelva y Sevilla, which gave rise to Monte de Piedad y Caja de Ahorros de San Fernando, de Huelva, Jerez y Sevilla ("Cajasol"). In the SCI category there were three registrations and six deregistrations, two of the latter as a result of acquisition by a savings bank (Caixa Catalunya) and another two owing to acquisition by a branch of a foreign CI (RCI Bank, belonging to the Renault group) which had been registered in late 2006.

With regard to credit co-operatives, the acquisition of C.R. del Duero by C.R. Cajamar occurred in late 2007, but this operation was still not reflected in the register of institutions as at year-end.

As indicated, some of the registrations, deregistrations, mergers and acquisitions led to institutional movements that contributed to the small changes in market share in 2007, with very slight increases for Spanish commercial banks, foreign subsidiaries and savings banks at the expense of SCIs and credit co-operatives (see Chart 1.1.A).

1.1.1 OPERATING RESOURCES

For CIs as a whole, the number of serving employees increased by 5.2%, although this increase was only 2.6% in the case of employees assigned to branches. This indicates a continuation of the tendency for Spanish commercial banks to strengthen their central structures at the expense of the number of employees assigned to the branch network, which fell by 2.5%, and conversely, the stress placed by savings banks on the expansion of their network, which absorbed the bulk of the increase in their personnel, the number of employees assigned to their operational offices increasing by 6.6%. This asymmetry between the Spanish commercial banks and savings banks led to a reduction in the difference between these two groups as regards the number of employees per office, which stood at 5.3 employees in the case of banks and 4.3 employees in that of savings banks (5.5 and 4.2, respectively, in 2006). For CIs as a whole, the number of employees per office was 4.5, down 0.1 pp from the previous year.

The number of operational offices of CIs in Spain grew by 4% to 45,597. The density of the network reached a new high of 12 offices per 10,000 inhabitants over the age of 16. As regards bank offices abroad, in contrast to the slight fall in 2006, their number increased by 10%

1. Annexes 3-6 are not included in the print edition of the Report on Banking Supervision in Spain, 2007, but are included in the version published on the Banco de España's website. Annexes 2 and 3 include financial information on the activity, results and solvency of Spanish credit institutions. Annex 4 shows the composition of consolidated and mixed groups and of financial conglomerates.

NUMBER OF CIs REGISTERED IN SPAIN, CONSOLIDATED GROUPS AND MIXED GROUPS

TABLE 1.1

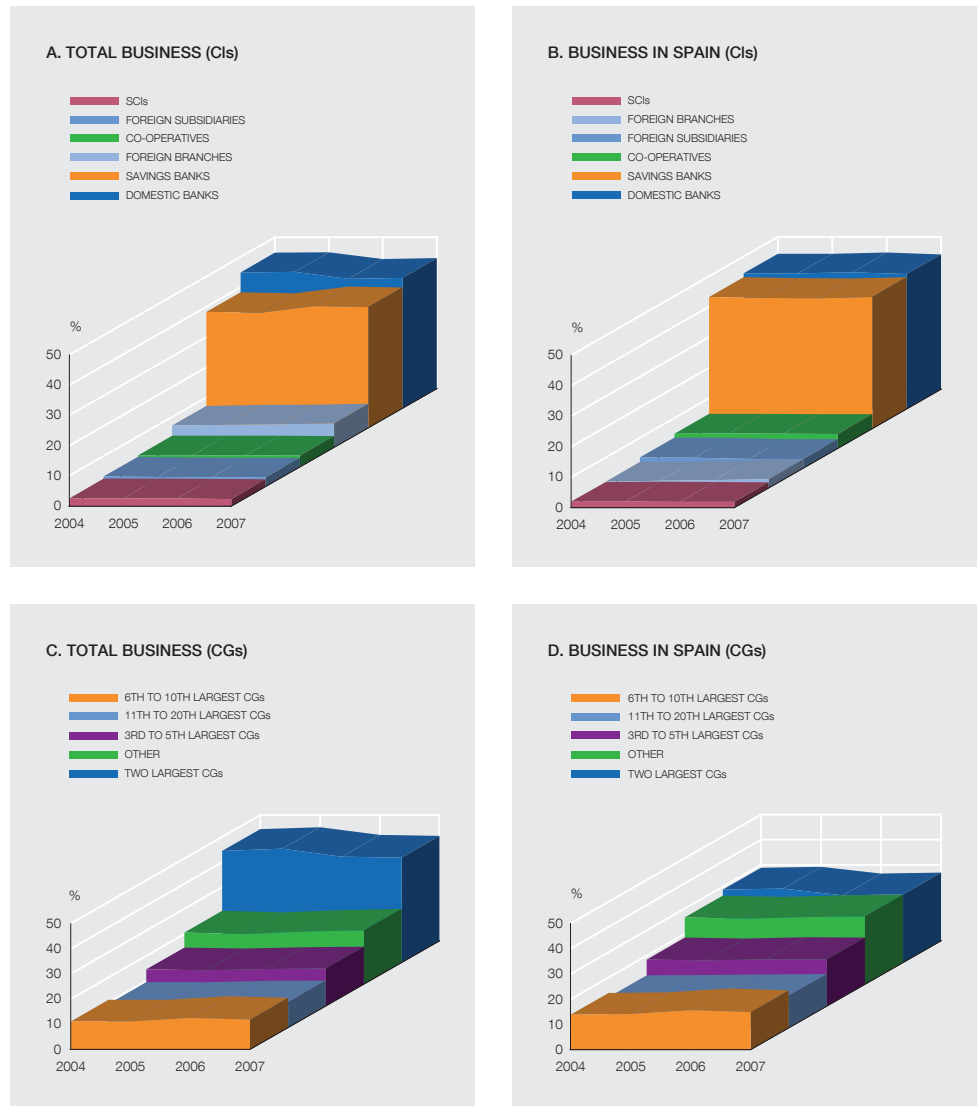
Year-end data (number)

	2004	2005	2006	2007
CREDIT INSTITUTIONS REGISTERED IN SPAIN (a)	348	350	355	358
Deposit institutions	269	272	276	282
Banks	137	140	144	151
Domestic	53	53	54	53
Foreign	84	87	90	98
Branches	61	65	71	80
Subsidiaries	23	22	19	18
Savings banks	47	47	47	46
Co-operatives	85	85	85	85
Specialised credit institutions	79	78	79	76
MEMORANDUM ITEMS:				
Mergers and acquisitions	6	3	2	7
Between banks	5	1	1	3
Between savings banks	—	—	—	1
Between credit co-operatives	1	—	—	1
Between SCIs	—	1	—	—
SCIs acquired by merged with deposit institutions (b)	—	1	1	2(4)
CONSOLIDATED GROUPS EXISTING AT YEAR-END (c)	98	95	99	101
Parent credit institution	85	83	86	88
Spanish banks	12	13	13	14
Savings banks	46	46	47	46
Co-operatives	14	13	16	18
Specialised credit institutions	—	—	—	1
Foreign CIs	13	11	10	9
Other consolidated groups	13	12	13	13
Spanish parent	6	6	6	6
Foreign parent	7	6	7	7
MIXED GROUPS AND FINANICAL CONGLOMERATES	36	36	42	42
Supervised by Banco de España	33	33	40	41
Supervised by DGS including CIs	3	3	2	1
MEMORANDUM ITEM:				
Bank offices abroad	7,472	8,680	8,664	9,493

SOURCE: Banco de España. Data available at 10 March 2007.

- a. The number of registered CIs includes ICO in the domestic banks category. However, in the rest of the tables of this Report, ICO is excluded, unless stated otherwise.
- b. The number of SCIs involved in mergers by CIs is in brackets.
- c. 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).

in 2007 to 9,493. Savings banks continued their territorial expansion, with an increase of 5% in the number of operational offices, the increase in those of credit co-operatives also being notable (3.8%). Commercial banks continued to expand at a somewhat lower rate, except in the case of foreign CIs' branches which, albeit at modest levels, grew by 10% as a consequence of the absorptions of other CIs carried out by institutions in this group.



SOURCE: Banco de España. Data available at 21 February 2008.

a. Year-end data relating to credit institutions registered in Spain and consolidated groups existing at each date.

For CIs as a whole, the number of agents increased by 6%. Agents are concentrated among the commercial banks, especially notable during the last two years being those corresponding to foreign subsidiaries of CIs (6,592), followed by Spanish commercial banks (4,764) and, at a great distance, by savings banks (258), the latter having fallen sharply over the last year, when their agents fell from 0.6% to 0.2% of their total staff.

As for the ATM network, it grew by 5.3%. The groups most active in the installation of ATMs were savings banks and subsidiaries of foreign CIs, both groups recording an increase of around 7%. In the case of savings banks, a large part of the strong expansion in their ATMs is associated with the opening of offices that usually have at least at one ATM installed. In the case of commercial banks, the increase in their ATMs almost coincides with that in their new offices which seems to rule out the expansion of their ATM networks in other commercial locations and of services. In contrast, Spanish commercial banks increased their point-of-sale terminals (PSTs) by 9%, while savings banks and foreign CIs' subsidiaries reduced theirs by 4% and 6%, respectively.

Finally, the number of cards (especially credit cards) continued to grow in 2007, to reach more than 94 million units, taking the number of cards per inhabitant over the age of 16 to 2.5 (2.4 the previous year). However, it should be noted that the year-on-year growth rate for CIs as a whole was lower than in previous years, falling from 9% in 2006 to 4.6% in 2007. This slowdown was apparent among all groups of CIs, but especially commercial banks, which recorded a fall in growth from 16% in 2006 to 5% in 2007.

1.1.2 CONSOLIDATED AND MIXED GROUPS

The number of consolidated groups² (CGs) increased by two to 101 as at end-2007 (see Table 1.1). This increase was a result of the disappearance of five groups and the inclusion of seven new groups. In addition, Bankpyme was reclassified from a consolidated group with a non-CI Spanish parent to a group with a Spanish bank parent. The reclassification of Bankpyme was attributable to the Portuguese bank Banco Internacional do Funchal taking a holding in its capital, so that the insurance undertaking Agrupación Mutua ceased to be the majority shareholder and Bankpyme became the head of its CG. This deregistration among the CGs with a non-CI Spanish parent was made up for by the inclusion of a new group in this category: IOS Finance.

Of the changes indicated in the types of CI, those that entailed reductions in the number of CGs were: (i) the merger of the two savings banks; (ii) the alteration of status of a subsidiary of a foreign CI to the branch of a foreign CI (so that it ceased to be considered a consolidated group); and (iii) the absorption of the two Renault group SCIs by the branch of a foreign CI of that group.

The number of mixed groups (MGs) and financial conglomerates (FCs)³ remained unchanged in 2007, since the one deregistration (Bankpyme) was offset by a registration (C.A. Murcia). Of the seven FCs existing as at end-2006 only five still existed as such as at end-2007, since Caixa Sabadell had come to be considered an MG and Bankpyme had been deregistered following the changes among its shareholders mentioned above. The latter institution was also responsible for the deregistration among the FCs/MGs supervised by the Directorate General of Insurance.

2. Consolidated groups are deemed to be groups that include, in addition to the parent (or reporting institution), one or more other fully or proportionally consolidated financial institutions. **3.** Mixed groups and financial conglomerates, which include both credit institutions and insurance undertakings, are governed by the provisions of Royal Decree 1332/2005 of 11 November 2005, which implements Law 5/2005 of 22 April 2005 on the supervision of financial conglomerates.

2 Exercise of supervisory functions in 2007

The Spanish banking system again showed in 2007 the sound solvency, profitability and efficiency that have characterised it in recent years, as can be appreciated from the information provided in Annex 2.

In 2007 the Banco de España and the institutions continued to prepare themselves for the regulatory changes introduced by the new Capital Accord, commonly known as Basel II. This preparation requires substantial human and technical resources to be devoted to the validation of advanced internal models for measuring Pillar 1 risks and to the drafting of the Banco de España circular which completes the legal process of transposition of the Directive and will replace Circular 5/1993 on the determination and control of minimum own funds.

During the process of internal model validation, the specialised supervision teams have noted progress, although they continue to observe some weaknesses regarding a lack of effective integration of models in institutions' commercial operations, underdeveloped internal validation, methodological difficulties, problems in the adaptation and quality of data, insufficiency of systems and paucity of documentation. These same teams have completed two parallel calculation exercises to determine the current own funds requirements and those that will result from the new solvency circular. The results still showed excessive dispersion, due to the application of some insufficiently satisfactory methods and estimates and to certain problems of reliability of the information provided.

In addition to the work on the drafting of the new solvency circular, in 2007 the Banco de España published two documents on criteria for validating these models and submitted to public consultation the ICAAP (Internal Capital Adequacy Assessment Process) Guidelines for credit institutions. Section 2.4 discusses these documents in depth.

2007 was characterised by the financial market instability initiated in August as a result of the so-called sub-prime mortgage crisis in the USA. The Banco de España has published analyses of the financial turbulence and its impact on Spanish banks in the Financial Stability Reports, which are available to the public on its website.

In the area of international supervisory co-operation, work commenced in 2007 on the implementation of the new supervisory co-operation schemes envisaged in Directive 2006/48/EC, which represent a step forward in information exchange and in the co-ordination of the various authorities' supervisory oversight of the banking groups with a presence in various European countries. In particular, pursuant to the sixth final provision of Law 36/2007, the Banco de España has co-operated with host country supervisory authorities in the case of international groups with a Spanish parent, and with home country authorities in the case of Spanish subsidiaries of European banking groups, in the processes of analysis and validation of advanced models for the calculation of own funds.

Among the actions carried out as home country supervisor, mention may be made of the work done in Europe with the British host-country supervisor (the United Kingdom Financial Services Authority), which enabled a joint opinion to be reached on an application to use advanced credit risk models, and of the commencement of practical co-ordination with the Portuguese supervisor (*Banco de Portugal*). Noteworthy in Latin America were the validation work co-ordinated with the Mexican supervisor (*Comisión Nacional Bancaria y de Valores*) under the

co-operation agreement entered into in 2006, and the signature of a co-operation agreement (similar to that signed in 2006 with the Mexican supervisor) with the Peruvian supervisor (*Superintendencia de Banca, Seguros y Administradoras Privadas de Fondos de Pensiones*). Lastly, as host-country supervisor, the Banco de España has agreed on opinions, set progressive implementation timetables and provided technical co-operation to the supervisors of various European countries.

In 2007 Q4 the Banco de España organised the first meeting of the college of supervisors (understood as a permanent, albeit flexible, forum for co-operation and co-ordination between the authorities responsible for supervising the components of international banking groups) of a Spanish banking group, in which representatives of the German, Italian, Norwegian, Portuguese and UK authorities, as well as managers of the banking group in question, participated. The main aim of the meeting was to comment on and discuss practical implementation of the new solvency framework in the group. Conversely, when the Banco de España is host-country supervisor of foreign banks, Spanish supervisory staff have attended the college meetings organised by other European countries.

A new co-operation agreement was signed on 29 February 2008 between the Banco de España and the Commission for the Prevention of Money Laundering and Monetary Offences to work together in their respective supervision and control functions. This agreement replaces that in force since 15 June 2005 and incorporates the improvements derived from past experience with a view to strengthening supervisory co-operation in this area.

The following sections of this chapter describe, first, the supervisory action taken, indicating the supervised institutions, the on-site inspections made and the staff members of the Directorate General Banking Supervision, along with an enumeration of the requirements and recommendations letters sent to institutions as a result of such action. Second, an account is given of what was involved in the exercise of sanctioning powers in 2007 and the number of proceedings initiated and of proceedings resolved is indicated for each type of infringement. Third, reference is made to the Banco de España's other supervisory functions (e.g. those relating to regulations governing the transparency of banking transactions, the protection of bank customers and the keeping of official registers). The fourth and last section of this chapter, which addresses supervisory policies, looks at the internal capital adequacy assessment process in credit institutions and the validation of Basel II advanced approaches.

2.1 Supervisory activity

At 31 December 2007, the Banco de España had under its supervision a total of 499 institutions of a diverse nature, of which 358 were credit institutions. Additionally, in the case of 122 foreign subsidiaries of Spanish credit institutions, the Bank has responsibilities commensurate with its capacity as consolidated supervisor of groups headed by a Spanish credit institution.

The Banco de España's supervision consists of ongoing monitoring and analysis of their situation, supported by a programme of information checks conducted via on-site inspections. In 2007 it made 202 inspection visits, including those commenced before the beginning of the year, of which 55 were under way at 31 December 2007, as detailed in Table 2.1.

In supervisory planning, inspection visits can be either full-scope or limited to certain matters. Full-scope inspections are intended to obtain up-to-date information on the institution in question. Partial inspections have a limited scope and seek to obtain sufficient knowledge of one or more areas of the institution or group (e.g. loan portfolio or the treasury or custody activity) or to monitor specific matters (e.g. the degree of compliance with requirements previously formulated by the Banco de España, the relevant circumstances for the year-end closing of ac-

Number

	INSPECTION VISITS			
	COMPLETED		UNDER WAY	
	2006	2007	2006	2007
Credit Institutions	69	125	80	44
Banks	36	63	37	12
Savings banks	11	17	21	18
Credit co-operatives	10	18	12	4
Foreign branches	1	6	2	1
<i>EU credit institutions</i>	1	6	2	1
Specialised credit institutions	11	21	8	9
Other Institutions	12	22	16	11
Appraisal companies	2	8	6	7
Mutual guarantee companies	3	5	5	1
Currency exchange bureaux and money transfer agencies	7	9	5	3
TOTAL	81	147	96	55

SOURCE: Banco de España.

counts, etc.). Part of the supervisory activity in the second half of 2007 and in the opening months of 2008 was aimed at assessing the situation of Spanish banks in the face of the international financial market turbulence initiated in August.

To carry out the actions described above, the Banco de España's Directorate General Banking Supervision had a staff of 424 as at 31.12.2007, as detailed in Annex 1.4. According to overall estimates, they spent 53% of their time on ongoing analyses of institutions, 32% on on-site inspections and 15% on other functions such as internal advice, participating in the design of supervisory policy, attending international fora and carrying out other additional support tasks.

As a result of the knowledge acquired by it in the ongoing supervision of institutions, the Banco de España is qualified to take various types of measures provided for by law, such as: i) recommendations and requirements; ii) approval of restructuring plans; iii) initiation of proceedings to sanction institutions and their board of directors and management; and iv) intervention or director-replacement measures. In 2007 it was not necessary to take any precautionary measures in respect of supervised institutions.

The requirements and recommendations that the Banco de España notifies to the supervised institutions are intended to remedy observed deficiencies or non-compliances with prudential regulations and resolve internal control and management shortcomings, with the ultimate purpose of improving the risk profile of credit institutions and thus contributing to the stability of the financial system.

In 2007 the Banco de España sent a total of 115 recommendation and requirement letters to institutions considered either in an individual capacity or as the heads of consolidated groups. In the latter case, the recommendations may refer to more than one institution in the group and to the consolidated group as a whole. The letters are listed in Table 2.2 by type of supervised institution.

SUPERVISORY ACTIVITY

TABLE 2.2

Number

	LETTERS SENT TO INSTITUTIONS	
	2006	2007
Credit Institutions	80	97
Banks	24	31
Savings banks	14	17
Credit co-operatives	20	22
Foreign branches	9	11
<i>EU credit institutions</i>	4	7
<i>Non-EU credit institutions</i>	5	4
Specialised credit institutions	13	16
Other institutions	17	18
Appraisal companies	5	7
Mutual guarantee companies	4	4
Currency exchange bureaux and money transfer agencies	8	7
TOTAL	97	115

SOURCE: Banco de España.

SUBJECT MATTER OF LETTERS SENT TO SUPERVISED INSTITUTIONS

TABLE 2.3

Number

	2006	2007
Credit risk	145	231
Accounting for credit risk, borrower weakness and higher coverage requirements	96	164
Quality of credit risk controls (origination, monitoring and other procedures)	49	67
Management and internal control	102	147
Management and internal control in general	84	120
Capital market activities	18	27
Capital and solvency	30	41
Solvency ratio	30	41
Other regulations	146	162
Failure to comply with rules on transparency and customer relations	31	35
Deficiencies in information reported to the CCR	22	30
Requirements for authorisation of non-credit institutions	13	14
Other	80	83
TOTAL	423	581

SOURCE: Banco de España.

These 115 letters contained a total of 581 recommendations and requirements, which can be classified into four broad categories relating to credit risk, management and internal control, own funds and solvency, and deficiencies or non-compliance with other banking disciplinary rules. Table 2.3 breaks down all the requirements and recommendations into these categories and lists the matters addressed.

In terms of amount, matters relating to credit risk continued to be the most significant category. They accounted for 40% of the total and related basically to the proper management, classification and provisioning of credit risk. These letters were also used to inform institutions of the Banco de España's criteria on mortgage portfolio and other risks.

Lastly, it should be mentioned that, depending on the nature of the deficiencies detected, some of these non-compliances gave rise to the appropriate communications to the Spanish National Securities Market Commission (CNMV), to the Executive Service of the Commission for the Prevention of Money Laundering and Monetary Offences (SEPBLAC) and the foreign supervisory authorities of the parents of Spanish credit institutions, within the framework of current legislation and of the Banco de España's co-operation agreements.

2.2 Exercise of the sanctioning power

One of the ways in which the supervisory function assigned to the Banco de España is exercised is through the sanctioning activity. This activity is one of the instruments granted by the Spanish legal system to the administrative authority, namely the Banco de España, to strengthen the effectiveness of the supervision of financial institutions.

In this sense, the immediate purpose of the Banco de España's sanctioning activity is to punish infringements. But in addition to that, the sanctioning activity is clearly preventive in nature insofar as it is a further stimulus for the supervised institutions to act at all times in accordance with regulatory provisions. Finally, it cannot be overlooked that the exercise of the sanctioning activity should ensure reinstatement of the legal order, to the extent that the latter may have been disrupted as a consequence of the infringements that have occurred of banking regulations and disciplinary rules.

Within this framework, in 2007, in view of the matters disclosed during on-site inspections at certain supervised institutions and of other circumstances, the governing bodies of the Banco de España decided to initiate 2 proceedings against appraisal companies and 9 of their directors, and 6 proceedings against currency-exchange and transfer bureaux and 18 of their directors.

Also, in 2007 the decision was taken to lift the suspension of a proceeding against a bank and 16 of its directors, and thus the process was resumed. This suspension arose from the fact that the Banco de España's proceeding coincided with a criminal proceeding on the same facts.

As indicated above, the proceedings referred to were brought both against the offending institutions and also against the allegedly responsible individuals, members of their boards of directors and management, to clarify the liability which the latter might have incurred due to their failure to meet their respective obligations. Such obligations arise in turn from the position, duties and responsibilities of each of them.

The proceedings initiated in 2007 include 2 brought against credit institutions for non-compliance with the minimum reserve ratio, one of which was resolved that very year. These proceedings stem from the provision in Article 19 of the Statute of the European System of Central Banks, which establishes that the Governing Council of the European Central Bank is empowered to impose a certain level of minimum reserves on credit institutions. Failure to meet this obligation is punishable within the framework of a proceeding which is conducted by the Banco de España.

Lastly, as regards proceedings commenced in 2007, mention must be made of the proceeding brought to withdraw the authorisation of a currency-exchange bureau due to it having re-

Number

INSTITUTIONS	2004	2005	2006	2007
Banks	—	1	1	1(a)
Branch of EU foreign credit institutions	—	—	1	—
Savings banks	—	1	—	—
Owner of significant holdings in credit institutions	—	—	—	—
Non-compliance with ECB minimum reserve requirements	4	3	5	2
Use of names or pursuit of activities reserved for credit institutions	2	—	—	—
SCIs	—	—	1	—
Appraisal companies	1	5	2	2
Appraisal company revocation	—	1	—	—
Currency-exchange bureaux	4	5	5	6
Unauthorised currency-exchange bureaux	2	—	2	—
Currency-exchange bureaux revocations	183	163	1	1
Total	196	179	18	12

SOURCE: Banco de España.

a. Agreement on lifting suspension.

linquished such authorisation. Strictly speaking, proceedings of this type do not involve the exercise of the Banco de España's sanctioning power, but they do form part of its supervisory power. These proceedings provide a form of control over supervised institutions insofar as entities which, for regulatorily established reasons, have ceased operations or given cause for the relevant authorisation to be revoked, are prevented from forming part of the system.

Together with the data on the volume of proceedings commenced during 2007, reference should also be made to the proceedings which were resolved in that period. In this respect, the competent bodies (whose competence is legally determined depending on the type of infringement, sanction and institution) resolved a total of 14 proceedings against supervised institutions and 46 proceedings against members of their boards of directors and management. In these resolutions, 12 sanctions were imposed on institutions and 27 on directors for the commission of very serious infringements. 24 sanctions were imposed on institutions and 91 on their directors for serious infringements. 7 sanctions were imposed for minor infringements, in this case only on institutions, since Spanish law does not envisage imposing sanctions on directors for the commission of minor infringements.

The analysis, by type of institution, of the nature of the various infringements warranting the imposition of sanctions during the year is of particular interest. Thus, it is worth mentioning in the first place the proceedings conducted against 1 bank and 12 directors. In this case there was a very serious infringement regarding the refusal of, or resistance to, inspection activities carried out by the Banco de España and 2 serious infringements regarding the failure to comply with the duty of accuracy when reporting to shareholders, depositors, lenders and the public in general plus the existence of shortfalls in administrative and accounting organisation or in internal control procedures, once the period granted for remedying these shortfalls had elapsed.

PROCEEDINGS RESOLVED, BY TYPE OF INFRINGEMENT

TABLE 2.5

Number

	NUMBER OF PROCEEDINGS	SANCTIONING PROCEDURES				OTHER PROCEEDINGS				
		INFRINGEMENT			PROCEEDING DISMISSED	NON-COMPLIANCE WITH ECB MINIMUM RESERVE REQUIREMENTS	RESERVED NAME/ACTIVITY (ARTS. 28-29 LD)	APPRAISAL COMPANY REVOCATIONS (RD 775/97)	UNAUTHORISED CURR. EXCH. BUREAUX	CURR. EXCH. BUREAUX REVOCATIONS
		VERY SERIOUS	SERIOUS	MINOR						
Against institutions										
2004	75	16	73	14		4	2			53
2005	232	5	16	2		3	1	1	1	220
2006	18	13	33	13		5				1
2007	14	12	24	7		1			2	1
Against particular directors of institutions										
2004	70	61	199				1		1	10
2005	87	14	47	2						63
2006	56	39	132	2						
2007	46	27	91	3						

SOURCE: Banco de España.

Similarly, a proceeding was resolved against a branch of an EU credit institution and sanctions were imposed on the branch itself and its general manager for a serious infringement relating to actions or operations breaching the rules issued pursuant to Art. 48.2 of Law 26/1988 on transparency and customer protection. The branch was also sanctioned for 2 minor infringements consisting of less important non-compliances with the regulations governing the Central Credit Register and with accounting rules, respectively.

In the area of specialised credit institutions, which are also classed as credit institutions, one institution and 8 directors were sanctioned for an infringement consisting of acts or operations which breached the rules issued pursuant to Art. 48.2 of Law 26/1988 on transparency and customer protection.

In 2007 the proceedings brought against 2 appraisal companies and their directors were resolved. In both cases the companies and their directors were sanctioned for 2 serious infringements relating, respectively, to the issuance of appraisal certificates and reports which lacked concordance with the data and evidence obtained in the companies' appraisal activity or which departed, without saying so expressly, from the procedures, checks and instructions envisaged in the applicable legislation, and to the failure to report data to the Banco de España. Both appraisal companies were also sanctioned for minor infringements consisting of the breach of regulations governing insurance coverage against liability and shortfalls in internal control mechanisms.

5 proceedings conducted against currency-exchange and cross-border money-transfer bureaux and their directors were resolved. The infringements which were considered very serious refer, in 3 cases, to the keeping of accounting records with fundamental irregularities preventing the establishment's net worth and financial position from being known. In another 5 cases the infringements were considered to be very serious since a serious infringement had been committed and in the previous 5 years a firm sanction had been imposed for the same type of infringement (failure to comply with: minimum capital requirements; regulations on agents;

rules governing the recording of transactions; rules on the transparency of transactions and accounting regulations). In one case a very serious infringement was considered to exist due to the omission of information which must be reported to the Banco de España and whose absence made it difficult to appreciate the bureau's net worth and financial position.

Serious infringements resulted from the failure to comply with: regulations on minimum capital requirements of currency-exchange bureaux (2 cases); the compulsory insurance coverage of liability which might arise from money transfers (4 cases); transaction recording and money transfer obligations (3 cases); regulatory provisions on transparency and the protection of customers (3 cases); and regulations on agents and the exclusivity of accounts for channelling money transfers (one case for each). They also arose due to the performance, other than on an isolated basis, of activities outside the scope of the exclusive corporate purpose (2 cases) and the existence of omissions or inaccuracies in the information which must be reported to the Banco de España (2 cases). Lastly, there was a minor infringement relating to less important breaches of the regulations on agents.

The Banco de España's sanctioning activity also covers those individuals or legal entities which, without having obtained the required authorisation and having been registered in the corresponding registers, pursue activities reserved to credit or other types of institutions which by law require some type of authorisation. Two proceedings of this type were resolved in 2007 against companies which engaged in foreign currency purchase operations without the compulsory authorisation. Both proceedings terminated with the imposition of the respective fines, and requirements letters were sent instructing such companies to cease the unauthorised activity and noting that, if they failed to do so, they could be sanctioned again.

Lastly, the sanctions imposed, which fall within the range available under the disciplinary regulations, mainly include fines. However, sometimes the decision was taken to impose another type of sanction since it was considered more in keeping with the ultimate aim of the exercise of the disciplinary power which, as noted, is not so much the punishment of illicit conduct but rather the protection of the system and the reinstatement of the legal order. Thus, in certain cases it was advisable to opt for sanctions of public reprimand, disqualification from serving as a director and even, on three occasions, it was considered necessary to revoke the authorisation given to three foreign-currency bureaux since it was thought that the seriousness and persistence of the infringements committed made the offenders unsuitable for remaining in the system.

To conclude, during 2007 the Banco de España continued to exercise its sanctioning power within the parameters and trends of previous years, as regards the number of proceedings conducted and resolved in the year and the types of sanctioned institutions. In all cases in which institutions were sanctioned, the individuals in charge of them, i.e. the members of their boards of directors and management, were also sanctioned.

There were no significant changes in the infringements that were found in comparison with previous years. Traditionally, infringements in this specific area of activity are usually grouped into four categories: infringements of rules which protect the solvency of institutions, infringements of rules governing institution-supervisor relations, infringements of rules which protect and encourage suitable internal control and organisational procedures, and infringements which violate the adequate transparency of transactions, customer relations, etc.

As indicated above, there are no significant differences in comparison with the data for previous years or an increase in the seriousness or frequency of any of the infringements.

2.3 Other supervisory activities of the Banco de España

In addition to its powers and activities concerned primarily with the prudential supervision of CIs, the Banco de España is also entrusted with overseeing other aspects of the activity of these institutions. Following is a brief review of those functions along with comments on the most notable matters arising in 2007.

2.3.1 TRANSPARENCY AND INFORMATION FOR BANK CUSTOMERS

a. Fees and commissions

Freedom – practically without exceptions – in setting the prices of bank services entails the obligation to draw up a brochure of fee and commission charges, valuation conditions and chargeable expenses, detailing the maximum amounts applicable, the item to which they relate and terms of their application in the transactions and services which CIs habitually provide. This brochure is to be available at all times to customers and, since 2001, can also be consulted on the Banco de España website.

The Banco de España is responsible for checking and registering the brochure that includes these charges and for checking any changes thereto. These responsibilities are restricted by law to checking that the brochure reflects maximum prices and the conditions governing their application in an orderly, clear and comprehensible fashion. Such checking does not, however, include securities transactions (since they are the competence of the CNMV) unless they relate to the Public Debt Book-Entry Market.

In connection with this process of verification in 2007, the largest number of changes to brochures of fee and commission charges was due to revision of the rates for domestic transfers as a result of the changes made to the National Electronic Clearing System (known by its Spanish acronym "SNCE") in order to bring the Spanish transfers system into line with international banking practices and ensure its readiness for the creation of a single euro payments area (SEPA).¹

Regarding other changes to brochures, as has been the case in recent years, the absence of regulatory changes requiring these brochures of charges to be adjusted by all institutions had the result that they generally relate to increases in the price of services or to the provision of new services. This explains why the number of cases examined decreased for the fifth consecutive year to stand at 1,104.

The number of rejections of CIs' proposals or requests for additional clarification was 519 (acceptances amounted to 368), a figure very similar to the previous year, although the number of recommendations made grew to 1,893.

In 2007 there were 73,168 consultations of brochures of charges on the Banco de España website.

b. Advertising

The function assigned to the Banco de España in this area is the authorisation, prior to publication, of CIs' advertising projects that refer to the cost or return to the public of the services or products offered.

This authorisation, which is unique among our peer countries (where self-regulation usually plays a greater role), is intended to ensure that advertising reflects clearly, accurately and in a manner respectful of competition, the basic features of financial offers, and that the cost or the return offered has been calculated in keeping with the rules regulating the annual percentage rate (APR). This measure seeks to harmonise that calculation so as to ensure that different offers can be compared.

¹ For more details, see the 2006 Report on Banking Supervision in Spain.

As has been happening for several years, the number of advertising projects subject to authorisation continued to increase. The growth in 2007 with respect to 2006 was 6.4%² and practically all of it came from campaigns to attract deposits, as compared with the unchanged number of lending campaigns.

The number of rejections was minimal (2), although this figure requires comment, since it should be taken into account that the number of withdrawals amounts to 208. These are projects dropped by the credit institution itself before reaching fruition because of the changes requested by the Banco de España.

As regards the media, there was a further fall in advertising in the print media (to 1,181 projects, practically the same as in 2004) and a reversal of the growth trend in television advertising³, which also fell back to figures similar to those of 2004. This decline was offset by the considerable increase in Internet projects⁴ (included under the "Other" heading), which now account for 15% of the total projects authorised.

c. Reporting of interest rates on lending transactions

Spanish commercial banks, savings banks and credit co-operatives and the branches of foreign CIs are obliged to disclose a number of interest rates on their lending transactions. These are their prime rate, the respective rates on current-account and credit-account overdrafts, the latter two applicable at the maximum rate unless lower rates are contractually envisaged, and the indicative reference rates relating to other financial facilities deemed most habitual or representative. In turn, institutions should report such rates, and changes therein, to the Banco de España, indicating the dates from which they will be applicable. The Banco de España publishes these rates on its website so that they may be freely consulted by analysts and customers.

There were 292 reportings in 2007 (against 174 in 2006). This increase was mainly due to changes in the legal rate of interest for 2007 (it went from 4% in 2005 and 2006 to 5%), which obliged institutions to change the interest rates reported by them, since the maximum APR applicable to consumers' overdrafts is 2.5 times the legal rate of interest.

In 2007 there were 21,847 visits to the Banco de España web pages where these rates are published.

d. The bank customer's portal

The bank customer's portal was created in February 2005 by the Banco de España on its Internet website to provide information and financial guidance to non-business customers of credit institutions.

In the second half of April 2007, a new version of the bank customer's portal was made available to the public. It contained significant improvements, including most notably:

- graphic design and architecture
- a new visual language

2. In the version of this Report published on the Banco de España website, Table A 5.1 of Annex 5 gives statistical information relating to transparency and information for bank customers. 3. Only advertising referring to yield or cost is subject to prior authorisation by the Banco de España; in the absence of such references, this requirement does not apply. 4. Not all the information that appears on institutions' websites concerning the specific characteristics of their products or services should be classified as advertising (and, where applicable, subject to prior authorisation by the Banco de España), either because access to it will necessarily have to be at the initiative of customers, and consequently making such information available to them cannot be considered an act of advertising, or because of its strictly informative nature.

- specific messages created for each section seek to draw the attention of customers
- the portal contents have been revamped to make them more accessible to citizens in respect of their order and the language used
- the portal contents have been broadened by the incorporation of examples and new simulators

Portal page viewings numbered practically two million in 2007, with a daily average of 5,400. The number of visitors was 278,000, each making an average of 1.9 visits. The average number of pages viewed per visit was 3.75.

The most frequently visited sections in 2007, which were very similar to those visited in 2006, were: banking products (23.95% of total visits), interest rates (10.84%), simulators (10.20%) and glossary (5.96%).

Also noteworthy is the number of queries received through the Portal's "Contact Us" facility, which in 2007 amounted to 1,379 questions addressed specifically to the portal, practically all answered in the same day. The number of telephone inquires was 1,887.

e. Customer service department

Spanish credit institutions and the branches of foreign institutions are obliged to have a Customer Service Department and, where applicable, also an ombudsman (requirements established by Ministerial Order ECO/734/2004, of 11 March 2004). The Banco de España is responsible for verifying the customer protection rules regulating the activity of the Customer Service Department and ombudsman, except in the case of savings banks and local and regional credit co-operatives, the verification of which is carried out by the competent body of the Regional (Autonomous) Community in which their registered office is located. In any event, the Banco de España must be informed of the designation of the head of this service or department and, where applicable, of the ombudsman.

The task of initial verification of these rules was practically completed in 2006. Hence the work in 2007 consisted of checking the rules of institutions newly registered in that year and the changes proposed to existing rules.

2.3.2 OFFICIAL REGISTERS AND INSTITUTIONAL INFORMATION

Under Spanish law the Banco de España is responsible for various public registers in which not only CIs and other financial intermediaries, but also certain matters relating to their corporate governance and organisational structure, have to be registered. These registers, the purposes of which are as varied as the reasons for their creation, are as follows:

a. Register of Institutions

The purpose of this register, in which certain institutions must be recorded before they commence activities, is twofold: first, it seeks to implement the "vetted access" principle governing the presence of various institutions operating on Spain's financial markets; and second, it aims to publicise the fact that those institutions are subject to supervision by the Banco de España.⁵

Table 2.6, which this year includes for the first time a new type of institution, namely the controlling companies of CIs, lists the number of institutions subject to supervision by the

⁵ This register and the register of agents described below are available to the public and can be consulted by either traditional means or on the Banco de España's website, where they are located in the section on banking supervision. The register of institutions is available not only as it currently stands, but as it stood at past dates, and selective searches can be made on the basis of different criteria.

Number. Year-end data (a)

	2004	2005	2006	2007
Institutions with an establishment	547	542	550	558
Credit institutions	348	350	355	358
Representative offices	56	53	54	57
Mutual guarantee companies	23	23	24	24
Reguarantee companies	1	1	1	1
Currency-exchange bureaux and money transfer agencies (b)	58	57	59	59
Appraisal companies	61	58	56	57
Controlling companies of credit institutions	—	—	1	2
Credit institutions operating without establishment	355	383	404	433
Of which: EU CIs operating without an establishment	350	378	398	428
Of which: financial subsidiaries of EU CIs	3	3	3	2

SOURCE: Banco de España. Data available at 31 December 2007.

a. The number of institutions also includes those that are non-operational and in the process of deregistering.

b. Does not include foreign currency purchasing establishments.

Banco de España and entered in the corresponding registers,⁶ as well as the number of institutions from other EU countries that operate in Spain under the freedom to provide services.

The total additions registered in 2007 numbered 28, as against 20 deletions. Within the additions, the branches of EU institutions and representative offices, which make up 50% and 29% of the total, are those showing the greatest changes. In regard to deletions, SCIs, with 35% of the total, accounted for the largest number of entries, followed by deposit institutions and representative offices, with 24% each.

There were two main reasons for these entries: first, for additions, the transnational movements typical of the single market; and second, for deletions, a series of corporate movements mostly aimed at business restructuring, mainly, although not only, effected in the EU.

b. Register of Senior Officers

The reason for this register, in which information is entered on the directors and senior managers of the institutions supervised by the Banco de España, is to manage and supply up-to-date personal and professional data on the main officers responsible for the activity of such institutions. This is done with the dual purpose of, firstly, acting as an ancillary tool for the Banco de España and other agencies in accrediting the commercial and professional experience and standing required of the senior officers of financial institutions; and, secondly, acting as a specific instrument for checking the restrictions and incompatibilities applicable to senior officers of banks and credit co-operatives which the Banco de España has to supervise in regard to the holding of similar posts in other companies.

6. For more details of the institutions that have to be entered in this register, see Section 2.3.6. of the 2006 Report on Banking Supervision in Spain.

The steadiness shown by the total number of senior officers entered in the related registers⁷ reflects the minimal alterations in the number of institutions. The only noteworthy development is the slow but constant increase in the percentage of women recorded in the registers of senior officers with respect to the total individuals registered, which nevertheless at end-2007 scarcely amounted to 11%.

c. Information on shareholders

The Banco de España also receives confidential information on the shareholders of banks and SCIs and on the members of credit co-operatives,⁸ for the dual purpose of supporting the basic supervisory tasks of the Banco de España, in which it is essential for the latter to know the share ownership structure of the institutions under its supervision, and of checking compliance with the legal provisions which bring under control of the Banco de España any equity holdings in these institutions exceeding certain thresholds.

The fall of 4% in the number of shareholders reported by banks was similar to that of previous years. This fall, which was sharper in individual shareholders, follows the usual pattern in shareholders of this type of institution. More significant was the increase in the number of credit co-operative members, which grew by 15% mainly as a result of the respective capital increases at two credit co-operatives. Meanwhile, the number of reported shareholders of SCIs, many of which form part of larger credit groups, remained steady.

d. Reporting of agents

CIs operating in Spain and, since the beginning of 2002, also the currency-exchange bureaux licensed to make cross-border money transfers, are obliged to report to the Banco de España those agents whom they have authorised to operate habitually with their customers, in the name of and on behalf of the principal, in negotiating or entering into transactions typical of their activity. In addition, Spanish CIs must report to the Banco de España the list of foreign CIs with which they have entered into agency agreements or, where applicable, agreements to provide financial services to customers.

In 2007 the number of registered agents of owners of currency-exchange bureaux licensed to make transfers kept up the notable pace of growth shown in previous years (around 30%), related above all to the growth of immigration. However, it should be taken into account that 43% of agents work for only three bureaux.

The increase in agents of CIs in 2007 was 6%. Of the total CI agents, 96% worked for banks. The concentration in the case of CIs is, if anything, greater than for currency-exchange bureaux, since four banks retain 83% of all agents.

e. Special register of articles of association (*Registro Especial de Estatutos*)

The Banco de España also keeps a register of articles of association of supervised institutions in which the successive amendments are recorded to ensure continuity in the exercise of prudential control over supervised institutions.

On occasions, these amendments are subject to administrative authorisation by the Ministry of Economy and Finance, or the corresponding body of the regional (autonomous) government, in which case a prior report from the Banco de España is mandatory. In 2007 there were

7. All the statistical information in this section other than that relating to the number of registered institutions is included in Table A 5.2 of Annex 5 of the version published on the Banco de España website. In that annex, the information relating to the Register of Senior Officers is based on identity without regard to the number of posts that each may hold, i.e. the stated figure is the total number of senior officers registered and not the total number of senior posts in the institutions supervised by the Banco de España. 8. These institutions are required to report data quarterly on all their shareholders or holders of contributions that are deemed to be financial institutions, and on those who, while not deemed to be such, hold shares or contributions representing a percentage of the share capital of the institutions greater than or equal to 0.25% in the case of commercial banks, 1% in credit co-operatives and 2.5% in SCIs.

37 applications to amend articles of association, the primary cause of which was the adaptation to changes in the regulations. The notable decrease in the number of amendments processed in 2007 reflects the end of the adaptation of articles of association of Spain-wide credit co-operatives to the changes in their regulations, particularly in those on equity contributions.

2.3.3 OTHER AUTHORISED
ELIGIBLE CAPITAL FOR SOLVENCY
PURPOSES

The capital instruments eligible as own funds include, along with the subordinated debt recognised as own funds in 1985, other elements known as hybrids which simultaneously have the characteristics of debt and capital. These characteristics are basically that they can be set off against losses without the need to liquidate the institution, that they will remain on the institution's balance sheet for an indefinite period of time and that the returns on them depend on the existence of sufficient profits and on the issuer's solvency. These instruments include perpetual subordinated debt and preference shares, in many cases issued by special-purpose entities that are subsidiaries of CIs.

There are no restrictions on the issuance of such instruments, which is subject to the securities market regulations and, in the case of preference shares, to the provisions of Law 13/1985, as reworded under Law 19/2003 of 4 July. Also, as a prerequisite for their eligibility as own funds of the issuing institution or of its consolidated group⁹, the Banco de España must verify that these instruments meet the conditions established by bank solvency law.

To correctly analyse eligible debt issued in 2007, the issuance of securities by Banco Santander in the acquisition (together with the Belgian-Dutch Fortis Group and the British Royal Bank of Scotland) of the Dutch bank ABN Amro, NV should be considered in particular. This issue, which amounted to €7,000 million and was distributed among retail investors, has special characteristics, which, for equity classification purposes, exceeded those required for it to be classed as preference shares.

If this issue is disregarded (it has been excluded from subsequent comments), the resulting figures are more in line with those of previous years. Thus, in overall terms, the total issued in 2007 was €14,592 million, just under 9% less than the previous year. This decline was more pronounced in fixed-maturity subordinated debt where it reached 18%, which, given its higher relative share in nominal terms, could not be offset by the 23% rise in undefined-maturity and preference share issues.

However, the fall in the total number of issues, solely attributable to the fixed-maturity subordinated debt of savings banks, was even higher at 25% and, as a result, the average amount of all types of issues increased by about 20% (55% in undefined-maturity subordinated debt, although the low number of this type of issues diminishes the analytical value of this figure).

The higher average amount of issues could be explained by the growing international importance of the special-purpose entities of Spanish CIs. 84% of the amount was issued exclusively abroad and only 7% was placed solely in Spain. Furthermore, nearly all of the issues (96% in terms of the amount issued) were targeted exclusively at institutional or qualified investors. In this way the trend which began last year of avoiding the distribution of these complex instruments among retail customers was consolidated.

9. See Rule 8 of Banco de España Circular CBE 5/1993 of 23 March 1993 on the determination and monitoring of minimum own funds.

€m. Yearly data

	NUMBER				AMOUNT			
	2004	2005	2006	2007	2004	2005	2006	2007
TOTAL	70	63	79	60	13,230	8,471	16,078	21,592
Subordinated debt	49	51	65	45	6,654	5,587	13,942	11,962
<i>Fixed-term</i>	46	48	60	41	5,104	5,222	12,728	10,458
Banks	16	11	24	29	3,795	1,865	8,853	9,189
Savings banks	19	28	25	9	1,235	2,870	3,724	1,224
Credit co-operatives	2	3	3	3	24	403	23	45
SCIs	9	6	8	—	50	85	128	—
<i>Of which:</i>								
<i>Loans</i>	15	9	12	4	704	202	297	420
Undated	3	3	5	4	1,550	365	1,214	1,504
Banks	2	1	2	1	1,050	15	64	1,019
Savings banks	1	2	3	3	500	350	1,150	485
Preference shares	21	12	14	15	6,576	2,884	2,136	9,630
Banks	14	3	6	7	5,063	1,800	1,602	9,239
Savings banks	7	8	8	7	1,513	995	534	389

SOURCE: Banco de España.

A noteworthy feature, yet not a new one, which was particularly significant in 2007, was the classification as own funds of several issues by foreign institutions which are the operating subsidiaries of Spanish CIs. These issues, which accounted for 8% of the total issued¹⁰, are subject to specific own funds requirements in their country of origin and are eligible as capital of the consolidated group provided that they do not give rise to significant excesses in the issuer's solvency ratio.

In 2007 the standard issue was a euro-denominated fixed-maturity subordinated debt issue with variable-rate interest, mainly tied to the 3-month euribor, with a spread of less than 50 basis points in the first part of the year and clearly more than 100 basis points at the end of the year¹¹; a maturity of around ten years with an early redemption option from year 5, following authorisation from the supervisor; and an interest rate step-up of 50 basis points in anticipation of non-exercise of the option.

Preference share issues were more varied, even though the currency they were issued in was predominantly the dollar and they were mainly tied to the euribor, with spreads which, like subordinated debt, increased by more than 50% at year-end. Although they did not have a specific maturity, all the issues envisaged the possibility of early redemption, following authorisation from the supervisor, mainly from year 10, together with an interest rate step-up of 100 basis points in anticipation of non-exercise of the option. Noteworthy among these issues was the first issue by a specialised credit institution, although it was for a small amount.

¹⁰. In 2007 more issues by operating subsidiaries were eligible as capital but such issues are not shown in Table 2.7 because they were placed in previous years. ¹¹. As a result of capital market turbulence in the second half of the year.

Finally, as in previous years, in 2007 there were no issues of non-voting equity units (*cuotas participativas*) of savings banks.

2.4 Supervisory policies

2.4.1 THE INTERNAL CAPITAL

ADEQUACY ASSESSMENT

PROCESS AT CREDIT

INSTITUTIONS

Article 6.4 of Law 13/1985 on investment ratios, own funds and reporting requirements of financial intermediaries, as reworded under Law 36/2007 enacted to transpose Directive 2006/48/EC of the European Parliament and Council into Spanish law, requires credit institutions to have sound, effective and exhaustive strategies and procedures to evaluate and maintain on a permanent basis the amounts, types and distribution of capital which they or their consolidated groups deem necessary. These strategies and procedures require the consideration not only of quantitative aspects of risk management, such as risk measurement and estimating capital requirements, but also qualitative aspects such as internal governance procedures.

The new Article 10.bis.1 of the above-mentioned Law authorises the Banco de España, as the authority responsible for the supervision of credit institutions and their consolidated groups, to publish guides indicating criteria, practices or procedures for adequate risk assessment.

For this purpose, the Banco de España has prepared a Guide on the Internal Capital Adequacy Assessment Process (ICAAP) of credit institutions and their groups which implements the above-mentioned Article 6.4 of Law 13/1985 and Article 30.bis.1 of Law 26/1988 on Discipline and Intervention of Credit Institutions, which refers to internal corporate governance. The Guide is based on the principles and the criteria developed by the Committee of European Banking Supervisors (CEBS) in its document "Guidelines on the Application of the Supervisory Review Process under Pillar 2" and other guides on Pillar 2 prepared by the CEBS and the Basel Committee.

The aim pursued by the Banco de España with the ICAAP Guide was to set out a series of guidelines on aspects to be considered by institutions when assessing their capital adequacy, always bearing in mind the need to simplify the task for smaller institutions. This is why the Guide establishes simple calculation and estimation methods.

The ICAAP will be based on analysis of the risks that institutions use in their management, although at the same time it must be a useful instrument for the general evaluation of their solvency which also takes into account how capital is affected by the economic cycle and external conjunctural factors. The ICAAP is the responsibility of the institutions themselves and, consequently, they must determine its content and scope and the depth of analysis, focusing on the risks relevant to them and on organisational and control-related matters, all in proportion with the level of sophistication of their assessment, their risk profile and the suitability of their risk assessment, management and control systems. The result of the ICAAP must be compared with the legal minimum capital requirements, although it will not necessarily result in increased capital requirements, but rather in internal governance improvements, the strengthening of risk management systems or tighter internal controls.

The Banco de España requires the ICAAP to take the form of an annual report called the Internal Capital Adequacy Assessment Report (ICAAR), which is approved by the institution's directors and sent to the Banco de España together with the own funds return at year-end. This report will include the following sections:

- 1 Summary and conclusions: scope of application, individuals responsible for or in charge of preparing the report (who will act as interlocutors with the Banco de España), date of approval by the Board of Directors or equivalent body; conclu-

sions on the institution's risk profile, systems of governance and risk management and control; and economic capital targets, detailing the level, breakdown and distribution between legally independent institutions in the group and the level of compliance with projections and corrective measures.

- 2 Internal governance, risk management and internal risk audit: general principles of risk management at the institution; indication of the policies established for each risk, organisation of the risk function and the measurement, communication, control and valuation tools; and risk-review related tasks of the internal audit.
- 3 Risk measurement and quantification of capital required to cover risks: summary of the methodologies chosen for the different risks (credit risk, concentration risk, market risk, operational risk, on-balance-sheet interest-rate risk and liquidity risk, among others); references to internal documents substantiating them; details of the risk mitigation techniques used; explanation of relevant factors not considered under Pillar 1; etc.
- 4 Aggregation of the capital requirements of the various risks and reconciliation adjustments: approach used (bottom-up or top-down), benefits of diversification, reconciliation adjustments of management and solvency approaches, etc.
- 5 Capital planning: analysis of divergences in the year with respect to the previous year's planning, (projected) sources and future allocation of capital and summary of the stress scenarios determined and of alternative sources of capital (with the due references to internal supporting documents).
- 6 Future action programme: principal deficiencies and shortfalls detected, action plan (if appropriate) and changes envisaged in risk management strategy.
- 7 Other matters.

The Banco de España will review and evaluate the ICAAP and the internal governance environment under the "risk-based approach" to banking supervision (SABER) which it employs in its supervision of groups and banking institutions. Within the supervisory transparency framework established in the new Article 10.bis.1.d of Law 13/1985, in the near future the Banco de España will publish a guide on the Capital Review Process (CRP), in which it will point out the methods which it will follow in reviewing and evaluating the ICAAP.

2.4.2 VALIDATION CRITERIA AND DOCUMENTS OF BASEL II ADVANCED APPROACHES

As a means of developing the transparency framework for reviewing risk management models, which the Banco de España initiated in June 2006 with the publication of the document entitled "Implementation and validation of Basel II advanced approaches in Spain", and in accordance with the guidelines established by the CEBS, it was considered necessary to start issuing specific documents to clarify and harmonise certain minimum criteria which relate to the salient issues of the advanced models and whose dissemination among institutions and quantitative and qualitative impact are of special significance.

For this purpose, the Banco de España website (*Supervision* section, *Supervisory functions and policy – Implementation and validation of advanced models* subsection) has begun to publish a set of Validation Documents which gather together in a consistent and ordered fashion certain validation criteria focused on specific issues. These documents take into account

technical and practical matters arising from the validation work and the institutions' opinions and suggestions.

These documents are organised as follows. A first section describes the situation analysed, the main reasons for the observed problems and the implications for validation. A second section focuses on the specific purpose of the validation criteria issued and their scope. Finally, the main part of the document is basically devoted to stating and explaining validation criteria in a sufficiently detailed manner to achieve the clarification and harmonisation objectives of the document. Examples and descriptions of institutions' practices are included to help understand certain of the criteria proposed.

The first of these documents is on downturn loss given default (DLGD) estimates in mortgage loan portfolios in Spain and also covers related issues. The purpose of the criteria specified in this document is to achieve a certain degree of harmonisation in the approaches used by the various institutions, to provide references and default options which that can be used in internal estimation processes, in those cases in which institutions cannot directly obtain reliable internal estimates of the required parameters.

The second document looks at institutions' internal validation of advanced risk-management models. It aims to define the internal validation function, its purpose and the scope of the tasks to be carried out. It points out that it is advisable for a specific unit, which meets certain requirements as to competence, independence and reporting level, to be responsible for performance of the internal validation function. Lastly, it defines what schemes are acceptable in the design and implementation of internal validation tests, as well as distinguishing between the internal validation and the internal audit functions.

3 REGULATORY CHANGES IN PRUDENTIAL SUPERVISION

3 Regulatory changes in prudential supervision

This chapter includes the most significant legal changes which, from a prudential supervision standpoint, were made in 2007 in the regulation of the activity of CIs and other financial intermediaries and auxiliaries subject to supervision by the Banco de España. The focus of this chapter on organisational and disciplinary rules sidelines other regulatory changes which, though they undoubtedly bear considerably on the day-to-day running of institutions, have a more technical and operational profile. Albeit only on an indicative basis, these rules include most notably, on one hand, those implementing the regulation of securities payment and settlement systems, including the Trans-European Automated Real-time Gross settlement Express Transfer (TARGET 2) system;¹ and, on the other, those updating and systematising various aspects relating to trading and dealing on the public debt market.²

3.1 Community provisions

Among the Community provisions promulgated in 2007, two have a particular bearing on the conceptual scope addressed by this chapter.

Directive 2007/44/EC of the European Parliament and of the Council of 5 September 2007 amending Council Directive 92/49/EEC and Directives 2002/83/EC, 2004/39/EC, 2005/68/EC and 2006/48/EC as regards procedural rules and evaluation criteria for the prudential assessment of acquisitions and increases of holdings in the financial sector.³

This Directive introduces certain changes in the procedural rules and evaluation criteria applicable to acquisitions and increases of holdings in the financial sector, with the aim of harmonising those relating to insurance, credit and investment institutions. Its ultimate aim is to establish detailed criteria and precise application procedures, so as to avoid the distortions that would arise were group structures spanning several sectors of activity or several EU Member States to follow non-uniform procedures in evaluating the suitability of potential acquirers.

It is first stipulated that the voting rights which should be taken into consideration for these purposes are both those held directly (even when the exercise thereof is suspended), and those belonging to a third party when the exercise thereof is controlled discretionally. Nonetheless, special cases are foreseen in which specific voting rights shall be excluded from the overall calculation.

The thresholds for notifying the supervisor, both for initial acquisitions and for increases or reductions of holdings, are set at 20%, 30% (or one-third if this is the benchmark for other implementing regulations) and 50% of the institution's voting rights. However, the proposed harmonisation does not prevent the Member States from requiring that the competent authorities be informed of acquisitions below the thresholds envisaged in the Directive, provided that no more than one additional threshold of below 10% is imposed.

To ensure sound and prudent management of CIs, the Directive lays down detailed procedures for notification (terms and documents to be submitted), actions by the competent au-

1. CBE 1/2007 of 26 January 2007 (BOE of 6 February 2007) on the information to be reported by SESPA (the company entrusted with managing the National Electronic Clearing System) and approval of its regulation; Guideline of the European Central Bank ECB/2007/2 of 26 April (OJEU of 8 September 2007); and Resolution of the Executive Commission of the Banco de España of 21 September 2007 (BOE of 14 November 2007). 2. CBE 2/2007 of 26 January 2007 (BOE of 14 February 2007) on the Public Debt Book-Entry Market. 3. OJEU of 21 September 2007.

thorities (including collaboration between them) and the aspects to be evaluated. These aspects are, namely: reputation and solvency of the acquirer, with particular attention to the effective supervision of the group into which the institution might be integrated; reputation and experience of the persons who are to manage it; and the presence of rational signs of risk of money laundering or financing of terrorism.

***Directive 2007/64/EC of the European Parliament and of the Council of 13 November 2007 on payment services in the internal market amending Directives 97/7/EC, 2002/65/EC, 2005/60/EC and 2006/48/EC and repealing Directive 97/5/EC.*⁴**

The ultimate aim of this Directive is to establish a legal framework for the provision of payment services and market access for the providers of such services, for the purpose of contributing to the creation of a *Single Euro Payments Area* (SEPA) and promoting its proper working, with particular attention to the safeguarding of consumers.

Thus, the Directive regulates firstly a new, singular type of institution, the so-called payment institutions, which may, along with CIs (including electronic money institutions) and post office giro institutions, provide payment services. This latter concept is also defined with particular precision. Along with these institutions, the ECB, the national central banks and other public authorities may also provide such services, when not acting in their capacity as such authorities.

The regulation of payment institutions shares many similarities with that of other financial intermediaries in terms of requirements, including most notably minimum initial capital (which varies depending on the range of services to be provided), internal control mechanisms, mechanisms for protecting users' funds and for preventing money laundering, the integrity and experience of directors and managers, and a business plan. Arrangements are also established for registration and supervision, and the carrying out of the service through agents or branches is provided for, acknowledging the right of freedom of establishment and freedom to provide services within the EU (subject simply to prior communication), except if the institution has availed itself of the regime for partial exemption from requirements envisaged for lenders that execute payment volumes of less than €3 million per month.

Secondly, the Directive implements the legal framework of payment services, paying particular attention to the regime of consumer protection which could be extended, should the Member States so decide, to small and medium-sized enterprises. This regime, which draws on the concepts of transparency of conditions and sufficient information, is applicable to all payment services made in euro or in the currency of any Member State, provided the source and destination is in the EU.

To this end, the Directive specifies the information that has to be provided both before and after the payment operation, adjusting for whether what is involved is a one-off operation or whether it is under the auspices of a framework agreement.

Finally, the Directive regulates specific rights and obligations in respect both of payment service providers and users, including most notably conditions of use of payment instruments, distribution of charges⁵ and execution time and availability of funds. It further urges Member States to establish both complaint procedures and out-of-court complaint and redress proce-

4. OJEU of 5 December 2007. 5. The Directive enshrines the principle of shared charges, by virtue of which the orderer and the beneficiary pay those relating to their own payment service providers (charges to the border).

dures for the settlement of disputes relating to the provision of payment services, along with an effective, proportionate and dissuasive regime of penalties for improper practices and those lacking in transparency.

3.2 National provisions

In the national regulatory setting, the year 2007 marked the start of the transposition to the Spanish legal framework of a series of far-reaching Community regulations which, while not entailing an overhaul of the financial sector, will undoubtedly have a most significant bearing both on what we might call the domestic dimension of financial activity, i.e. the organisation, financing and solvency of institutions, and the external facet of such activity, i.e. relations between institutions and their customers.

3.2.1 REGULATION OF DOMESTIC ACTIVITY AND OF CAPITAL

The main regulatory changes of a national scope bearing on the domestic dimension of financial activity include most notably:

Law 36/2007 of 16 November 2007 amending Law 13/1985 of 25 May 1985 on investment ratios, own funds and reporting requirements of financial intermediaries and other financial system rules.⁶

This Law, which partially transposes Directive 2006/48/EC of the European Parliament and of the Council, incorporates the so-called Basel II Accord into the national legal framework with the aim, among others, of ensuring an appropriate level of solvency and a level playing field for CIs, making the regulatory capital required more sensitive to actual risks and encouraging better risk management.

As regards the minimum own funds requirements for consolidated groups of CIs and for CIs not integrated into a consolidated group, the Law now details a series of risks which, in any event and without prejudice to others, should be covered. These risks are: for all activities, exchange rate risk, commodities-related risk and operational risk; for all activities except trading-book activities, credit risk and dilution risk; and for the trading book, position, settlement and counterparty risk.

Conversely, for weighting investments, operations and positions, and for determining potential surcharges on the basis of the risk profile, confidence continues to be placed in a subsequent regulatory implementation, introducing the possibility of using techniques for the reduction of credit risk. In determining these calculations, the use of external credit ratings is now permitted, albeit conditional upon prior recognition by the Banco de España of the company assigning the ratings. Also permitted are internal ratings and internal methods of measuring operational and market risk developed by the institutions themselves, subject to prior authorisation by the Banco de España.

In addition, CIs are required to establish sound, effective and comprehensive strategies and procedures providing for the appropriate evaluation, maintenance and distribution of a level of internal capital commensurate with the level of risks. In the case of consolidated groups, these mechanisms shall be consistent and well-integrated.

The powers of the Banco de España, in its capacity as the authority responsible for the supervision of CIs and its groups, include the following: authorising or demanding the exclusion of

6. BOE of 17 November 2007. On 16 February 2008 the BOE published Royal Decree 216/2008 of 15 February 2008 on financial institutions' own funds. This legislation implements Law 36/2007, along with Law 47/2007 of 19 November 2007, referred to later, in respect of aspects relating to the solvency of investment services companies.

an institution of a consolidated group in specific cases; the review of capital evaluation and distribution strategies and systems; the assessment of the risks to which they may be subject; and the drafting and publication of guidelines with appropriate criteria or procedures for the proper assessment of such risks.

Supervisory powers on a consolidated Community basis are also specified when this falls within the remit of the Banco de España. Among other responsibilities, the Banco de España shall coordinate the collection and dissemination of information, it shall plan and coordinate all supervision activities both in normal and emergency situations, and it shall cooperate in the granting of authorisation for the use of internal credit ratings or internal operational risk measurement methods for their application in Spanish groups of CIs.⁷

Furthermore, the Law introduces new requirements for reporting and dissemination to the public by CIs. It establishes the obligation to publish, at least once a year, a document called *information of prudential relevance*. This will include specific information on their activities and financial position, so that the market and other interested parties may assess institutions' risks, their strategies, their control mechanisms and their solvency. Although the minimum content of this document shall be determined by the Banco de España, each institution should set a formal information dissemination policy, compliance with which shall be overseen by the Banco de España.⁸

Moreover, new executive powers have been granted to the Banco de España for the exercise of its discipline-related functions regarding compliance by CIs with solvency obligations. Accordingly, the Banco de España may: oblige institutions and their groups to hold additional own funds, in certain circumstances, to the minimum amount required; require CIs to reinforce the procedures, mechanisms and strategies adopted for compliance with these requirements; demand the application of specific risk-reduction policies; restrict or limit institutions' business, operations or network.

Finally, for reasons of prudent valuation, it is established that the requirements for minimum own funds resulting from the application of ratings or of internal risk measurement methods may not be less, during the first year the Law is in force, than 90% of those that would result from applying the previous legislation. This lower limit stands at 80% for the second year.

Law 41/2007 of 7 December 2007 amending Law 2/1981 of 25 March 1981 on mortgage market regulation and other mortgage and financial system rules, on the regulation of reverse mortgages and dependency insurance, and establishing a specific tax regulation.⁹

Although the scope of application of this Law is multi-faceted and varied, insofar as it has a bearing on practically all aspects of the mortgage market, from the standpoint of this Report there are two essential amendments: first, the introduction of technical improvements in the instruments for financing mortgage activity; and second, the amendment of the supervisory regime for appraisal companies.

7. As a result of these changes, Royal Legislative Decree 1298/1986 of 28 June 1986 on the adaptation of current legislation on credit institutions to that of the European Communities has also been amended, in order to accommodate the regulations governing information exchange between competent authorities in respect of supervision on a consolidated basis. 8. These obligations are also reflected in Law 26/1988 of 29 July 1988 on the disciplining and intervention of credit institutions, into which the related types of infringements have been introduced along with the obligation to have an appropriate organisational structure, with clearly defined, transparent and consistent reporting lines which, in the case of credit institutions providing investment services, shall observe the organisational requirements laid down in Law 24/1988 of 28 July 1988 on the Securities Market. 9. BOE of 8 December 2007.

Along with these changes, the Law introduces others ranging from the regulation of institutions' relations with their customers (transparency in the taking out of mortgage loans, compensatory arrangements for early repayment, reverse mortgages and dependency insurance policies) to the introduction of technical improvements in the mortgage-related legal framework. These measures are analysed in section 3.2.2 below.

Refinancing mechanisms

With regard to the technical improvements introduced into CIs' refinancing mechanisms, it is firstly permitted that any real estate mortgage loan, irrespective of its end-purpose and of where the property is located within the EU, may act as a guarantee for the issuance of mortgage bonds. In compensation, and so as to improve the quality of the collateral instruments, the loan-to-value ratio is reduced from 70% to 60%, except for housing loans, in which the current ratio of 80% is retained. However, both ceilings may rise respectively to 80% and 95% if there are appropriate and sufficient additional guarantees.

To promote transparency of the collateral portfolio, provision is made for the creation of a special register that shall separately include all mortgage loans and credits forming collateral for covered bonds (identifying those that meet the requirements established in the Law) and all those assigned to mortgage bond issues. Further, certain clarifications are made regarding the order of priority of holders of mortgage-backed securities in the event of the initiation of insolvency proceedings, while the insolvency administration body is authorised to conduct whatsoever operations might be necessary so that, in the event of time lags in the insolvent party's revenues, these holders may be paid.

Secondly, certain administrative formalities in place to date in the issuance of mortgage bonds have been removed in order to achieve a more neutral administrative treatment of such bonds as compared with covered bonds. To this end, the need to include a marginal note in the Property Register for each of the mortgages assigned is dispensed with and the previously compulsory setting-up of a bondholders' syndicate becomes optional. As with covered bonds, these issues continue to be backed by the issuer's unlimited liability in the event the specific collateral does not cover the amount of the debt.

Thirdly, and with a view to enhancing the quality of the collateral portfolio, the limit on the issuance of covered bonds is lowered from 90% to 80% of the outstanding mortgage loan balance. To compensate for this reduction and, above all, to reduce liquidity and interest-rate risk, the Law provides for the possibility of including specific liquid and low-risk assets in the pool of collateral covering the bond (up to 10% of the principal issued) or covered bond (up to 5%) issues.

Appraisal companies

With regard to appraisal companies, the Law acts in three areas, under the basic principle of preserving and strengthening the professionalism and independence of these companies. First, it establishes that, in certain cases¹⁰, appraisal companies must have in place appropriate mechanisms to underpin their independence and avoid conflicts of interest. Also, the CIs by which they are controlled shall set up a *technical committee* to verify compliance with the independence requirements contained in the aforementioned mechanisms. This committee shall draft a report every year and send it to the board of directors or equivalent body of the institution and to the Banco de España.

¹⁰ Specifically, when they provide services to credit institutions in their group, or when at least 25% of their total income in the regulatorily specified time period arises from their relationship with a credit institution or institutions in the same group, provided that one or more of these credit institutions has issued mortgage bonds that are in circulation.

Second, the sanctioning regime of appraisal companies is amended. New infringements derived from the new obligations contained in the Law are defined and the existing infringements are revised and updated.

Third, in order to ensure the appropriate management of appraisal companies, a regime of significant holdings¹¹ is established, similar to that envisaged for CIs. The direct or indirect acquisition of a significant holding in an appraisal company will entail the obligation to inform beforehand the Banco de España, which will have a term of three months to oppose, if appropriate, the proposed acquisition.

3.2.2 REGULATION OF RELATIONS WITH CUSTOMERS

The regulatory changes which, at the national level, address mainly relations between institutions and their customers, include most notably:

Law 22/2007 of 11 July 2007 on the distance marketing of consumer financial services.¹²

This Law establishes the specific regime to be applied to contracts with consumers of financial services¹³ entered into at a distance (without a simultaneous physical presence), either directly or through an intermediary, by institutions established in Spain, in other EU Member States or in countries from the European economic area (EEA), in this latter instance when the recipient of the services resides in Spain and any of the following are the case: publicity of collective investment institutions (CIIs), direct insurance, operations with consumers, arrangements involving the choice by the parties of the legislation applicable to the contract, permissibility of communications and real estate located in Spain.

The essential purpose of this Law is none other than to protect consumers, given their potential greater vulnerability to distance marketing. To ensure this protection, the Law expressly provides for the invalidity of the waiver by consumers of the rights conferred on them by law, and the invalidity of acts carried out to evade this Law. It likewise set in place a rigorous, detailed regime governing the information to be furnished to consumers prior to their entering into the contract or to assuming their obligations. This information should refer to the service provider, to the financial service itself, to the contract and to the means of lodging complaints and claiming compensation at a distance, and it should be clear, comprehensible and adapted to the communication technique used.

The Law also regulates the right of withdrawal, whereby the customer shall have a period of 14 calendar days (30 calendar days in contracts relating to life insurance) to withdraw from the contract without being penalised and without giving any reason. However, this right may not be exercised in contracts whose price depends on market fluctuations beyond the supplier's control, or in those services whose contractual conditions require special legal certainty, as is the case, among others, of mortgage loans, certain insurance policies, contracts performed in full by the parties thereto at the express request of the consumer, and pension schemes. The consumer exercising the right of withdrawal shall only be obliged to pay, at most, for the financial service actually provided by the supplier up to the time of withdrawal, without any penalty.

¹¹ For the purposes of this Law, a significant holding in an appraisal company is defined as a direct or indirect interest of at least 15% of the capital or voting rights of the company, or one which, although not reaching this percentage, enables significant influence to be exercised in the company. ¹² BOE of 12 July 2007. ¹³ For the purpose of the Law, 'financial service' means any credit or payment banking services, investment services, private insurance operations, pension plans and the activity of insurance intermediation.

The Law provides further protection to consumers, such as the possibility of demanding the immediate cancellation of charges arising as a result of fraudulent use of payment cards, and the prohibition of providing and charging for unrequested or tacitly renewed services.

Additionally, the Law regulates injunctions as a means of protection for consumers and promotes the use of out-of-court procedures. In any event, the burden of proof in respect of compliance with obligations under this Law shall be borne by the supplier.

Finally, the Law establishes a sanctioning regime which, in the case of supervised companies, shall defer to their specific regulatory regime and, in the case of other institutions, to that laid down in consumer regulations. By default, the provisions of Law 34/2002 on information Society services and electronic commerce shall be applied.

Law 41/2007 of 7 December 2007 amending Law 2/1981 of 25 March 1981 on mortgage market regulation and other mortgage and financial system rules, on the regulation of reverse mortgages and dependency insurance, and establishing a specific tax regulation.¹⁴

This section covers the external influence of this Law, whose organisational and financial provisions have already been analysed in section 3.2.1 above.

Relations with customers

Mindful both of the importance of transparency in the taking out of mortgage loans and of its attendant regulatory technicalities, the Law extends the reporting obligations in force to all types of mortgages on dwellings, while it empowers the Ministry of Economy and Finance to determine the minimum information that CIs have to furnish to their customers before any contract is signed. This information shall enable customers to ascertain the key characteristics of the products available and to assess whether they are suited to their needs and financial situation.

Aware, too, of the importance, as a competition-boosting factor, that the possibility of early debt repayment has for customers, the Law establishes a new compensation regime for early repayment for new mortgages on a dwelling in which the borrower is a natural person or a legal person subject to the small-companies regime under corporate income tax. Under this regime, the fee for total or partial early repayment shall be replaced by compensation for withdrawal that may not exceed 0.25% of the principal repaid (0.5% if the repayment takes place within the first five years of life of the credit or loan). In addition, the institution may receive compensation for interest rate risk provided that the repayment: (i) does not take place in an interest-rate-revision period whose agreed duration is equal to or less than twelve months, and (ii) it does not generate a capital gain in the institution's favour.¹⁵

Along with this new regime, the Law not only retains the tax benefits of mortgage subrogations and novations, in particular the exemption from transfer tax and stamp tax, but it also extends the cases in which mortgages may be amended without forgoing these benefits. In addition to the interest rate (ordinary or default) and/or the term, the amount, financial conditions (includ-

¹⁴. BOE of 8 December 2007. ¹⁵. A capital gain arising from exposure to interest-rate risk is defined as the positive difference between the principal outstanding at the time of prepayment and the market value of the loan or credit. This shall be calculated as the sum of the present value of the outstanding payments up to the next interest rate adjustment and the present value of the outstanding principal that will remain at the adjustment date if the loan were not repaid early. When the difference is negative, a capital loss for the creditor institution is deemed to exist.

ing the method of repayment) and personal guarantees may also be changed, without such changes entailing any alteration to or loss of priority of the registered mortgage.¹⁶

Additionally, in calculating the notary fees for subrogation, modifying novation and settlement of mortgage loans, the rates for loan documents with no stated amount shall be charged, while in the calculation of registry fees the rates for registrations shall be applied, taking as a basis the amount of outstanding principal reduced by 90%.

New products

In order to allow households to draw on home equity, without this impairing their standard of living, the Law regulates the so-called reverse mortgage. This instrument involves a mortgage loan or credit taking the form of a mortgage on real property that is the habitual dwelling of the applicant, provided that the following requirements are met: a) the applicant and any beneficiaries designated by him/her must be 65 years old or more or in a situation of severe or considerable dependency; b) the mortgagor must draw the loan amount in periodic withdrawals or as a lump sum; c) the debt must only be claimable by the creditor and the security interest enforceable upon the death of the borrower or, if so stipulated in the contract, upon the death of the last of the beneficiaries;¹⁷ and d) the mortgaged residence must have been appraised and insured against damage.

The reverse mortgage envisaged in this Law may only be granted by CIs and by insurance companies authorised to operate in Spain, without prejudice to the limits, requirements and conditions imposed on insurers by their sectoral regulations. On granting these mortgages, institutions are obliged to provide independent advice to applicants. The public deeds documenting these transactions will enjoy the same tax benefits envisaged for mortgage subrogations and novations, along with the same regime for the calculation of notary and registry fees.

Finally, the Law regulates the coverage of dependency either under an insurance contract entered into with insurers, including social welfare mutual societies, or through pension schemes. Insurance contracts shall be taken out with insurers that are authorised to pursue insurance activity in the life and sickness branches, and they may be in the form of individual or collective policies.

Law 47/2007 of 19 December 2007 amending Law 24/1988 of 28 July 1988 on the securities market.¹⁸

This is a wide-ranging Law which, in transposing Directives 2004/39/EC and 2006/49/EC, both of the European Parliament and of the Council, regulates numerous aspects relating to: (i) the solvency and supervision of investment services companies; (ii) organisational requirements for institutions providing investment services; (iii) the conditions under which such services shall be provided; and (iv) the requirements made of regulated markets, of multilateral trading facilities and of systematic internalisation, the latter two instruments having been newly created.

It is true that major changes have been introduced into the securities market (the definition of financial instruments, the new regulation of official secondary securities markets and the intro-

¹⁶. Nonetheless, if the mortgage liability figure were to increase or the loan term to extend due to this increase or extension, acceptance by the holders of a lower priority for their registered claims would be necessary. ¹⁷. It should be borne in mind, however, that the maximum amount drawable by the mortgagor shall be determined as a percentage of the appraisal value on the date of the constitution of the contract. If this percentage is reached, the elderly person or dependent shall cease to draw income and the debtor shall continue to generate interest. Upon the death of the owner or of the last of the beneficiaries, the heirs will have to settle the debt, which may be done by enforcement of the mortgage. ¹⁸. BOE of 20 December 2007.

duction of new alternative forms of trading, the creation of new investment service companies and of new investment services, the laying down of new rules of conduct and the updating of the solvency and supervisory regime). But for the purposes of this chapter the focus here will be solely on the amendments relating to the Public Debt Book-Entry Market, whose operation is overseen by the Banco de España, and on those relating to the organisational requirements for institutions providing investment services (among which CIs are the most significant in quantitative terms) and to the conditions under which they should provide such services.

Public debt market

The new Law on the Public Debt Book-Entry Market no longer solely addresses the trading of fixed-income securities represented by book entries issued by public agencies or entities. Now, other financial instruments can be traded on it provided they comply with the applicable regulations and with its technical specifications.

Although the Banco de España continues to be considered as the governing agency of the market, it is foreseen that its replacement will be as established generally for the other official secondary markets. Further, the Public Debt Book-Entry Market Advisory Committee, which supplied information on the general provisions proposed on market-related matters, among other functions, has ceased to exist.

Access to market-member status, and the revocation thereof, had hitherto required authorisation by the Ministry of Economy and Finance at the proposal of the Banco de España, further to a report from the CNMV. The procedure will now be the same as for any other market. Likewise, access to management-company status, which was also subject to date to an authorisation procedure, will now depend solely on compliance with the provisions of the market regulation.

Finally, the Banco de España is authorised so that, in the event of a Public Debt Book-Entry Market management company being declared insolvent, it may immediately arrange, and at no cost to the investor, for the transfer of the book-entry securities held on behalf of third parties to other managing companies. And this without prejudice to the rights of securities-holders to request their transfer to another managing company on their own account.

Organisational requirements of institutions providing investment services

The Law introduces the obligation for institutions providing investment services to define appropriate policies and procedures for ensuring compliance with the Securities Market legislation. To this end, they should have an organisational structure suited to the services they provide; a regulatory compliance unit; a reporting system that ensures knowledge of obligations, risks and responsibilities; appropriate organisational measures in order, first, to monitor the operations conducted personally by their managers and employees, and further, to prevent potential conflicts of interest from harming their customers; appropriate records of operations; and measures to protect the financial instruments in which customers have placed their trust.

In addition, and under the supervision of the Banco de España in the case of CIs, companies providing investment services should have suitable administrative and accounting procedures; effective internal control mechanisms and risk assessment techniques, including a compliance verification body; business continuity arrangements; appropriate measures for protecting customers' funds (which in the case of entities other than credit institutions entail the prohibition of their use on own account); and operational risk control procedures.

Rules of conduct

One of the main purposes of the reform is the effective protection of investment services customers. To this end, the Law distinguishes between three possible categories of investor to

which it grants different degrees of protection: retail customers, professional customers (those with experience, knowledge and the necessary skill to take their own investment decisions and to correctly assess their risks) and eligible counterparties (regulated professional customers and public agencies). The greatest degree of protection is granted to the first category.

Furthermore, the Law stipulates that customers should be given appropriate and comprehensible information on the company, on its financial instruments and investment strategies, on its execution venues and associated charges, and on the risks of the service offered. This information should be provided not only to current customers but also to potential ones, when it may be part of an advertising campaign.

When providing investment advice or portfolio management, the company should bear in mind both the knowledge and experience of retail customers and their financial situation and investment objectives, while for other services it is only necessary to request knowledge and experience in the investment field relevant to the specific type of product or service offered or demanded. However, when the service provided involves the execution or the reception and transmission of orders on the customer's initiative, it will suffice to comply with specific organisational and reporting conditions.

As an additional means of protection, the Law provides that any accrual by investment services companies of profits or incentives that are not in keeping with the provisions in the Law and its regulatory implementation will mean that the conduct of these companies will not be considered diligent.

3.2.3 OTHER RULES

As part of the regulatory framework this chapter addresses, particular attention should be paid to other securities market reforms, including most notably that introduced by *Law 6/2007 of 12 April 2007 reforming Law 24/1988 on the securities market, for the amendment of the regime governing initial public offerings and the transparency of issuers*; and by Royal Decrees 1066/2007 of 27 July 2007, and 1362/2007 of 19 October 2007, which implement it.

However, from the standpoint of the prudential supervision by the Banco de España of CIs and other intermediaries or financial auxiliaries, these amendments are of limited interest in that, first, they only affect listed companies or securities issuers; and further, they come under the remit of the CNMV. A straightforward listing of the key aspects these rules regulate will therefore suffice here.

Further to Law 6/2007 and the subsequent implementation thereof, the obligation to formulate an initial public offering (IPO) turns on the concept of control, a position assumed to be when a physical or legal person attains, either individually or in concert with others, and directly or indirectly, a percentage of voting rights equal to or over 30%; or when, with a lower share, this person designates over 50% of the company's board members. Nonetheless, the CNMV may dispense with this obligation when an equivalent procedure ensures protection of the legitimate interests of shareholders and of holders of securities carrying rights to subscribe to the shares. The IPO should be for 100% of the shares (the concept of a partial IPO has ceased to exist) at a fair price (the highest price paid by the offeror for the same securities in the 12 months prior to the announcement of the offering). However, the CNMV may alter this price in specific circumstances and provisions are laid down for cases where there have been no prior acquisitions. In any event, the IPO may be voluntary.

Provisions are also in place for mandatory bids (which may be invoked both by the offeror and by the shareholders if, as a result of an IPO, 90% of the capital is acquired), and rules cover

the obligations of the board of directors of the offeree company, whose actions contrary to the bid must be authorised by the general meeting of shareholders.

The Law also amends the regime governing the regular publication and dissemination of relevant information by securities issuers, including that relating to their own shares.

4 DEVELOPMENTS IN INTERNATIONAL BANKING REGULATION AND SUPERVISION
FORA IN 2007

4 Developments in international banking regulation and supervision fora in 2007

In 2007, work to implement the new solvency regulations envisaged in Basel II continued to account for a significant proportion of international committees' activities. In the European Union, 2007 was the year of debate on the revision of the Lamfalussy model and of development of co-operation mechanisms for the supervision of cross-border groups, which meant intense discussion and work for the EU's strategic supervisory committees. Also, from summer the turbulence on financial markets brought a considerable increase in their activity and affected their work plans due to the need to tackle issues directly related to the turbulence and, more specifically, to draw the lessons which the international supervisory community should learn from it.

Once again the Committee of European Banking Supervisors (CEBS) was very active issuing guides and recommendations to facilitate convergence in the implementation of Basel II in the European arena and there was a significant increase in the resources assigned to the tasks of advising the European Commission, in addition to the above-mentioned work for handling the supervision of cross-border groups in a more efficient and co-operative fashion. The Basel Committee also continued to work on the implementation of Basel II, particularly on tasks regarding the definition of capital, liquidity risk and its management and intensifying the dialogue between industry and regulators.

Furthermore, in the latter part of the year, the supervisors began to exchange information about events on financial markets in order to draw lessons from them and decide on the appropriate response of the supervisory community in regard to liquidity risk, the valuation of complex financial products and the treatment of securitisations and of risk transfer under Basel II. In the European arena, the EU Council of Ministers' meeting in October 2007 drew up a road map with the work to be carried out in this respect in 2008, emphasising these very matters, among others.

The Banco de España continued to participate in the work to prepare yearly reports and half-yearly reports on financial stability and developments in EU banking structures within the framework of the European Central Bank's Banking Supervision Committee (BSC).

In the last year the activity relating to cross-sectoral matters has increased. It is handled jointly by the three level 3 ("3L3")¹ sectoral committees of supervisors which exist in Europe, with a considerable increase in the work performed together by the "3L3" and the Interim Working Committee on Financial Conglomerates (IWCFC) for European Institutions. The regulation of substitute products, the valuation of financial instruments, commodities derivatives, cross-border acquisitions and conglomerates was prepared. Also, work was done on developing a training platform with a shared curriculum.

The Joint Forum² completed its work on risk concentration, the update of the 2005-2007 credit risk transfer report and the report on customer suitability. The three reports have been sent to the three "Parent Committees" (Basel, IOSCO and IAIS) for publication in the first half of 2008.

1. The three level 3 committees are: CEBS (banking), CESR (securities) and CEIOPS (insurance). 2. The Joint Forum is a group of experts which conducts its activity under the umbrella of three international committees of supervisors of banking (Basel Committee), securities (IOSCO) and insurance (IAIS). This activity is related to financial conglomerates and the study of topics of interest for the three committees.

ACTIVITY OF SUPERVISORY COMMITTEES IN 2007

TABLE 4.1

Number (a)

	GROUPS	MEETINGS
Committee of European Banking Supervisors (CEBS)	32	101
Groupe de Contact (GdC)	11	30
Expert Group on Capital Requirements (EGCR)	9	25
Expert Group on Financial Information (EGFI)	7	22
OTHER	5	19
Interim Working Group on Financial Conglomerates (IWCFC)	2	7
Banking Supervision Committee (BSC)	9	22
Working Group on Macroprudential Analysis (WGMA)	4	6
Working Group on Banking Developments (WGBD)	1	6
OTHER	4	6
Basel Committee on Banking Supervision (BCBS)	26	59
Policy Development Group (PDG)	12	27
International Liaison Group (ILG)	3	3
Accord Implementation Group (AIG)	3	13
Accounting Task Force (ATF)	8	12
JOINT FORUM	2	8
Working Group on Risk Assessment and Capital (WGRAC)	1	3
Working Group on Financial Conglomerates (WGCP)	1	2
TOTAL	73	197

SOURCE: Banco de España.

a. The numbers for each committee include the individuals in the groups reporting to the committee and the committee members.

Table 4.1 includes information on the groups and sub-groups (numbering more than 70) which report to the various Committees and which held nearly 200 meetings in 2007, the vast majority of them with the direct active participation, as members, of Banco de España representatives. In 2007, the Banco de España chaired four groups.³

Similarly, mention should be made of the increase of the Banco de España's activity undertaken in collaboration with the Association of Supervisors of Banks of the Americas (ASBA).

Last, but not least, it should be underlined that within the Banco de España's activity there has been a substantial increase in the tasks of supporting international technical co-operation on supervision as regards attending to and receiving delegations of foreign supervisors and tasks which require the participation of members of the Banco de España as speakers in national or international seminars for supervisors from other countries.

4.1 The work of the Committee of European Banking Supervisors⁴

2007 saw a considerable increase in the CEBS's activity in line with the plan envisaged in its programme for 2007, focusing on three main areas: the implementation of Basel II, including

³ The Basel Accord Implementation Group (AIG); the Group on Large Exposures, and the Delegation Task Force within the CEBS; and the Conglomerates Group within the Joint Forum. All the groups will continue their work in 2008. ⁴ Annex 6 of the version of this Report published on the Banco de España's website lists the documents on advisory matters and the standards and guidelines published by the CEBS in 2007.

technical advice for the European Commission, the review of the functioning of the Lamfalussy framework and the development of mechanisms for co-operation and convergence in supervisory practices for cross-border groups.

Tasks involving advice to the EC have absorbed a substantial amount of the CEBS's resources. Five specific issues were raised:

Own funds. The preparation of a report on the quantitative analysis of the types of own funds of credit institutions in the EU was completed. The report placed particular emphasis on the analysis of the impact of the differences in national implementation of EU rules on hybrids which are based on the rule known as the "Sydney Press Release". The purpose of this study is to support a possible review of the definition of own funds which is also being revised by the Basel Committee.

Large exposures. The group of experts, chaired by the BE, completed the first part of the work commissioned by the Commission to prepare a proposal on how regulation of the limits on large exposures should be adapted to new solvency regulations. It was concluded that maintaining the limits on large exposures makes sense in order to strengthen financial stability, although, certain technical aspects should be modified to take into account the new regulatory framework. In particular, greater convergence of supervision was achieved with a sharp reduction in the large number of areas open to national discretion under current regulations.

Liquidity. The CEBS continued to work on the analysis of liquidity risk as a result of the turbulence in summer.

The other two matters which completed the tasks involving advice were: the completion of the document on *supervisory practices for the commodities business and firms specialised in the commodities business* and, in collaboration with the IWCF, the *equivalence of EU, Swiss and US supervision*.

As for the work related to the review process of the Lamfalussy framework, the CEBS completed the implementation of the ECOFIN's recommendations based on the report of the Financial Services Committee (FSC) known as the Francq Report (design of a mediation mechanism, development of instruments to foster a common supervisory culture, etc.) and actively participated by contributing its experience and opinion about the process of reflection on the functioning of the Lamfalussy approach, in general, and on its own role (that of the CEBS) and resources, in particular.

Lastly, in the area of co-operation and convergence of supervisory practices, the CEBS endeavoured to achieve real convergence of practices and to strengthen relations between national supervisors. Noteworthy is its active role in the organisation and work of colleges of supervisors to achieve more effective supervision of large banking groups. In this same vein, for example, are the drafting of a template for an agreement or memorandum between supervisors involved in the supervision of the various institutions in a group, focusing on the functioning of the colleges, and the exploration of possible delegation of tasks between supervisors. Likewise, the CEBS continues to work very actively to achieve harmonised prudential statements for financial reporting (FINREP) and capital requirements (COREP). Finally, peer reviews will be an important mechanism for convergence: the CEBS has already completed the protocol and methodology for such reviews and has created a group, the Review Panel, which will undertake the first one in 2008.

In December 2002, ECOFIN decided to extend the Lamfalussy approach to financial regulation and supervision to the banking and insurance sectors in order to bring the EU regulatory and supervisory framework into line with a rapidly changing and increasingly integrated EU financial market.¹

Directive 2005/1/EC of 9 March 2005 stipulated that the first full review of the functioning of the Lamfalussy approach in the financial sectors had to be conducted at the end of 2007. To this end, the *Inter-Institutional Monitoring Group* (IIMG, originally created for the securities sector) was set up in 2005 with the remit that by the end of 2007 it was to issue a report assessing the progress made in implementation of the Lamfalussy approach and identifying possible bottlenecks.

The ECOFIN Council adopted its final conclusions on the review of the Lamfalussy approach at its meeting on 4 December 2007. It concluded that, after these initial years, the outcome is positive, with a significant increase in the efficiency and effectiveness of the EU regulatory and supervisory framework and in the quality of the legislative process.

Even so, it considered that there are a number of improvements to be made, dividing them by level.²

For *levels 1 and 2* (framework principles and technical measures, respectively), the improvements recommended are as follows:

- The transposition and implementation deadlines should be more realistic.
- It welcomes the Commission's recent practice of explaining divergences in its decisions from Level 3 technical advice, should such explanations be requested.
- Greater importance is accorded to communication with the users of financial services.
- It underlines the importance of economic impact assessments.
- It notes the need to make an effort in reducing to a minimum the national options and discretions in directives, and invites Parliament to join in this effort.
- It invites the member countries to review the options and discretions implemented in their national legislation, limit their use and report to the Commission on these findings. Also, it proposes the inclusion of a "review clause" when the legislation introduces any options and discretions.
- It invites the Commission to conduct cross-sectoral consistency checks.

For *level 3* (uniformity in transposition, advice and co-operation and convergence between supervisors), the recommendations are as follows:

- It invites the Commission, in cooperation with the level 3 committees, to study the differences in supervisory powers between countries. In addition, cross-sectoral studies are requested on the consistency, equivalence and use of powers by the various Member States and on the variance of sanctioning regimes and powers.
- It invites the Commission by April 2008 to clarify the role of the level 3 committees and strengthen the working of these committees, without unbalancing the current institutional structure.
- It invites the level 3 committees to send their draft work programmes to the Commission, the Council and the European Parliament and to report annually on the achievement of their objectives.
- It underlines the importance of including in the mandates of national supervisors the obligation to co-operate within the EU and to work towards European supervisory convergence and to take into account the financial stability concerns in all Member States.
- It invites the level 3 committees to explore the possibilities of strengthening the national application of their guidelines by the Member States, without changing their legally non-binding nature.
- It requests the level 3 committees to introduce the possibility of using qualified majority voting (instead of consensus) for certain cases, as well as the obligation that the countries not complying with the decisions taken have to explain why they have not done so.
- Given the heavy workload of these committees due to Community legislation, it invites the Commission to consider financial support under the EU budget for specific EU-wide projects that are requested from the level 3 committees. It also asks for an itemised cost-benefit analysis to be conducted before these committees are asked to undertake work that would require significant investment.
- It welcomes the level 3 committees' efforts to develop tools aimed at achieving a common supervisory culture (joint training programmes, etc.), and invites the Commission to study the possibilities for EU funding under the EU budget of such programmes.

Within the recommendations to level 3 committees, ECOFIN has included a specific section aimed at efficient and effective supervision of cross-border groups, in which it:

- Invites the Commission to review financial services Directives to include provisions to enable the use of the voluntary delega-

¹ See the 2003 and 2004 Reports on Banking Supervision in Spain. ² See Box A1.1 of the 2003 Report on Banking Supervision in Spain.

tion of tasks. In addition, the Commission, as well as the level 3 committees, are invited to analyse the options for the voluntary delegation of supervisory competences.

- It considers that the functioning of the colleges of supervisors could be enhanced by the introduction of a set of common operational guidelines referring to the rights and responsibilities of the different members. Also, it invites the committees to be the ones to set these guidelines (focusing on working procedures and on decision-making processes) and subsequently supervise their functioning.
- It invites the Commission, with the assistance of the level 3 committees, to review the financial services Directives in the area of supervisory co-operation and exchange of information between competent authorities.
- Finally, it proposes to the committees that the statements to be sent by institutions should have a common format at EU level.

Also, it invites the Commission and the committees to suggest by mid-2008 a common timetable for the remittance of these statements.

For *level 4* (compliance with EU rules) the recommendations are as follows:

- It reminds the Member States that they have to meet the deadlines set for implementing FSAP (Financial Services Action Plan) and other measures.
- It invites the Member States, with assistance from level 3 committees where needed, to adopt common formats to inform of the transposition and implementation of EU legislation.
- It stresses the importance that the required resources are allocated by the Commission to monitor accurate transposition and possible infringements.

4.2 Work of the Basel Committee on Banking Supervision⁵

The Committee's work in 2007 revolved around the implementation of Basel II and, from summer, the financial market turbulence. Notable in this connection is the work done by two of its main groups: the Accord Implementation Group (AIG) and the Policy Development Group (PDG).⁶ To this work was added other initially unplanned work which, in the case of the CEBS, derived from the financial market turbulence.

At the end of 2007 the Accord implementation Group, chaired by the Banco de España, had three sub-groups specialised in the validation of credit risk models, in the treatment of operational risk and in the trading portfolio.⁷ These groups continue to work on the exchange of experience in implementation of the Accord and on fostering convergence between the various jurisdictions. In the second half of 2007, the group focused its attention on reviewing the principles of banking supervision (Pillar 2) and began to work on Pillar 3 (market discipline).

During the year substantial progress was made in implementing co-ordination measures between home and host supervisors. Although many of the matters relating to home-host supervision are not new and it is the growing globalisation of banks that is responsible for this issue again being on the table, the fact is that Basel II has acted as a catalyst driving greater co-operation and communication, not only among supervisors, but also between supervisors and industry. Noteworthy in this respect has been the positive role that this exchange of information has played in the work of the "colleges of supervisors", where the contributions received from both individual entities and associations have been of enormous help.

The most noteworthy work carried out by the PDG is: that on liquidity risk, performed in parallel with CEBS work, that on definition of regulatory capital (analysing the characteristics of items

5. Annex 6 of the Internet version of this Report lists the documents published by the BCBS in 2007. 6. Sub-committee which began to operate in 2007, replacing the now-defunct "Capital Task Force". 7. The group specialised in the trading portfolio now reports to the PDG because its work has become increasingly focused on the preparation of rules for the treatment, in solvency conditions, of trading portfolio instruments and, in particular, on so-called incremental credit risk.

considered to be tier 1 and the differences across countries), the review of economic capital models used internally by institutions and the work on asset valuation. Work was also carried out to quantify the effect of the entry into force of Basel II on institutions' capital requirements and on incremental default risk in the trading book. Also, the PDG was the forum which initiated discussion on the lessons learned from the financial market turbulence and on the possible answers.

In 2007 the Accounting Task Force (ATF) continued working to ensure that international accounting and audit rules foster appropriate risk management at financial institutions, support market discipline through transparency and strengthen the solvency of the credit system. To this end it held high-level meetings with representatives of accounting and audit regulators, of the industry and of other international organisations and sent written comments on the most significant rules proposed for financial institutions.

Lastly, important work was carried out by the International Liaison Group (ILG) to extend the committee's debates to non-G10 supervisors.

In cross-sectoral matters, the Joint Forum, apart from completing the three reports mentioned above⁸, is examining the degree of implementation of the 1999 principles on financial conglomerate supervision. This work is being carried out by the Financial Conglomerates Group co-chaired by the Banco de España.

4.3 Work on financial stability in the ECB⁹

As in previous years, the Banco de España, as a member of the Banking Supervision Committee (BSC) of the European System of Central Banks, continued to co-operate in the work of the BSC groups and sub-groups. The main areas of work continue to be the monitoring of developments in EU banking structures, analysis of the impact of regulation on financial stability, the promotion of co-operation between central banks and supervisory authorities and the provision of support to EU activities in international fora.

As regards the first two, the Banco de España helped to prepare the reports regularly released by the respective groups: the yearly report on developments in banking structures, the yearly report on banking sector stability in the EU and the two half-yearly reports on financial stability published in 2007.

The yearly report on banking structures includes two (brief) special studies: one on liquidity risk management and another on retail banking product distribution channels. That on financial stability includes a special chapter on bank exposures in the mortgage market.

4.4 Association of Supervisors of Banks of the Americas (ASBA)

In 2007 the Banco de España stepped up its co-operation with the ASBA, which groups together banking supervisors in the Americas. The Banco de España, as an associate member since 2006¹⁰, participates in the governing bodies of the Association, in its management bodies, in its empowerment plans and in its working groups.

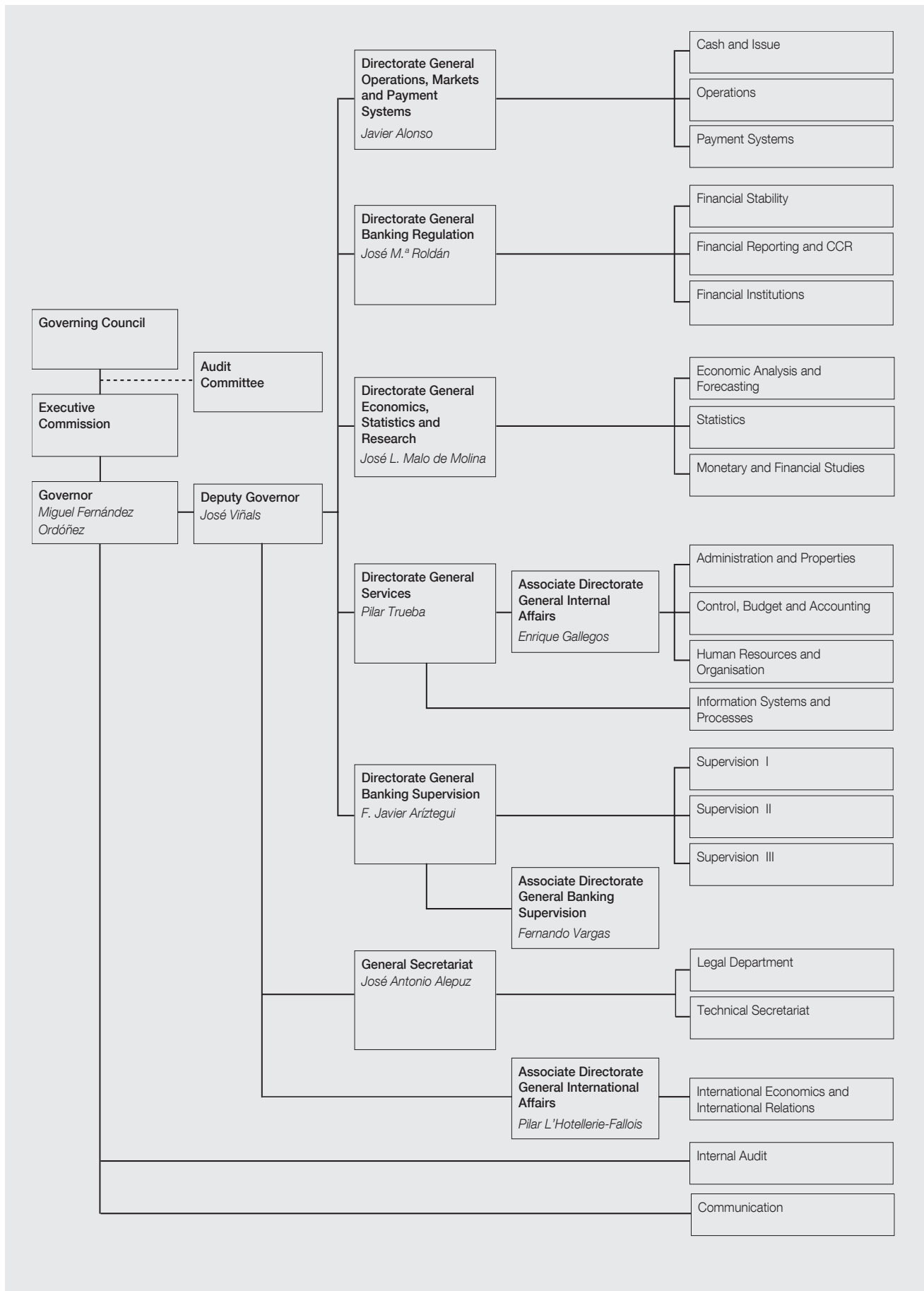
In the area of empowerment, two seminars were held (in May in Mexico DF and in October in Lima) on the most significant and controversial issues of the standardised and advanced approaches to credit risk under Pillar 1 of Basel II. Also, with the co-participation of CEMLA, a seminar was held in March on practical applications of the XBRL standard at central banks and banking supervisors, also in Mexico DF.

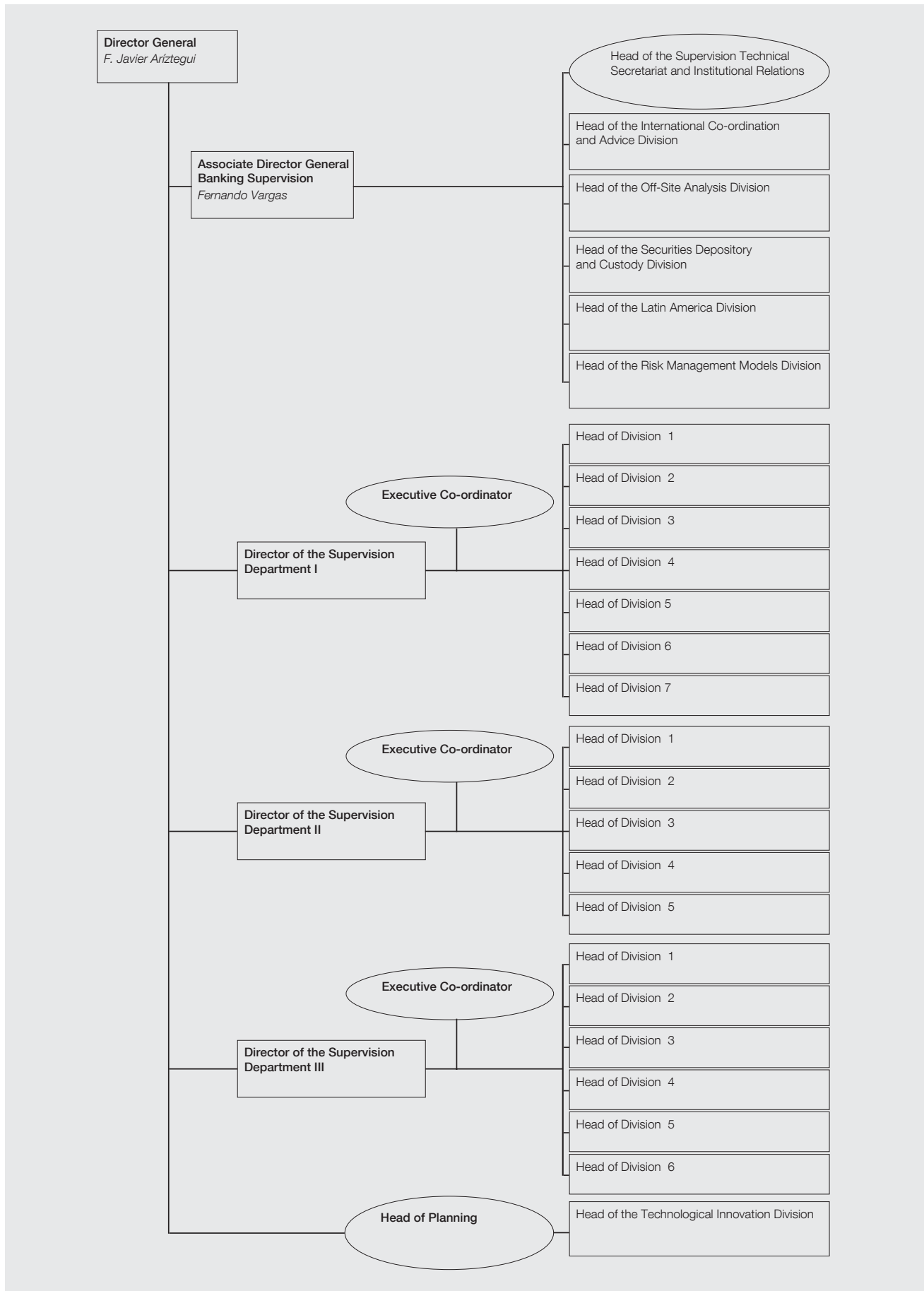
⁸. Risk concentration, update of the report on credit risk transfer 2005-2007 and the report on customer suitability. ⁹. Annex 6 lists the documents on financial stability published by the ECB in 2007. ¹⁰. On 2 October 2006 the Assembly approved the Banco de España's change in status from collaborating member to associate member.

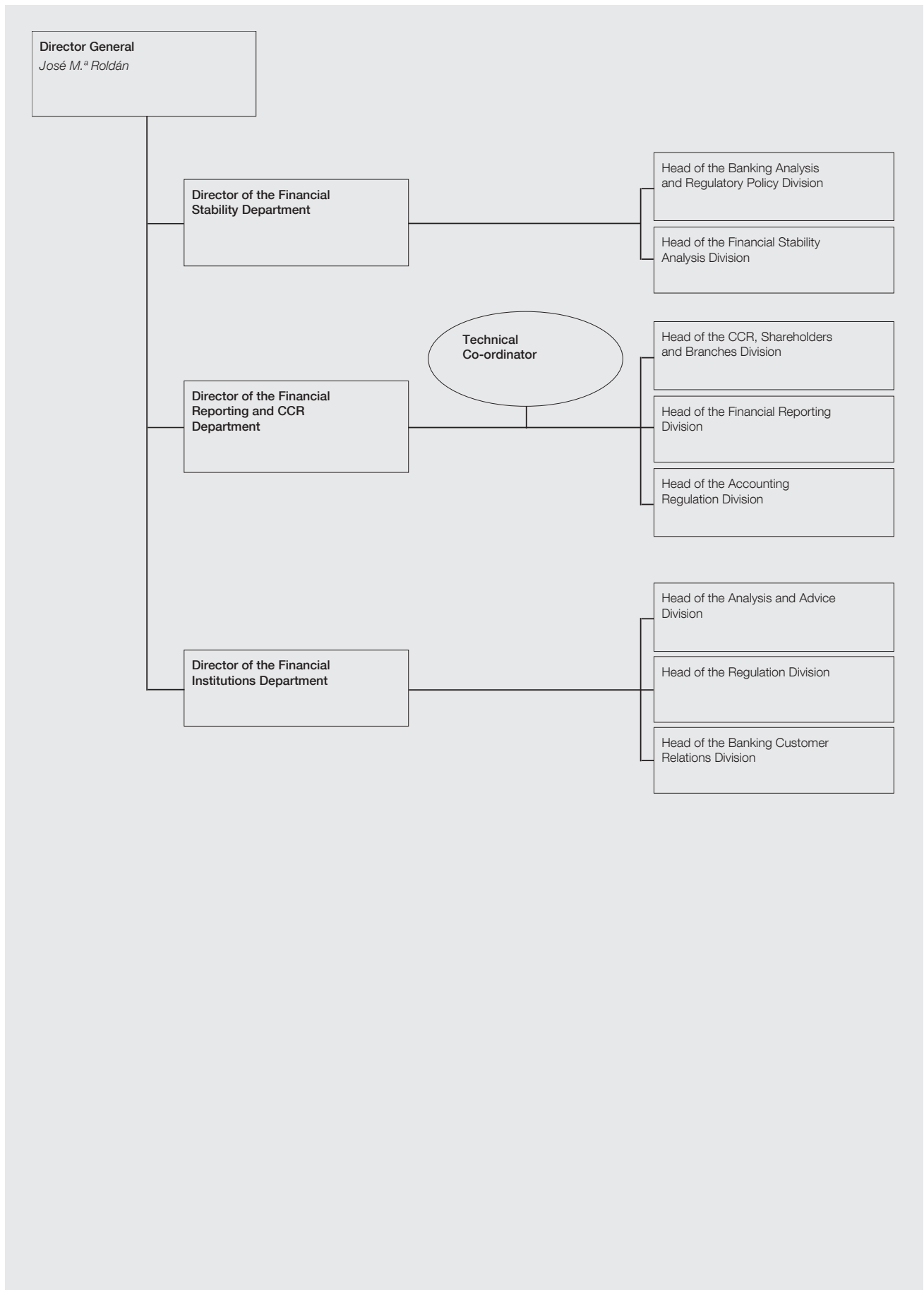
Within the framework of co-operation with ASBA on training, for the first time Latin American countries were offered five places on each course given under the continuous training programme of the Banco de España's Directorate General Banking Supervision. Under this programme, supervisors of several Latin American countries attended.

In 2007 the Banco de España participated in the ASBA working group on consolidated supervision. Its aim is to prepare a document setting out the obstacles to effective consolidated supervision in Latin America and to identify the best practices and the challenges in this connection in the various countries. Its work will foreseeably be completed next July with the publication of the ASBA report.

ANNEX 1 ORGANISATION OF BANKING SUPERVISION AT THE BANCO DE ESPAÑA AT
31.12.07







SUPERVISION AND REGULATION STAFF IN 2007

TABLE A.1.4

Number

	GENERAL MANAGEMENT	
	SUPERVISION	REGULATION
Directors and other managers	35	24
Bank examiners	236	2
Senior analysts	7	12
IT auditors	41	—
Junior analysts	55	51
Administrative staff	50	50
TOTAL	424	139

SOURCE: Banco de España.

ANNEX 2 ACTIVITY, RESULTS AND SOLVENCY OF CREDIT INSTITUTIONS

Activity, results and solvency of credit institutions

In 2007, the activity, results and solvency of credit institutions (CIs) and their consolidated groups were affected by the high rate of growth of activity in Spain and its gradual deceleration from the middle of the year, along with a poorer growth outlook for the world economy. Also exerting a significant influence was the turbulence on international financial markets that arose when financial agents became aware of the negative impact of the increase in the default rate for sub-prime mortgage loans granted in the United States. This has not only affected the solvency and profitability of US financial institutions, particularly investment banks, but has also been transmitted internationally through complex structured products (resecuritisations), that are frequently hard to value. In addition, the impact of these mortgage losses has been exacerbated by the difficulty of identifying the final investors who bore the risk, generating a climate of mistrust that has ultimately affected other activities and markets that bear little relation to US mortgages. Against this background of distrust and sharp widening of the yield differentials demanded (which has also had an adverse effect on company share prices), there was a drastic reduction in liquidity in the money and capital markets.

Although Spanish CIs are not exposed to the risks of US sub-prime mortgages, they have not been able to avoid the indirect effects mentioned above. They thus placed great importance on liquidity management, seeking alternative financing in their traditional retail banking activity, while moderating the growth of their lending. In addition, they increased their room for manoeuvre through a fresh rise in securitisation, not with a view to placing the resulting securities on the market immediately, but to ensuring that they have a large amount of collateral that can be used to obtain liquidity. Profits surged, with higher returns on both assets and equity. The activities of CGs and their international presence contributed to risk diversification and to the stability of the activity and results of the Spanish banking system.

The solvency of the institutions remained well above the regulatory minimum levels, although the solvency ratio declined slightly. Also, the weight of tier 1 capital in total eligible capital increased, raising the quality of the latter from the prudential viewpoint. Minimum capital requirements for CI subsidiaries included in consolidated groups were, as is becoming usual, comfortably met (225% of the level of coverage). Finally, the information sent by mixed groups and financial conglomerates supervised by the Banco de España (BE) implies that insurance activities once again strengthened the solvency of the CGs included in them, since the latter's surplus of €46.7 bn rises to €50 bn in the case of mixed groups and financial conglomerates.

1 Activity of credit institutions and their consolidated groups¹

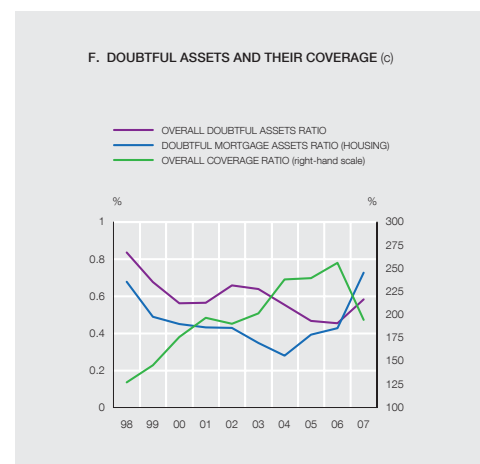
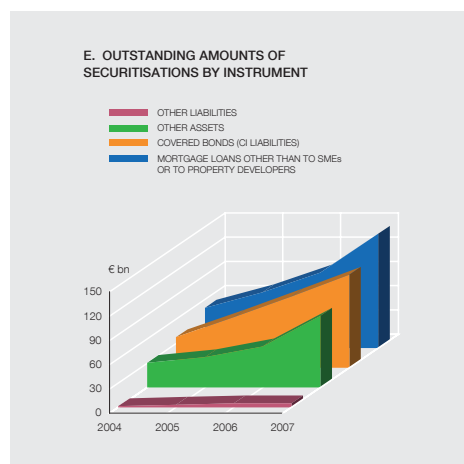
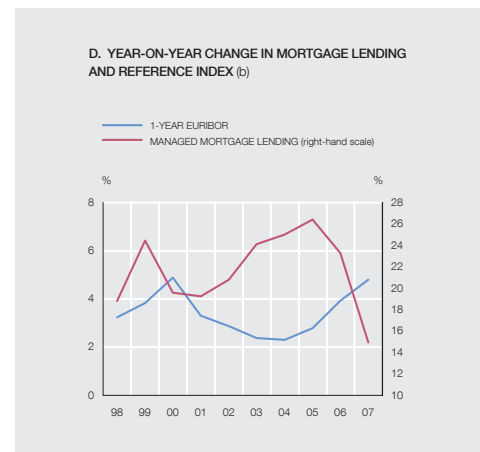
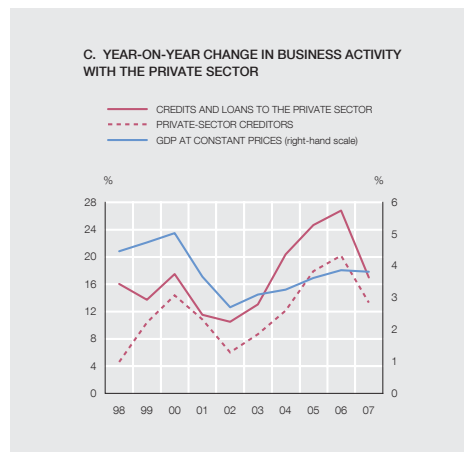
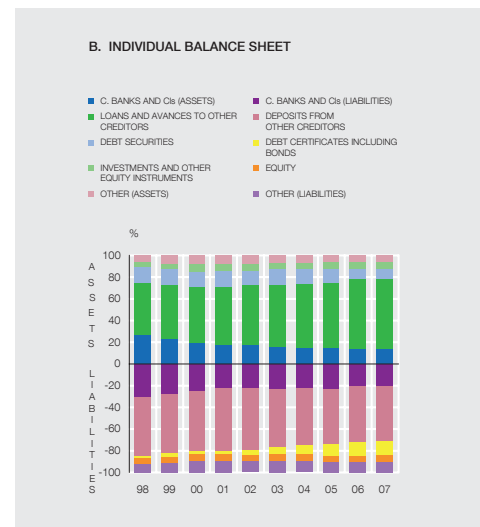
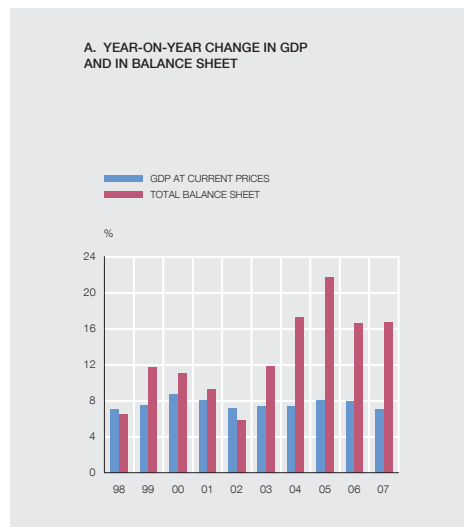
In 2007, Spanish CIs maintained the high rate of activity of the previous year, their balance sheet growing by 16.7% (see Chart A.2.1 A). This dynamism was largely attributable to financing to the resident private sector (the largest assets item, in absolute terms) which, despite slowing with respect to previous years, grew at the same rate as total assets. Mortgage lending rose by 15.3% with respect to the previous year, so that its relative importance in the balance sheet remained practically unchanged, although the component of financing for house

1. Although the data in the Banco de España's Report on Banking Supervision (RBS) are consistent with those contained in the Financial Stability Report (FSR), which is also produced by the Banco de España, they do not necessarily coincide precisely. There are various reasons for this, including the different scope of analysis (credit institutions in the RBS and deposit institutions in the FSR).

ACTIVITY OF CREDIT INSTITUTIONS (a)

CHART A.2.1

Total business. Year-end data



SOURCES: INE and Banco de España. Data available at end-February 2008.

- a. The data in this chart refer to the institutions active at each year-end.
- b. Managed mortgage lending includes mortgage lending to the resident private sector held on the balance sheet and that removed from the balance sheet due to transfer to third parties but the management of which is retained, as may be the case in asset securitisation.
- c. The overall doubtful assets ratio is defined as doubtful assets as a percentage of total lending in the total business of CIs. The doubtful resident mortgage assets ratio is defined, for business in Spain, as doubtful assets as a percentage of credit to the resident private sector for house purchases. The overall coverage ratio is defined as the sum of allowances, provisions and valuation adjustments as a percentage of total doubtful assets.

purchases grew at a lower rate. Trading derivatives and investments increased at rates well above those of the balance sheet, so that their weight in the balance sheet rose to 4% (up 0.7 pp from the previous year).

The structure of credit to the resident private sector changed slightly, with a continuation of the trend that began in 2005. Thus, the share of credit for productive activities continued to increase at the expense of credit to households, which fell to 45% of total credit (down almost 2pp from 2006).

Doubtful assets grew by 51.3% in 2007 (as against 16.3% in 2006), largely as a consequence of the rise in interest rates, given the preponderance of financing to other debtors at variable rates (three quarters of such financing), but also as a logical result of the sharp increase in credit in recent years, given the time lag between the granting of financing and the manifestation of default. This increase caused the doubtful assets and past-due ratios to rise in 2007, although in historical and international terms they remained low. Thus, doubtful assets rose to 0.58% of total lending (from 0.45% in December 2006). As for mortgage credit for house purchase, its past-due ratio rose by 30 bp, to 0.73%, one reason for this being that it is the component that has been most affected by the slowdown in lending. Although provisions increased by 14%, they grew by less than doubtful assets, but their amount is still more than twice that of the latter (see Chart A.2.1 F).

On the financing side, deposits from other creditors grew by 13.4% in 2007, time deposits standing out with growth of 26%. CIs offered very competitive returns on this type of deposit, which led to a slight fall in relative terms in overnight deposits. To finance the growth of activity, deposits from other creditors were supplemented by the issuance of debt certificates including bonds (commercial paper, mortgage securities), the outstanding amount of which grew by 25.3%, and by financing from credit institutions and from the European Central Bank, allotted in its ordinary liquidity tenders, which grew by 18%. Despite this growth, as at end-2007 the net loan obtained from the ECB by Spanish CIs accounted for only a small portion of their liabilities (1.3%) and represented barely 10% of the total financing granted by the ECB in the Eurosystem, in line with the weight of the Spanish economy in the euro area.

As regards the various institutional groups, commercial banks recorded the largest increase in cash and deposits with central banks (+16 pp), while savings banks lost share in respect of this item (-12 pp). At the same time, commercial banks and savings banks increased their weight in terms of holdings of debt securities and trading derivatives at the expense of the share of branches of foreign CIs which, in contrast, increased their share in loans and advances to other debtors by 0.6 pp at the expense of commercial banks and SCIs. In this respect, the acquisitions of SCIs by foreign branches must be taken into account. On the liabilities side it is worth noting that savings banks were the most active issuers of marketable securities, which enabled them to raise their share by more than 2 pp, basically at the expense of commercial banks.

With respect to securitisation, the market situation did not dissuade institutions from continuing this activity, the volume of issuance growing by 46.3%. While waiting for markets to return to normal, traditional asset securitisation enhances the liquidity management capacity of Spanish CIs by converting illiquid assets into securities that are eligible collateral in refinancing operations. In short, liquidity risk has triggered some of the most recent episodes of banking difficulties in other countries and it has been given special attention by Spanish CIs, this attention being favourably viewed by the Banco de España.

Against this background, CIs concentrated on the securitisation of high credit quality assets such as mortgage loans for house purchases, which grew by 62% (31% in 2006). The securitisation of loans to firms and other assets, such as leasing agreements or securities, also grew significantly and, for the first time in 2007, interbank loans were securitised, with a value of €13bn. In contrast to its buoyancy in 2006, the securitisation of consumer loans and loans to SMEs fell in 2007. Meanwhile, the securitisation of liabilities was focused exclusively on covered bonds and grew more slowly than in previous years. As for the distribution of securitised liabilities by originating institutions and issuers, while savings banks securitised 22% more than in 2006, commercial banks more than doubled their activity, which accounted for more than 50% of all issuance.

The activity of CGs grew at the same rate as in 2006 (14.8%) and the total balance sheet exceeded €3.3 trillion. The consolidated data confirmed the basic aspects already mentioned at the individual level. On the assets side, cash and deposits with central banks increased by 80% (6% in 2006); the growth of loans and advances to other debtors moderated to 15% (24% in 2006); and investments in associates almost doubled, to around 2% of the balance sheet. On the liabilities side, deposits from central banks and from credit institutions increased by 16% (as compared with a slight decline in 2006), deposits from other creditors maintained the same growth rate as in the previous year (13%), and minority interests, a relatively marginal item, rose by 90%.

The relative contributions to the total consolidated balance sheet of business in Spain and business abroad remained fairly stable overall, standing at 78.9% and 21.1%, respectively, as at end 2007. However, there were significant changes in certain assets items, notably: (i) cash and deposits with central banks increased to a greater extent in business in Spain, but even so represented only 68.6% of the total consolidated balance sheet (58.9% in 2006), less than the weight of business in Spain (78.9%); (ii) the holding of investments in associates by GCs gained importance in business abroad, rising to 46.4% (12.6% in 2006). On the liabilities side, the weight of deposits from central banks and credit institutions increased in business in Spain, as did that of certain minor items, such as subordinated liabilities and minority interests. As regards the geographical distribution abroad of the assets of consolidated groups, the EU accounted for over 50% and Latin America for around one third.

2 Results of credit institutions and of their consolidated groups

The income statements of CIs reflected a very favourable performance despite the tightening of financing conditions stemming from the international financial turbulence recorded from summer 2007. The profits of CIs as a whole totalled €25.8 bn, up 30.7% from 2006, and represented 0.97% of average total assets (ATA) (0.87% in 2006) and 18.3% of equity (16.1% in 2006). The improvement in the efficiency ratio to 44.4%, from 48.7% in 2006, contributed to this positive outcome (see Charts A.2.2 A, A.2.3 C and D).

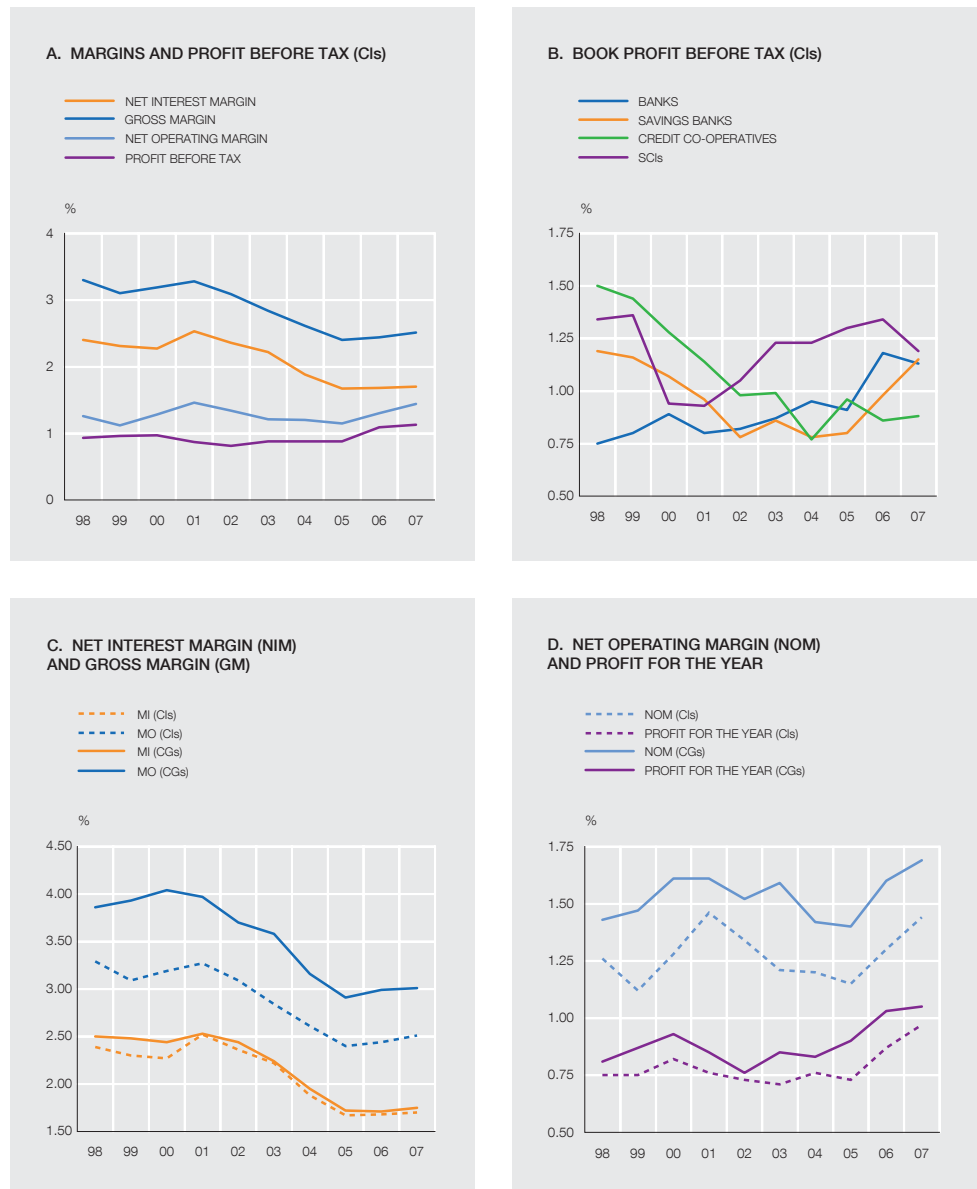
The favourable behaviour of profits was reflected in the various margins of the income statement, to a greater or lesser extent. The margins that improved most were gross income (GI), given the better behaviour of non-interest income relative to net interest income (NII); net operating income (NOI), owing to the moderation in operating expenses; and profit before taxes and, even more so, after taxes, given the fall in taxes on profits as a consequence of the tax changes during the year.

NII increased by 18.4% (18.8% in 2006) and, as a percentage of ATA, by 2 bp to 1.68%. This slight improvement in net interest income against a background of tightening financing conditions was made possible by the positive impact of the rise in interest rates on the profitability of assets financed with own funds. As a result, the contribution of the latter to NII rose from

PROFIT AND MARGINS OF CREDIT INSTITUTIONS AND OF THEIR CONSOLIDATED GROUPS (a)

CHART A.2.2

Percentage of ATA. Yearly data



SOURCE: Banco de España. Data available at 29 February 2008.

a. The data in this chart refer to the institutions active at some time during each year. The label "Cis" denotes individual data; "CGs" denotes consolidated data, among which are included those relating to individual Cis not belonging to any CG.

18% to 21.5% of NII. Financial income increased by 42.1%, while financial costs increased by 59.2%, as a result of a decline in the total spread² by 6 bp to 1.52% in 2007 (see Charts A.2.3 A and B).

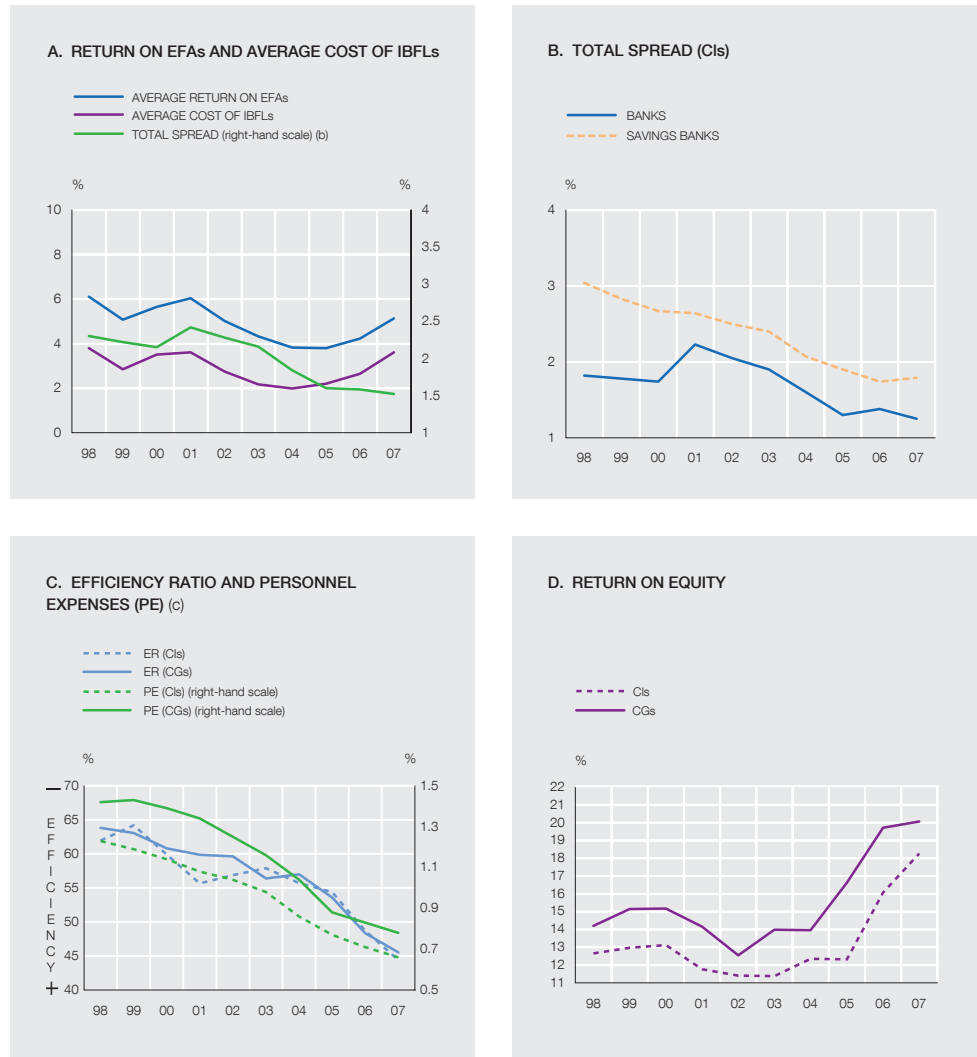
Non-interest income boosted the dynamism of net interest income, leading to a 21% increase in GI, which represented 2.51% of ATA (2.44% in 2006). Compared with a moderate increase

2. Defined as the spread between the average return on earning financial assets (EFAs) and the average cost of interest-bearing financial liabilities (IBFLs).

**RETURNS AND EFFICIENCY OF CREDIT INSTITUTIONS
AND OF THEIR CONSOLIDATED GROUPS (a)**

CHART A.2.3

Yearly data



SOURCE: Banco de España. Data available at end-February 2008.

- a. The data in this chart refer to the institutions active at some time during each year. The label "CIs" denotes individual data, among which are included those relating to CIs not belonging to any CG.
- b. Total spread is defined as the average return on EFAs minus the average cost of IBFLs.
- c. The efficiency ratio is defined as operating expenses over gross income and personnel expenses are expressed as a percentage of ATA.

in net income from fees and commissions (+10.8%), the gains on financial assets and liabilities grew by 70.2%, this growth began driven by the sale of significant investments, with an increase of 125% in gains on available-for-sale assets. In relation to fees and commissions, which continued to be the most important component of non-interest income (they accounted for 0.53% of ATA as against 0.29% of gains on financial assets and liabilities) the 25% growth in those relating to securities service is notable, while at the other extreme, those corresponding to contingent exposures and commitments, which grew by only 3.2%.

Operating expenses, which include personnel expenses as their main item, maintained the moderate growth trend (10%) of previous years. This resulted in a further decline in this item relative to ATA, to 1.11% (down 8 bp from 2006). This drive to moderate the growth of operat-

ing expenses, and the positive developments in GI, made possible the improvement in the efficiency ratio mentioned above.

As a consequence of the favourable behaviour of GI and of the containment of operating expenses, net operating income grew by 30%, with a gain of 14 bp in terms of ATA, to 1.44%, which enabled the deterioration in the lower part of the income statement where provisioning expenses and write-downs are located to be absorbed relatively easily. Total provisioning expenses, write-downs and other grew by 66.4%, or 9 bp of ATA, owing to the losses arising from the deterioration in assets, and despite the decline in net provisioning expenses. In line with the foregoing, the profit before taxes of CIs grew by 23%, to stand at 1.13% of ATA (1.09% in 2006).

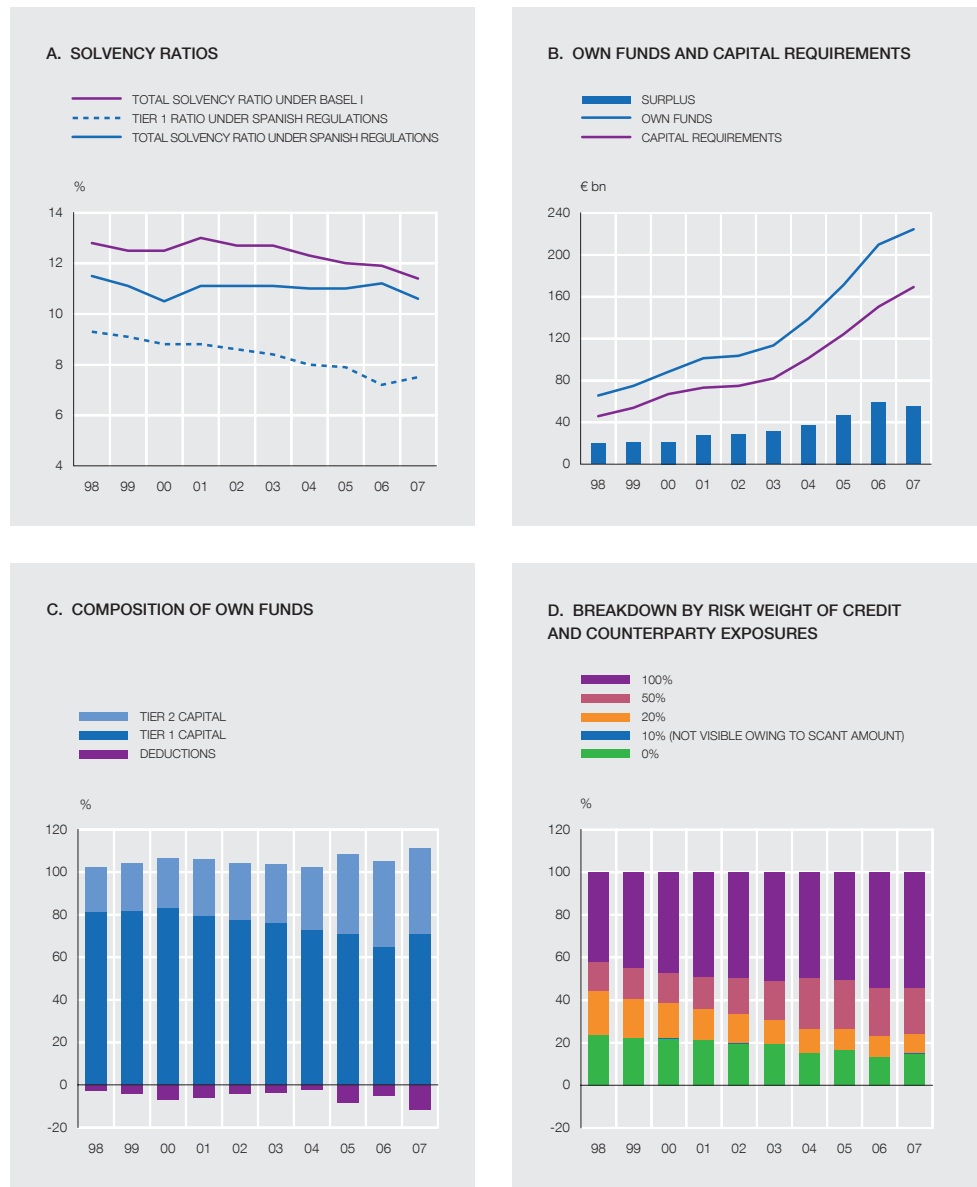
By institutional group, the main margins and profits displayed mixed behaviour (see Chart A.2.2 B). The financial income of savings banks increased by 54%, 20 pp more than that of commercial banks, and their financial costs increased by 68%, as compared with 51% in the case of commercial banks. As a result, while the commercial banks recorded a 9% increase in NII, which resulted in an 11 bp fall to 1.43% in terms of ATA, savings banks recorded growth in NII of 29%, which took this margin to 1.95% of ATA (up 12 bp from 2006). These differences in NII were passed through to the other margins, so that the profit for the period grew by 55% in the case of savings banks and 17% in that of commercial banks. In terms of ATA, savings banks increased their profit by 21 bp, to 1.01%, while the commercial banks increased theirs by 1 bp, to 0.95%.

The developments in the income statements of Spanish CGs were somewhat less positive than those observed for the CIs at the individual level, so that the gap that exists in favour of the CGs in the various margins of the income statement in terms of ATA (see Charts A.2.2 C and D) narrowed slightly. However, the efficiency ratio of CGs improved by almost 3 pp, falling to 45.5% (44.3% for CIs). The return on equity (ROE) increased by 0.4 pp to 20.1% (18.3% for CIs). The portion of profits corresponding to groups grew by 19.6%, to reach 1.01% of ATA, as against growth of only 2.6% in profit corresponding to minority interests.

In terms of ATA, all the margins grew in 2007, although at a slower rate than in 2006, except for net interest income which grew by 19.2%, with a rise of 4 bp in terms of ATA, to 1.75%. However part of this gain in terms of ATA was not passed through to GI, whose growth of 16.8% was translated into only 2 bp of ATA, as a consequence of the smaller contribution at the consolidated level of net gains or losses on financial assets and liabilities. The operating expenses of CGs behaved very similarly to those of individual CIs. Conversely, the negative impact of provisioning expenses, write-downs and other was greater for CGs than for CIs. Thus, the profit before taxes of CGs grew by 11.4%, as against 22.6% in the case of CIs. In terms of ATA, the profit before taxes of CGs declined by 6 bp, to 1.31%. Taxes on profits also fell at the consolidated level, enabling the profits of CGs to grow slightly, by 2 bp of ATA (10 bp in the case of CIs), to 1.05%.

Continuing with the comparison of the profits of CGs with those of CIs, it can be seen that the profits of commercial bank CGs had a more favourable impact than savings bank CGs. While the profits of commercial bank CGs rose from 1.05% of ATA in 2006 to 1.09% in 2007 (from 0.94% to 0.95% in the case of commercial banks), those of savings bank CGs fell from 1.03% to 1.02%. As a result, not only was the performance of the commercial bank CGs more positive, but also the level of their profits relative to ATA was higher, unlike in the case of individual CIs.

Year-end data



SOURCE: Banco de España. Data available at 18 March 2008.

a. The data in this chart refer to the CGs and to the individual Cis not belonging to any CG existing at year-end.

3 Solvency of consolidated groups of credit institutions

As at end-2007, CGs had eligible own funds of €224.4 bn, as compared with capital requirements of €169.2 bn, and consequently the solvency ratio calculated in accordance with Spanish regulations stood at 10.6%. This solvency ratio would have been approximately 11.4% had the Basel Accord (Basel I), which is in certain respects less demanding than Spanish regulations, been more strictly applied. Meanwhile, the decline that had been occurring in the tier 1 solvency ratio³ was checked, and it recovered by 3 bp to 7.5%. Own funds grew by less than capital requirements (7% and 13%, respectively), so that surplus capital fell slightly (see Chart A.2.4 A and B).

3. The ratio of tier 1 capital (consisting mainly of capital and reserves) to capital requirements.

The slowdown in the growth of eligible own funds in 2007 occurred despite the 17.3% growth in tier 1 capital, and was a consequence of the moderate 7% increase in tier 2 capital⁴ and, especially, of the sharp increase in the deductions applied to total own funds, which rose from €10.6 bn to €25.6 bn.

Tier 1 capital amounted to €159.5 bn and displayed positive behaviour thanks to the fact that the increase in disclosed reserves, along with the increase in the net reserves in consolidated companies, more than offset the increase in the deduction of consolidation goodwill. Thus, tier 1 capital rose to 71.1% of eligible own funds from 64.8% in 2006 (see Chart A.2.4 C).

In 2007, subordinated financing maintained the trend growth observed in previous years, rising by 10% to €44.4 bn, although its amount is still well below the limit of 50% of tier 1 capital.

Capital requirements increased by 12.5%, a slowdown from the increases of more than 20% in previous years. The weight of requirements for credit and counterparty risk increased to 95.8% of the total (94.9% in 2006). The decline of 20% in the requirements arising from trading book exposures calculated by standard methods was significant. This decline was not sufficiently offset by the increase in trading book requirements calculated using internal models.

As can be seen in Chart A.2.4 D, the distribution of exposures subject to credit and counterparty risk, according to the risk weightings applicable, was highly stable (see Chart A.2.4 D). However, it should be noted that an improvement was perceived in 2007 in the credit risk profile of CGs, since the average weighting of exposures fell to 66.8% from 67.4% in 2006, largely thanks to the growth of the group of exposures weighted at 0% at the expense of other weighting groups.

In CGs as a whole, the amount of large exposures subject to a limit⁵ grew by 14% in 2007, although as a percentage of own funds, they declined to 57.9% from 60.9% in 2006. Also, on aggregate, the largest large exposures, taking for each CG the largest exposure to a third party borrower or economic group, reached 19.3% of own funds (as against the legal limit of 25%), while the total largest exposures to an unconsolidated entity belonging to the CG stood at 2.9% (as compared with the applicable limit of 20% of own funds).

4. In 2006 tier 2 capital grew by 33% owing to certain regulatory changes. The entry into force of Banco de España Circular CBE 2/2006 of 30 June 2006 introduced two new elements of eligible tier 2 capital. After applying certain percentages, the gains (net of losses) on debt securities and on equity instruments classified as available-for-sale financial assets could be included in tier 2 capital. In addition, the provision on the entry into force of this Circular established that consolidated groups and individual institutions would be able to modify the December 2005 return to incorporate the new components. As a result, certain CGs recorded almost €6bn as tier 2 capital in 2005. However, the bulk of these gains were recorded in 2006, when they totalled €12 bn. In 2007, the gains remained practically unchanged and, therefore, made no contribution to the growth of tier 2 capital. The second of the newly eligible elements, the general loan loss provision, up to the limit of 1.25% of the exposures used as the basis for its calculation, grew by 10% in 2007, to €21 bn, which contrasts again with the 100% growth recorded in 2006. 5. Exposures to a borrower or group are considered "large exposures" when their value exceeds 10% of the CG's own funds. They may not exceed 25% of own funds when they are to a non-group borrower or group, or 20% in the case of all the unconsolidated entities belonging to the CG's economic group.

ANNEX 3 FINANCIAL AND STATISTICAL INFORMATION ON CREDIT INSTITUTIONS

SERVING EMPLOYEES, OPERATIONAL BRANCHES, ATMs AND AGENTS OF CIs

TABLE A.3.1

Year-end data

	ACTIVE INSTITUTIONS	SERVING EMPLOYEES			OPERATIONAL OFFICES	ATM	CARDS ('000)	POINT-OF-SALE TERMINALS ('000)	AGENTS	EMPLOYEES PER OPERATIONAL BRANCH	PER 10,000 INHAB. OVER 16 YEARS OLD				CARDS PER INHAB. OVER 16 YEARS OLD
		TOTAL	OF WHICH: AT OFFICES	HOURS WORKED (MILLIONS)							SERVING EMPLOYEES	OPERATIONAL OFFICES	ATM	POINT-OF-SALE TERMINALS	
TOTAL CIs															
2004	344	247,175	188,679	399	40,682	53,624	76,402	1,066	4,836	4.6	68.6	11.3	14.9	296	2.1
2005	345	254,121	193,693	418	42,074	55,610	82,564	1,124	5,239	4.6	69.3	11.5	15.2	307	2.3
2006	350	263,386	200,472	432	43,783	57,804	89,989	1,312	11,163	4.6	70.7	11.8	15.5	352	2.4
2007	354	277,045	205,639	453	45,597	60,899	94,144	1,353	11,849	4.5	73.1	12.0	16.1	357	2.5
Banks															
2004	136	110,101	81,835	184	14,199	19,051	26,573	464	4,444	5.8	30.6	3.9	5.3	129	0.7
2005	138	111,298	82,830	189	14,577	19,602	29,122	501	4,824	5.7	30.4	4.0	5.3	137	0.8
2006	141	113,062	83,703	189	15,132	19,995	33,933	612	10,339	5.5	30.4	4.1	5.4	164	0.9
2007	150	117,570	81,796	196	15,578	20,443	35,615	669	11,465	5.3	31.0	4.1	5.4	177	0.9
Domestic															
2004	52	95,135	75,036	159	12,848	17,658	22,847	451	4,226	5.8	26.4	3.6	4.9	125	0.6
2005	52	95,585	75,595	160	13,267	18,382	24,358	492	4,430	5.7	26.1	3.6	5.0	134	0.7
2006	52	97,033	76,625	162	13,834	18,796	28,036	602	4,624	5.5	26.1	3.7	5.0	162	0.8
2007	52	99,848	74,798	167	14,213	19,155	28,990	660	4,764	5.3	26.3	3.8	5.1	174	0.8
Foreign subsidiaries															
2004	23	10,974	6,215	18	1,229	1,376	3,390	13	183	5.1	3.0	0.3	0.4	4	0.1
2005	21	11,150	6,541	20	1,181	1,203	4,022	8	356	5.5	3.0	0.3	0.3	2	0.1
2006	20	10,893	6,305	18	1,161	1,181	4,646	10	5,670	5.4	2.9	0.3	0.3	3	0.1
2007	19	11,612	6,121	19	1,214	1,270	5,175	9	6,592	5.0	3.1	0.3	0.3	3	0.1
Foreign branches															
2004	61	3,992	584	7	122	17	335	—	35	4.8	1.1	—	—	—	—
2005	65	4,563	694	8	129	17	742	—	38	5.4	1.2	—	—	—	—
2006	69	5,136	773	9	137	18	1,250	—	45	5.6	1.4	—	—	—	—
2007	79	6,110	877	10	151	18	1,451	—	109	5.8	1.6	—	—	—	—
Savings banks															
2004	47	113,408	91,097	178	21,529	30,355	34,210	533	260	4.2	31.5	6.0	8.4	148	0.9
2005	47	118,072	94,483	191	22,443	31,585	34,663	544	294	4.2	32.2	6.1	8.6	149	0.9
2006	47	124,139	99,459	200	23,457	33,187	36,174	618	689	4.2	33.3	6.3	8.9	166	1.0
2007	46	131,933	106,050	210	24,637	35,622	37,461	592	258	4.3	34.8	6.5	9.4	156	1.0
Credit co-operatives															
2004	83	17,650	13,697	28	4,563	4,218	3,609	68	81	3.0	4.9	1.3	1.2	19	0.1
2005	83	18,395	14,285	28	4,657	4,423	4,367	79	71	3.1	5.0	1.3	1.2	22	0.1
2006	83	19,382	14,966	31	4,771	4,622	4,477	81	68	3.1	5.2	1.3	1.2	22	0.1
2007	82	20,429	15,630	34	4,953	4,834	4,659	91	64	3.2	5.4	1.3	1.3	24	0.1
SCIs															
2004	78	6,016	2,050	10	391	—	12,010	—	51	5.2	1.7	0.1	—	—	0.3
2005	77	6,356	2,095	10	397	—	14,411	0	50	5.3	1.7	0.1	—	—	0.4
2006	79	6,802	2,344	11	423	—	15,406	0	67	5.5	1.8	0.1	—	—	0.4
2007	76	7,113	2,163	11	429	—	16,409	0	62	5.0	1.9	0.1	—	—	0.4

SOURCE: Banco de España. Data available at 5 March 2008.

a. CIs existing at each date.

b. The population figure used as the denominator in the calculation of these ratios is the total Spanish resident population over 16 years of age according to the Spanish Labour Force Survey (EPA), while the numerator takes total business of CIs 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.

BREAKDOWN OF ACTIVITY OF CIs (a)

TABLE A.3.2

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

	2004	2005	2006	2007	MEMORANDUM ITEM: 2007		
					STRUCTURE		% ANNUAL Δ
					%	CHANGE IN PP	
BALANCE SHEET TOTAL	1,747,033	2,126,090	2,478,407	2,893,184	100.0	0.0	16.7
ASSETS:							
Cash and central banks	21,032	24,368	29,408	61,341	2.1	0.9	108.6
Loans and advances to credit institutions	246,330	293,033	320,302	347,993	12.0	-0.9	8.6
Of which: interbank	172,873	207,012	226,684	261,448	9.0	-0.1	15.3
Loans and advances to other debtors	1,022,564	1,265,941	1,594,669	1,860,626	64.3	0.0	16.7
Resident general government	40,096	41,337	41,862	43,889	1.5	-0.2	4.8
Resident private sector	944,530	1,173,834	1,475,481	1,720,423	59.5	-0.1	16.6
Of which: commercial credit	64,237	75,393	85,387	90,825	3.1	-0.3	6.4
Of which: secured by a mortgage	552,670	709,716	883,989	1,018,982	35.2	-0.4	15.3
Non-residents	37,938	50,769	77,326	96,313	3.3	0.2	24.6
Debt securities	231,638	285,540	233,872	266,274	9.2	-0.2	13.9
Other equity instruments	37,394	48,530	67,915	65,126	2.3	-0.5	-4.1
Trading derivatives	23,017	36,184	45,894	68,615	2.4	0.5	49.5
Other financial assets	11,727	17,092	26,354	26,982	0.9	-0.1	2.4
Hedging derivatives	18,455	19,394	14,076	13,139	0.5	-0.1	-6.7
Investments	71,755	76,538	83,574	116,625	4.0	0.7	39.5
Insurance contracts linked to pensions	9,912	9,854	10,252	9,965	0.3	-0.1	-2.8
Fixed assets	24,558	25,221	26,816	28,117	1.0	-0.1	4.9
Tax assets	17,006	17,123	16,580	18,917	0.7	0.0	14.1
Other assets	11,643	7,272	8,696	9,465	0.3	0.0	8.8
LIABILITIES AND EQUITY:							
Deposits from central banks and from CIs	393,027	498,811	503,775	596,636	20.6	0.3	18.4
Deposits from other creditors	910,025	1,078,908	1,294,232	1,467,672	50.7	-1.5	13.4
Resident and non-resident general government	45,248	59,234	68,955	79,633	2.8	0.0	15.5
Resident private sector	768,203	929,806	1,137,031	1,282,651	44.3	-1.5	12.8
Unadjusted overnight deposits	348,629	400,601	452,358	442,390	15.3	-3.0	-2.2
Current accounts	187,806	222,140	259,866	259,337	9.0	-1.5	-0.2
Savings accounts	157,734	173,753	186,439	179,435	6.2	-1.3	-3.8
Other deposits	3,088	4,707	6,053	3,618	0.1	-0.1	-40.2
Time deposits and redeemables at notice	323,833	437,024	594,774	749,935	25.9	1.9	26.1
Repos	90,287	84,324	83,482	85,557	3.0	-0.4	2.5
Non-residents	96,574	89,867	88,246	105,388	3.6	0.1	19.4
Debt certificates including bonds	151,311	221,811	304,425	381,512	13.2	0.9	25.3
Of which: mortgage securities (b)	57,422	90,390	133,556	156,245	5.4	0.0	17.0
Trading derivatives	27,337	37,335	48,680	73,775	2.5	0.6	51.6
Subordinated liabilities	58,049	61,977	70,735	85,869	3.0	0.1	21.4
Other financial liabilities	23,022	27,890	33,142	36,820	1.3	-0.1	11.1
Provisions	26,159	26,637	27,964	28,698	1.0	-0.1	2.6
Of which: provisions for pensions and similar	20,571	20,510	21,794	20,629	0.7	-0.2	-5.3
Equity	117,519	129,383	147,605	173,239	6.0	0.0	17.4
Valuation adjustments	5,275	7,814	11,249	10,147	0.4	-0.1	-9.8
Own funds	112,244	121,568	136,356	163,093	5.6	0.1	19.6
Of which: capital and reserves (including share premium)	103,141	111,306	120,867	135,560	4.7	-0.2	12.2
Other liabilities	40,583	43,338	47,849	48,963	1.7	-0.2	2.3
MEMORANDUM ITEM:							
Unadjusted earning financial assets	1,656,354	2,017,636	2,355,369	2,748,188	95.0	0.0	16.7
Unadjusted securities portfolio	341,019	410,158	386,106	450,673	15.6	0.0	16.7
Equity portfolio	110,065	125,434	152,396	184,009	6.4	0.2	20.7
Investments in the group	67,322	71,643	76,768	89,260	3.1	0.0	16.3
Other investments	5,349	5,260	7,713	29,623	1.0	0.7	284.0
Other equity securities	37,394	48,530	67,915	65,126	2.3	-0.5	-4.1
Contingent exposures and liabilities	193,764	266,120	392,835	401,486	13.9	-2.0	2.2
Variable-rate credit	690,483	910,532	1,173,776	1,382,090	47.8	0.4	17.7
Asset transfers	77,209	100,806	142,594	214,091	7.4	1.6	50.1
Of which: securitised (c)	43,764	36,642	33,630	34,673	1.2	-0.2	3.1
Total mortgage covered bonds issued (d)	90,599	156,902	227,663	275,055	9.5	0.3	20.8

SOURCE: Banco de España. Data available at 8 February 2008.

- 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 A 3.11 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 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 A.3.3

Total business. December 2007 (%)

	DEPOSIT INSTITUTIONS											
	TOTAL	BANKS								SAVINGS BANKS	CO-OPERATIVES	SCIs
		TOTAL	DOMESTIC	FOREIGN								
				TOTAL	SUBSIDIARIES	BRANCHES		NON-EU				
						EU						
BALANCE SHEET TOTAL	97.6	54.0	43.1	10.9	3.0	7.9	7.7	0.2	39.9	3.7	2.4	
ASSETS:												
Cash and central banks	99.9	61.3	56.5	4.8	1.9	2.9	2.8	0.2	36.3	2.2	0.1	
Deposits from credit institutions	99.1	72.9	51.8	21.1	4.5	16.6	16.2	0.3	24.0	2.3	0.9	
Of which: interbank	98.9	73.8	50.2	23.7	3.6	20.1	19.6	0.5	22.3	2.7	1.1	
Loans and advances to other debtors	96.6	45.9	38.3	7.7	3.3	4.4	4.2	0.2	45.9	4.8	3.4	
Resident general government	93.2	58.6	47.3	11.2	10.5	0.8	0.8	0.0	33.2	1.4	6.8	
Resident private sector	96.8	44.0	36.5	7.5	3.1	4.4	4.2	0.2	47.5	5.2	3.2	
Of which: commercial credit	85.7	49.2	45.2	3.9	2.3	1.6	1.4	0.2	32.1	4.4	14.3	
Of which: mortgage-backed	99.2	35.9	32.0	3.9	2.7	1.2	1.2	0.0	56.9	6.3	0.8	
Non-residents	96.2	73.5	64.6	8.9	3.5	5.3	4.8	0.5	22.4	0.4	3.8	
Debt securities	99.9	64.1	37.7	26.4	1.7	24.7	24.7	0.0	34.4	1.4	0.1	
Other equity instruments	99.9	54.8	42.6	12.2	0.7	11.5	11.5	0.0	42.6	2.6	0.1	
Trading derivatives	100.0	87.0	79.2	7.8	1.3	6.5	6.1	0.4	12.9	0.1	0.0	
Other financial assets	99.6	82.0	61.4	20.6	4.3	16.3	16.2	0.1	15.7	1.9	0.4	
Hedging derivatives	99.8	39.6	31.5	8.1	3.5	4.6	4.6	0.0	59.8	0.3	0.2	
Investments	100.0	79.1	76.8	2.3	0.6	1.7	1.7	0.0	20.6	0.3	0.0	
Insurance contracts linked to pensions	99.9	71.2	70.2	1.0	1.0	0.1	0.0	0.0	28.7	0.0	0.1	
Fixed assets	96.7	23.8	21.8	2.0	1.3	0.7	0.7	0.0	65.3	7.6	3.3	
Tax assets	97.8	59.8	54.4	5.4	2.8	2.6	2.4	0.2	35.9	2.1	2.2	
Other assets	92.8	58.5	37.7	20.7	2.8	18.0	17.7	0.3	31.4	2.9	7.2	
LIABILITIES AND EQUITY:												
Deposits from central banks and from credit institutions	91.9	74.3	37.2	37.2	5.9	31.2	30.6	0.6	16.5	1.0	8.1	
Deposits from other creditors	99.4	43.6	39.0	4.6	2.7	1.9	1.8	0.0	49.9	5.9	0.6	
Resident and non-resident general government	100.0	45.8	44.9	0.8	0.8	0.1	0.0	0.0	50.3	3.9	0.0	
Resident private sector	99.9	40.8	36.4	4.4	2.5	1.9	1.8	0.0	52.7	6.5	0.1	
<i>Unadjusted overnight deposits</i>	<i>100.0</i>	<i>41.8</i>	<i>35.9</i>	<i>5.9</i>	<i>2.7</i>	<i>3.2</i>	<i>3.1</i>	<i>0.1</i>	<i>51.3</i>	<i>6.9</i>	<i>0.0</i>	
<i>Current accounts</i>	<i>100.0</i>	<i>49.0</i>	<i>39.7</i>	<i>9.3</i>	<i>4.1</i>	<i>5.3</i>	<i>5.1</i>	<i>0.2</i>	<i>46.4</i>	<i>4.6</i>	<i>0.0</i>	
<i>Savings accounts</i>	<i>100.0</i>	<i>31.1</i>	<i>30.2</i>	<i>0.9</i>	<i>0.6</i>	<i>0.2</i>	<i>0.2</i>	<i>0.0</i>	<i>58.7</i>	<i>10.3</i>	<i>0.0</i>	
<i>Other deposits</i>	<i>98.0</i>	<i>52.8</i>	<i>44.4</i>	<i>8.4</i>	<i>6.0</i>	<i>2.4</i>	<i>2.3</i>	<i>0.1</i>	<i>43.1</i>	<i>2.1</i>	<i>2.0</i>	
<i>Time deposits and redeemables at notice</i>	<i>99.9</i>	<i>37.5</i>	<i>34.8</i>	<i>2.7</i>	<i>1.9</i>	<i>0.7</i>	<i>0.7</i>	<i>0.0</i>	<i>55.6</i>	<i>6.9</i>	<i>0.1</i>	
<i>Repos</i>	<i>100.0</i>	<i>62.8</i>	<i>51.1</i>	<i>11.7</i>	<i>6.8</i>	<i>4.9</i>	<i>4.9</i>	<i>0.0</i>	<i>36.2</i>	<i>0.9</i>	<i>0.0</i>	
Non-residents	92.1	76.5	67.0	9.5	6.5	3.0	2.9	0.1	15.0	0.6	7.9	
Debt certificates including bonds	99.8	51.7	51.0	0.7	0.7	0.0	0.0	0.0	47.0	1.1	0.2	
Of which: mortgage securities (b)	100.0	61.0	61.0	0.0	0.0	0.0	0.0	0.0	39.0	0.0	0.0	
Trading derivatives	99.7	88.3	79.1	9.1	1.1	8.0	7.6	0.4	11.4	0.0	0.3	
Subordinated liabilities	99.2	63.6	61.8	1.8	1.6	0.2	0.2	0.0	34.9	0.7	0.8	
Other financial liabilities	91.3	69.4	56.7	12.7	2.7	10.0	9.9	0.1	19.7	2.2	8.7	
Provisions	99.0	67.6	65.6	1.9	1.2	0.7	0.6	0.1	30.5	1.0	1.0	
Of which: provisions for pensions and similar	99.8	75.9	74.8	1.1	1.0	0.1	0.1	0.0	23.8	0.1	0.2	
Equity	97.5	54.6	50.7	3.9	2.4	1.5	1.0	0.6	38.1	4.8	2.5	
Valuation adjustments	99.8	32.4	33.3	-0.9	-0.2	-0.7	-0.7	0.0	66.3	1.1	0.2	
Own funds	97.4	56.0	51.8	4.2	2.6	1.7	1.1	0.6	36.3	5.0	2.6	
Of which: capital and reserves	97.1	56.0	51.7	4.3	2.8	1.5	0.8	0.7	35.5	5.6	2.9	
Other liabilities	98.5	44.6	37.6	7.0	3.0	4.0	3.9	0.1	51.0	3.0	1.5	
MEMORANDUM ITEM:												
Unadjusted earning financial assets	97.5	52.9	42.0	11.0	3.1	7.9	7.7	0.2	40.7	3.9	2.5	
Unadjusted securities portfolio	99.9	66.7	48.7	18.0	1.3	16.7	16.7	0.0	32.0	1.3	0.1	
Equity portfolio	100.0	70.5	64.7	5.8	0.6	5.2	5.2	0.0	28.4	1.1	0.0	
<i>Investments in the group</i>	<i>100.0</i>	<i>76.6</i>	<i>74.0</i>	<i>2.7</i>	<i>0.4</i>	<i>2.3</i>	<i>2.3</i>	<i>0.0</i>	<i>23.1</i>	<i>0.2</i>	<i>0.0</i>	
<i>Other investments</i>	<i>100.0</i>	<i>86.5</i>	<i>85.2</i>	<i>1.3</i>	<i>1.3</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>13.0</i>	<i>0.5</i>	<i>0.0</i>	
<i>Other equity securities</i>	<i>99.9</i>	<i>54.8</i>	<i>42.6</i>	<i>12.2</i>	<i>0.7</i>	<i>11.5</i>	<i>11.5</i>	<i>0.0</i>	<i>42.6</i>	<i>2.6</i>	<i>0.1</i>	
Contingent exposures and liabilities	99.9	79.8	67.9	12.0	1.7	10.3	10.1	0.2	18.5	1.6	0.1	
Variable-rate credit	98.9	40.7	34.2	6.5	2.2	4.3	4.1	0.2	52.4	5.8	1.1	
Asset transfers	93.9	50.3	44.0	6.3	5.2	1.1	1.1	0.0	37.3	6.3	6.1	
Of which: securitised (c)	66.2	35.3	30.0	5.3	5.1	0.2	0.2	0.0	26.9	4.1	33.8	
Total mortgage covered bonds issued (d)	100.0	39.5	39.4	0.1	0.0	0.1	0.1	0.0	58.3	2.2	0.0	

SOURCE: Banco de España. Data available at 8 February 2008.

a. Institutions existing at each date.

b. This item almost entirely corresponds to mortgage covered bonds which are marketable securities. Accordingly, privately placed (and securitised) mortgage covered bonds are not included.

c. 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 A 3.10 under the item "transfer of assets due to securitisation".

d. Figure taken from the confidential return "Supplementary information on the Balance Sheet" of CIs, under the accounting rules in CBE 4/2004. It includes all mortgage covered bonds, whether marketable or not.

CREDIT INSTITUTIONS: STRUCTURE OF LENDING TO RESIDENT PRIVATE SECTOR (a)

TABLE A.3.4

Business in Spain. Year-end data (%)

	2004	2005	2006	2007
Lending to business	50.8	50.0	51.6	53.3
Goods	19.5	18.6	18.2	18.1
<i>Agriculture, fishing and extractive industries</i>	2.3	2.1	1.9	1.7
<i>Manufacturing</i>	7.3	6.8	6.2	6.0
<i>Energy and electricity</i>	1.7	1.3	1.3	1.7
<i>Construction</i>	8.3	8.4	8.8	8.7
Services	31.2	31.4	33.4	35.2
<i>Commerce, repairs and hotels and restaurants</i>	7.2	6.8	6.4	6.4
<i>Transport and communications</i>	3.1	2.8	2.5	2.3
<i>Real estate development</i>	11.9	13.5	16.4	17.3
<i>Financial intermediation</i>	1.9	1.1	1.2	1.8
<i>Other services</i>	7.1	7.1	6.9	7.4
Lending to households	47.0	48.2	46.7	45.1
Housing (purchase and refurbishing)	35.5	37.3	36.3	35.3
Consumer credit	4.1	3.8	3.4	3.2
Other purposes	7.4	7.1	7.0	6.5
Other	2.3	1.8	1.8	1.6

SOURCE: Banco de España. Data available at end-February 2008.

a. Institutions existing at each date.

ACTIVITY OF CREDIT INSTITUTIONS AND THEIR CONSOLIDATED GROUPS (a)

TABLE A.3.5

Year-end data (€m and %)

	2004	2005	2006	2007	MEMORANDUM ITEM: 2007			
					BUSINESS IN SPAIN		BUSINESS ABROAD	
					2006	2007	2006	2007
BALANCE SHEET TOTAL	2,057,111	2,536,681	2,912,656	3,343,428	78.1	78.9	21.9	21.1
ASSETS:								
Cash and central banks	33,911	46,478	49,319	88,723	58.9	68.6	41.1	31.4
Loans and advances to credit institutions	191,834	223,377	245,832	251,318	85.0	87.1	15.0	12.9
Loans and advances to other debtors	1,258,138	1,573,947	1,951,872	2,250,414	80.0	80.5	20.0	19.5
Debt securities	308,968	390,848	326,237	355,537	65.3	69.3	34.7	30.7
Investments	25,012	28,587	27,712	54,375	87.4	53.6	12.6	46.4
Tangible assets	32,303	34,556	36,229	35,940	80.6	87.6	19.4	12.4
Other assets	206,945	238,889	275,455	307,121	75.9	77.3	24.1	22.7
<i>Of which: consolidated goodwill</i>	<i>16,338</i>	<i>16,425</i>	<i>17,932</i>	<i>21,921</i>	<i>3.8</i>	<i>3.0</i>	<i>96.2</i>	<i>97.0</i>
LIABILITIES AND EQUITY:								
Central banks and deposits from credit institutions	380,165	500,922	497,744	577,882	81.8	85.1	18.2	14.9
Deposits from other creditors	1,067,441	1,231,164	1,390,865	1,574,646	77.1	76.9	22.9	23.1
Debt certificates including bonds	250,084	386,555	554,927	663,043	80.1	82.5	19.9	17.5
Subordinated liabilities	58,480	64,475	72,945	82,982	68.6	75.1	31.4	24.9
Provisions	35,352	36,590	36,898	33,710	79.5	83.6	20.5	16.4
Tax liabilities	11,863	14,285	17,924	18,727	81.6	82.4	18.4	17.6
Equity	128,200	151,279	176,009	210,578	93.7	95.1	6.3	4.9
<i>Minority interest</i>	<i>4,999</i>	<i>6,274</i>	<i>5,703</i>	<i>10,927</i>	<i>64.1</i>	<i>78.7</i>	<i>35.9</i>	<i>21.3</i>
<i>Valuation adjustments</i>	<i>12,253</i>	<i>18,901</i>	<i>22,462</i>	<i>17,049</i>	<i>—</i>	<i>—</i>	<i>—</i>	<i>—</i>
<i>Own funds</i>	<i>110,948</i>	<i>126,104</i>	<i>147,844</i>	<i>182,602</i>	<i>95.0</i>	<i>95.0</i>	<i>5.0</i>	<i>5.0</i>
<i>Of which: capital and reserves (including share premium)</i>	<i>100,074</i>	<i>109,713</i>	<i>124,767</i>	<i>148,244</i>	<i>98.8</i>	<i>98.9</i>	<i>1.2</i>	<i>1.1</i>
Other liabilities	125,524	151,410	165,346	181,859	55.4	44.5	44.6	55.5
MEMORANDUM ITEM:								
Interest-bearing financial liabilities	1,785,440	2,205,538	2,544,274	2,922,018	78.6	80.0	21.4	20.0
Off-balance-sheet customer funds	303,027	589,398	676,300	713,436	100.0	100.0	—	—
<i>Of which: managed by the group</i>	<i>357,032</i>	<i>473,718</i>	<i>519,631</i>	<i>541,299</i>	<i>74.3</i>	<i>75.6</i>	<i>25.7</i>	<i>24.4</i>
Unadjusted securities portfolio	396,670	494,182	453,458	503,894	72.1	73.3	27.9	26.7
<i>Of which: equity portfolio</i>	<i>88,099</i>	<i>104,169</i>	<i>127,320</i>	<i>147,977</i>	<i>89.7</i>	<i>82.7</i>	<i>10.3</i>	<i>17.3</i>
Investments in the group	10,995	14,175	8,625	11,036	90.2	82.9	9.8	17.1
Other investments	12,095	12,590	15,639	31,411	87.7	51.5	12.3	48.5
Other equity securities	65,009	77,404	103,056	105,530	89.9	92.0	10.1	8.0

SOURCE: Banco de España. Data available at 2 April 2008.

a. These data refer to CGs, and to individual CIs which do not belong to a CG, existing at each date.

FOREIGN BUSINESS OF CONSOLIDATED GROUPS AND INDIVIDUAL INSTITUTIONS (a)

TABLE A.3.6

End-of-year data (€ m)

	2004	2005	2006	2007
Consolidated foreign balance sheet	473,482	601,429	638,391	707,048
Financial assets	357,499	504,218	521,867	590,900
<i>European Union</i>	214,420	277,752	277,630	306,371
<i>Latin America</i>	118,948	171,800	180,385	196,853
<i>Other</i>	24,132	54,665	63,852	87,677
Financial liabilities	337,224	462,696	480,048	544,041
<i>European Union</i>	169,288	271,690	250,628	267,413
<i>Latin America</i>	107,226	135,565	157,269	168,483
<i>Other</i>	60,710	55,441	72,151	108,145
MEMORANDUM ITEM:				
Funds managed (net asset value)	72,615	124,515	133,472	131,977
<i>European Union</i>	10,913	16,968	20,044	23,155
<i>Latin America</i>	52,681	97,249	107,707	102,263
<i>Other</i>	9,021	10,298	5,721	6,558
CIs abroad (number)	166	159	159	176
Subsidiaries	115	108	106	122
<i>European Union</i>	34	30	41	44
<i>Latin America</i>	36	36	28	30
<i>Other</i>	45	42	37	48
Branches	51	51	53	54
<i>European Union</i>	37	36	37	38
<i>Latin America</i>	1	1	1	1
<i>Other</i>	13	14	15	15

SOURCE: Banco de España. Data available at 2 April 2008.

a. These data refer to CGs, and to individual CIs which do not belong to a CG, existing at each date.

Year-end data (€m and %)

	2004	2005	2006	2007	MEMORANDUM ITEM: 2007		
					STRUCTURE		% ANNUAL CHANGE
					%	CHANGE IN PP	
BREAKDOWN BY TYPE OF UNDERLYING BEING SECURITISED:							
Total	52,510	68,904	93,801	137,245	100.0	—	46.3
Assets of CIs (bond issuance)	32,391	43,961	64,193	115,032	83.8	0.0	79.2
Mortgage loans (not to SMEs or property developers)	18,853	29,617	38,889	62,975	45.9	4.4	61.9
<i>Of which: Mortgage SSPEs (PH) (a)</i>	<i>4,890</i>	<i>6,850</i>	<i>5,050</i>	<i>5,926</i>	<i>4.3</i>	<i>-1.1</i>	<i>17.3</i>
<i>Of which: Asset SSPEs (PH and CTH) (a)</i>	<i>13,963</i>	<i>22,767</i>	<i>33,839</i>	<i>57,049</i>	<i>41.6</i>	<i>5.5</i>	<i>68.6</i>
Mortgage loans to property developers	475	730	—	—	—	—	—
SMEs	8,764	6,571	12,795	10,336	7.5	-6.1	-19.2
Consumer loans	235	—	5,527	1,566	1.1	-4.8	-71.7
Credit to general government	1,850	—	—	—	—	—	—
Auto loans	1,763	3,235	1,369	3,394	2.5	1.0	147.9
Interbank loans	—	—	—	13,169	9.6	9.6	—
Corporate loans	0	3,100	5,536	19,250	14.0	8.1	247.7
Other	451	796	77	4,342	3.2	3.1	5539.4
Assets of CIs (commercial paper issuance) (b)	1,196	-1,327	904	-4,836	-3.5	-4.5	-634.9
Of which: receivables	1,210	-925	1,055	-4,771	-3.5	-4.6	-552.2
Assets of non-financial corporations	239	145	1,032	394	0.3	-0.8	-61.9
Liabilities of CIs	18,685	26,125	27,673	26,655	19.4	-10.1	-3.7
Mortgage covered bonds	18,685	24,280	25,925	26,655	19.4	-8.2	2.8
Territorial covered bonds	—	665	—	—	—	—	—
Treasury bonds	—	1,180	1,450	—	—	—	—
Subordinated loans	—	—	298	—	—	—	—
MEMORANDUM ITEMS:							
Total securitised mortgage-backed assets (c)	25,301	34,895	48,546	76,661	55.9	4.1	57.9
Total issues linked to mortgage market (d)	43,986	59,175	74,471	103,316	75.3	-4.1	38.7
Bonds issued on foreign stock markets	965	1,035	1,421	372	0.3	-1.2	-73.8
BREAKDOWN BY TYPE OF ORIGINATOR:							
Total	52,510	68,904	93,801	137,245	100.0	0.0	46.3
Banks	22,676	20,325	34,262	71,560	52.1	15.6	108.9
Savings banks	25,071	40,019	47,951	58,556	42.7	-8.4	22.1
Co-operatives	2,715	5,463	6,792	4,990	3.6	-3.6	-26.5
SICIs	1,810	2,953	3,687	1,619	1.2	-2.7	-56.1
Unclassified from financial institutions	—	—	77	126	0.1	—	64.2
Non-financial corporations	239	145	1,032	394	0.3	-0.8	-61.9

SOURCES: CNMV, AIAF and Banco de España. Data available at 10 March 2008.

- a. PH: Collateralised mortgage bonds (*participaciones hipotecarias*) as defined in Royal Decree 685/1982, and 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, institutions issue and redeem a large amount of promissory notes 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".
- d. Sum of the items "Total mortgage-backed assets" and "Mortgage covered bonds".

OUTSTANDING AMOUNTS OF SPANISH SECURITISATIONS

TABLE A.3.8

Year-end data (€m and %)

	2004	2005	2006	2007	MEMORANDUM ITEM: 2007		
					STRUCTURE %	% CHANGE IN PP	% ANNUAL Δ
BREAKDOWN BY TYPE OF UNDERLYING BEING SECURITISED:							
Total	120,443	173,592	243,163	350,207	100.0	—	43.9
Assets of CIs (bond issuance)	75,593	103,003	144,188	229,223	65.4	6.1	58.7
Mortgage loans (not to SMEs or property developers)	49,657	68,969	93,330	141,152	40.3	2.0	51.2
<i>Of which: mortgage SSPEs (PH) (a)</i>	21,737	24,310	24,528	26,604	7.6	-2.5	8.5
<i>Of which: asset SSPEs (PH and CTH) (a)</i>	27,920	44,658	68,802	114,548	32.7	4.4	66.5
Mortgage loans to property developers	476	992	697	475	0.1	-0.2	-31.9
SMEs	17,113	20,252	28,069	30,851	8.8	-2.7	9.9
Consumer loans	1,459	938	6,087	5,526	1.6	-0.9	-9.2
Credit to general government	2,665	2,126	1,749	1,481	0.4	-0.3	-15.3
Auto loans	3,273	5,213	5,337	7,588	2.2	—	42.2
Interbank loans	—	—	—	10,571	3.0	3.0	—
Corporate loans	—	3,100	7,625	24,370	7.0	3.8	219.6
Other	950	1,413	1,293	7,209	2.0	1.4	430.3
Assets of CIs (commercial paper issuance) (b)	5,078	4,284	5,255	613	0.2	-2.0	-88.3
Of which: receivables	4,543	3,581	4,703	—	—	-1.9	-100.0
Assets of non-financial corporations	539	656	397	393	0.1	-0.1	-0.9
Liabilities of CIs	39,233	65,650	93,323	119,978	34.3	-4.1	28.6
Mortgage covered bonds	37,833	62,405	88,330	114,730	32.8	-3.5	29.9
Territorial covered bonds	1,400	2,065	2,065	2,065	0.6	-0.3	—
Treasury bonds	—	1,180	2,630	2,885	0.8	-0.3	9.7
Subordinated loans	—	—	298	298	0.1	—	—
MEMORANDUM ITEMS:							
Total mortgage-backed assets (b)	61,052	83,381	112,999	170,007	48.6	2.1	50.4
Total funding to mortgage market	98,884	145,786	201,329	284,737	81.4	-1.4	41.4
Bonds issued on foreign stock markets	2,611	3,561	2,842	1,923	0.5	-0.6	-32.3
Transfer of assets due to securitisation (c)	76,089	99,614	140,969	210,528	60.1	2.1	49.3
Securitised assets held on the balance sheet	32,352	63,104	107,396	175,854	50.2	6.0	63.7
Assets transferred via securitisation	43,764	36,642	33,630	34,673	9.9	-3.9	3.1
<i>Of which: securitisations originated from 1.1.2004</i>	1,860	3,631	7,477	12,709	3.6	0.5	70.0
<i>% of total securitised assets of CIs</i>	2.3	3.6	5.3	6.0	—	—	—
BREAKDOWN BY TYPE OF ORIGINATOR:							
Total	120,443	173,592	243,163	350,206	100.0	—	44.0
Banks	46,192	59,244	82,277	137,327	39.2	5.4	66.9
Savings banks	64,665	96,666	134,692	183,559	52.4	-3.0	36.3
Co-operatives	3,564	10,305	16,615	19,420	5.5	-1.3	16.9
SCIs	4,532	6,004	8,083	8,189	2.3	-1.0	1.3
Unclassified from financial institutions	951	716	1,099	1,319	0.4	-0.1	20.0
Non-financial corporations	539	656	397	393	0.1	-0.1	-0.9
HOLDERS OF ASSET-BACKED BONDS ISSUED BY SPANISH SSPEs (d):							
Total held by:	111,102	159,748	222,903	331,200	100.0	—	48.6
Non-financial corporations and households	1,807	1,594	1,325	6,375	1.9	1.3	381.1
Financial institutions	32,481	42,168	47,666	107,209	32.4	11.0	124.9
CIs (e)	29,323	39,230	47,666	107,209	32.4	11.0	124.9
<i>Money market funds (f)</i>	3,158	2,938	0	0	0.0	0.0	—
Non-monetary CIUs	4,700	7,523	13,157	12,140	3.7	-2.2	-7.7
Insurance companies	6,736	7,220	8,156	8,253	2.5	-1.2	1.2
Rest of the world	76,814	115,986	173,912	217,616	65.7	-12.3	25.1
OTHER LIABILITIES: CREDIT EXTENDED TO SPANISH SSPEs:							
Total	3,000	4,000	4,000	4,200	100.0	—	0.0
Of which: by CIs	3,000	4,000	4,000	4,200	100.0	—	0.0

SOURCES: CNMV, AIAF and Banco de España. Data available at 12 March 2008. For holders of asset-backed bonds, data available at 12 March 2008.

- a. PH: Collateralised mortgage bonds (*participaciones hipotecarias*) as defined in Royal Decree 685/1982, and 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. In previous reports on banking supervision it was assumed that financial institutions holders of asset-backed bonds were either money market funds or banks and savings banks. From 2007, other types of credit institutions, including ICO, are considered.
- 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) at the close of 2006 and 2007.

BREAKDOWN OF THE INDIVIDUAL INCOME STATEMENT FOR CIs (a)

TABLE A.3.9

Data for each year (€m and %)

	AMOUNT				% OF ATA				% ANNUAL Δ			
	2004	2005	2006	2007	2004	2005	2006	2007	2004	2005	2006	2007
Financial income	58,742	69,218	91,407	129,894	3.61	3.59	4.02	4.86	2.8	17.8	32.1	42.1
Interest and similar income	52,369	63,166	82,047	118,633	3.22	3.28	3.61	4.44	0.9	20.6	29.9	44.6
Return on equity instruments	6,373	6,052	9,360	11,261	0.39	0.31	0.41	0.42	21.4	-5.0	54.7	20.3
Financial cost	-28,196	-36,985	-53,129	-84,587	-1.73	-1.92	-2.34	-3.17	6.0	31.2	43.6	59.2
NET INTEREST INCOME	30,546	32,233	38,278	45,307	1.88	1.67	1.68	1.70	-0.1	5.5	18.8	18.4
<i>Of which: investment of own funds</i>	<i>4,591</i>	<i>5,564</i>	<i>6,889</i>	<i>9,751</i>	<i>0.28</i>	<i>0.29</i>	<i>0.30</i>	<i>0.37</i>	<i>8.9</i>	<i>21.2</i>	<i>23.8</i>	<i>41.5</i>
Non-interest income	11,848	13,949	17,263	21,789	0.73	0.72	0.76	0.82	39.6	17.7	23.8	26.2
Fees and commissions (net)	9,930	11,283	12,778	14,157	0.61	0.59	0.56	0.53	13.6	13.6	13.2	10.8
Collection and payment service (net)	5,325	5,802	5,659	6,003	0.33	0.30	0.25	0.22	8.8	9.0	-2.5	6.1
Securities service (revenue)	1,082	1,189	1,420	1,775	0.07	0.06	0.06	0.07	1.2	9.8	19.5	25.0
Marketing of non-banking products (revenue)	2,873	3,369	4,113	4,486	0.18	0.17	0.18	0.17	24.2	17.3	22.1	9.1
Contingent exposures and commitments (net)	1,122	1,283	1,536	1,586	0.07	0.07	0.07	0.06	8.3	14.4	19.7	3.2
Exchange of foreign currencies and banknotes (revenue)	57	51	52	59	0.00	0.00	0.00	0.00	-5.3	-11.7	3.1	12.9
Other fees and commissions (net)	-529	-410	-3	248	-0.03	-0.02	0.00	0.01	-15.9	-22.5	-99.2	-
Gains or losses on financial assets and liabilities and exchange differences (net)	1,918	2,666	4,485	7,633	0.12	0.14	0.20	0.29	-	39.0	68.3	70.2
Held for trading	730	1,118	923	773	0.04	0.06	0.04	0.03	-	53.1	-17.5	-16.2
Other financial instruments	1	-13	-79	35	0.00	0.00	0.00	0.00	-	-	517.2	-
Available-for-sale financial assets	1,252	1,412	2,331	5,250	0.08	0.07	0.10	0.20	-	12.8	65.1	125.2
Loans and receivables	53	127	22	-28	0.00	0.01	0.00	0.00	-	141.0	-82.8	-
Other gains or losses on financial assets and liabilities	-573	-318	318	314	-0.04	-0.02	0.01	0.01	-	-44.5	-	-1.2
Exchange differences	456	339	970	1,289	0.03	0.02	0.04	0.05	-	-25.5	185.8	32.9
GROSS INCOME	42,394	46,181	55,541	67,097	2.61	2.40	2.44	2.51	8.6	8.9	20.3	20.8
Operating expenses	-23,614	-25,116	-27,050	-29,784	-1.45	-1.30	-1.19	-1.11	4.4	6.4	7.7	10.1
Personnel	-14,030	-14,874	-16,068	-17,606	-0.86	-0.77	-0.71	-0.66	4.5	6.0	8.0	9.6
Other administrative expenses	-7,454	-8,095	-8,843	-9,886	-0.46	-0.42	-0.39	-0.37	5.0	8.6	9.2	11.8
Depreciation and amortisation	-2,130	-2,147	-2,139	-2,292	-0.13	-0.11	-0.09	-0.09	1.4	0.8	-0.4	7.2
Other operating income	770	995	1,121	1,144	0.05	0.05	0.05	0.04	-	29.2	12.6	2.1
NET OPERATING INCOME	19,551	22,061	29,611	38,458	1.20	1.15	1.30	1.44	18.0	12.8	34.2	29.9
Provisioning expenses, write-downs and other (net)	-5,168	-5,160	-4,914	-8,175	-0.32	-0.27	-0.22	-0.31	-	-0.2	-4.8	66.4
Impairment losses (net)	-4,261	-4,732	-6,598	-9,772	-0.26	-0.25	-0.29	-0.37	-	11.1	39.4	48.1
Loans and receivables	-4,277	-4,594	-6,329	-8,288	-0.26	-0.24	-0.28	-0.31	-	7.4	37.8	31.0
Other	15	-138	-270	-1,484	0.00	-0.01	-0.01	-0.06	-	-	95.3	450.1
Provisioning expenses (net)	-1,952	-2,026	-2,976	-1,269	-0.12	-0.11	-0.13	-0.05	-	3.8	46.9	-57.4
Other income (net)	1,099	1,672	4,738	2,956	0.07	0.09	0.21	0.11	-	52.1	183.3	-37.6
Mandatory transfer to welfare funds	-54	-75	-78	-90	0.00	0.00	0.00	0.00	-	37.8	4.2	15.8
PROFIT OR LOSS FOR THE PERIOD BEFORE TAXES	14,383	16,901	24,697	30,283	0.88	0.88	1.09	1.13	18.6	17.5	46.1	22.6
Income tax	-2,077	-2,845	-4,925	-4,442	-0.13	-0.15	-0.22	-0.17	-13.9	37.0	73.1	-9.8
PROFIT FOR THE PERIOD	12,306	14,056	19,773	25,840	0.76	0.73	0.87	0.97	26.6	14.2	40.7	30.7
MEMORANDUM ITEMS:												
Average total assets	1,627,098	1,926,203	2,272,107	2,671,299	100.00	100.00	100.00	100.00	18.4	18.4	18.0	17.6
Average own funds (b)	99,626	114,093	123,071	141,487	6.12	5.92	5.42	5.30	16.6	14.5	7.9	15.0
Efficiency ratio (c)	-	-	-	-	55.70	54.38	48.70	44.39	-	-	-	-
Return on average equity (b)	-	-	-	-	12.35	12.32	16.07	18.26	-	-	-	-
Credit risk allowances and provisions												
Specific allowances or provisions	-3,079	-1,479	-1,749	-5,642	-0.19	-0.08	-0.08	-0.21	61.8	-52.0	18.3	222.6
General allowances or provisions	-159	-3,808	-5,334	-3,077	-0.01	-0.20	-0.23	-0.12	-95.2	297.0	40.1	-42.3
Net additions to country-risk allowances and provisions	0	105	-36	-10	0.00	0.01	0.00	0.00	-	-	-	-73.4

SOURCE: Banco de España. Data available at 8 February 2008.

a. The data in this table refer to institutions active at some time during 2007.

b. Includes own funds for accounting purposes excluding retained earnings; also included are declared dividends and remuneration, and valuation adjustments arising from exchange differences.

c. The efficiency ratio is defined as operating expenses divided by gross income.

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

TABLE A.3.10

Data for each year (€m and %)

	AMOUNT				% OF ATA				% ANNUAL Δ			
	2004	2005	2006	2007	2004	2005	2006	2007	2004	2005	2006	2007
Net interest income:												
Banks	15,122	15,112	18,647	20,356	1.67	1.41	1.51	1.43	-0.9	-0.1	23.4	9.2
Savings banks	12,881	14,214	16,350	21,155	2.06	1.92	1.83	1.95	0.8	10.3	15.0	29.4
Co-operatives	1,525	1,686	1,917	2,368	2.50	2.34	2.21	2.34	-4.5	10.5	13.7	23.5
SCIs	1,018	1,221	1,364	1,429	2.78	2.82	2.64	2.39	9.4	19.9	11.7	4.8
Gross income:												
Banks	22,229	23,423	28,584	32,397	2.46	2.19	2.31	2.27	12.5	5.4	22.0	13.3
Savings banks	17,008	19,113	22,830	29,908	2.72	2.58	2.55	2.75	4.0	12.4	19.4	31.0
Co-operatives	1,953	2,164	2,462	2,912	3.21	3.00	2.84	2.87	-0.3	10.8	13.7	18.3
SCIs	1,204	1,481	1,665	1,880	3.29	3.42	3.23	3.14	22.8	23.0	12.4	12.9
Net operating income:												
Banks	11,245	11,858	16,096	18,603	1.24	1.11	1.30	1.31	29.2	5.5	35.7	15.6
Savings banks	6,894	8,441	11,439	17,325	1.10	1.14	1.28	1.60	5.1	22.5	35.5	51.5
Co-operatives	725	882	1,083	1,398	1.19	1.22	1.25	1.38	-6.0	21.7	22.8	29.1
SCIs	688	879	993	1,132	1.88	2.03	1.93	1.89	29.3	27.7	13.0	14.0
Profit before tax:												
Banks	8,620	9,749	14,547	16,159	0.95	0.91	1.17	1.13	28.6	13.1	49.2	11.1
Savings banks	4,851	5,911	8,728	12,522	0.78	0.80	0.97	1.15	6.4	21.9	47.7	43.5
Co-operatives	466	691	747	892	0.77	0.96	0.86	0.88	-8.6	48.2	8.1	19.3
SCIs	446	549	675	710	1.22	1.27	1.31	1.19	24.7	23.1	22.8	5.3
Profit for the period:												
Banks	7,419	8,003	11,582	13,569	0.82	0.75	0.94	0.95	40.4	7.9	44.7	17.2
Savings banks	4,202	5,085	7,123	11,017	0.67	0.69	0.80	1.01	11.4	21.0	40.1	54.7
Co-operatives	402	613	657	780	0.66	0.85	0.76	0.77	-8.4	52.4	7.2	18.7
SCIs	283	354	411	474	0.77	0.82	0.80	0.79	26.4	25.2	16.0	15.3

SOURCE: Banco de España. Data available at 8 February 2008.

a. The data in this table refer to institutions active at some time during 2007.

BREAKDOWN OF THE CONSOLIDATED INCOME STATEMENT FOR CIs (a)

TABLE A.3.11

Data for each year (€m and %)

	AMOUNT				% OF ATA				% ANNUAL Δ			
	2004	2005	2006	2007	2004	2005	2006	2007	2004	2005	2006	2007
Financial income	67,947	93,772	115,937	157,733	3.92	4.04	4.30	5.03	2.6	38.0	23.6	36.1
Interest and similar income	66,297	91,822	113,334	154,945	3.83	3.96	4.20	4.94	1.2	38.5	23.4	36.7
Return on equity instruments	1,651	1,950	2,602	2,788	0.10	0.08	0.10	0.09	152.5	18.1	33.5	7.1
Financial cost	-34,133	-53,897	-69,908	-102,863	-1.97	-2.32	-2.59	-3.28	3.7	57.9	29.7	47.1
NET INTEREST INCOME	33,814	39,875	46,029	54,870	1.95	1.72	1.71	1.75	1.6	17.9	15.4	19.2
<i>Of which: investment of own funds</i>	4,301	6,207	7,634	10,075	0.25	0.27	0.28	0.32	17.0	44.3	23.0	32.0
Non-interest income	20,965	27,500	34,746	39,493	1.21	1.19	1.29	1.26	5.2	31.2	26.4	13.7
Share of profit or loss of entities accounted for using the equity method	2,447	3,579	4,578	4,450	0.14	0.15	0.17	0.14	-30.2	46.2	27.9	-2.8
Associates	1,259	1,979	1,666	1,958	0.07	0.09	0.06	0.06	—	57.3	-15.8	17.5
Jointly controlled entities	416	527	667	660	0.02	0.02	0.02	0.02	—	26.7	26.5	-1.1
Group entities	773	1,072	2,246	1,832	0.04	0.05	0.08	0.06	—	38.8	109.5	-18.4
<i>Fees and commissions (net)</i>	15,180	18,273	20,829	22,945	0.88	0.79	0.77	0.73	11.3	20.4	14.0	10.2
<i>Collection and payment service (revenue)</i>	7,523	8,615	9,227	9,993	0.43	0.37	0.34	0.32	5.0	14.5	7.1	8.3
<i>Securities service (revenue)</i>	3,612	2,362	2,643	2,996	0.21	0.10	0.10	0.10	13.1	-34.6	11.9	13.4
<i>Marketing of non-banking products (revenue)</i>	3,681	6,486	7,626	8,173	0.21	0.28	0.28	0.26	19.0	76.2	17.6	7.2
<i>Contingent exposures and commitments (revenue)</i>	1,146	1,296	1,556	1,643	0.07	0.06	0.06	0.05	20.9	13.1	20.0	5.6
<i>Exchange of foreign currencies and banknotes (revenue)</i>	106	124	136	143	0.01	0.01	0.01	0.00	-0.3	17.2	9.0	5.3
<i>Other fees and commissions (net)</i>	-887	-611	-360	-4	-0.05	-0.03	-0.01	0.00	2.6	-31.1	-41.0	-98.9
Gains or losses on financial assets and liabilities and exchange differences (net)	3,338	5,648	9,339	12,098	0.19	0.24	0.35	0.39	19.9	69.2	65.3	29.5
<i>Held for trading</i>	1,687	2,288	2,729	2,263	0.10	0.10	0.10	0.07	—	35.6	19.3	-17.1
<i>Other financial instruments</i>	15	47	-111	136	0.00	0.00	0.00	0.00	—	204.0	—	—
<i>Available-for-sale financial assets</i>	2,495	3,505	5,550	7,914	0.14	0.15	0.21	0.25	—	40.5	58.3	42.6
<i>Loans and receivables</i>	93	249	110	-134	0.01	0.01	0.00	0.00	—	168.9	-56.0	—
<i>Other gains or losses on financial assets and liabilities</i>	-1,859	-1,162	141	454	-0.11	-0.05	0.01	0.01	—	-37.5	—	221.9
<i>Exchange differences</i>	907	722	920	1,465	0.05	0.03	0.03	0.05	40.5	-20.5	27.5	59.2
GROSS INCOME	54,780	67,375	80,775	94,363	3.16	2.91	2.99	3.01	2.9	23.0	19.9	16.8
Operating expenses	-31,217	-36,111	-39,070	-42,961	-1.80	-1.56	-1.45	-1.37	4.0	15.7	8.2	10.0
Personnel	-17,970	-20,491	-22,286	-24,443	-1.04	-0.88	-0.83	-0.78	4.2	14.0	8.8	9.7
Other administrative expenses	-10,165	-12,453	-13,419	-14,779	-0.59	-0.54	-0.50	-0.47	2.9	22.5	7.8	10.1
Depreciation and amortisation	-3,081	-3,167	-3,366	-3,739	-0.18	-0.14	-0.12	-0.12	6.5	2.8	6.3	11.1
Other operating income	997	1,241	1,462	1,418	0.06	0.05	0.05	0.05	154.9	24.5	17.8	-3.0
NET OPERATING INCOME	24,560	32,504	43,167	52,820	1.42	1.40	1.60	1.69	4.1	32.3	32.8	22.4
Provisioning expenses, write-downs and other (net)	-6,680	-6,049	-6,181	-11,608	-0.39	-0.26	-0.23	-0.37	—	-9.5	2.2	87.8
Impairment losses (net)	-5,857	-6,546	-9,140	-14,481	-0.34	-0.28	-0.34	-0.46	—	11.8	39.6	58.4
<i>Goodwill impairment losses</i>	-360	-13	-72	-680	-0.02	0.00	0.00	-0.02	—	-96.3	449.2	839.0
<i>Loans and receivables</i>	-5,461	-6,354	-8,788	-12,422	-0.32	-0.27	-0.33	-0.40	—	16.4	38.3	41.4
<i>Other</i>	-36	-179	-280	-1,379	0.00	-0.01	-0.01	-0.04	—	403.0	56.3	392.1
Provisioning expenses (net)	-2,814	-3,059	-3,768	-1,723	-0.16	-0.13	-0.14	-0.05	—	8.7	23.2	-54.3
Other income (net)	2,044	3,631	6,804	4,686	0.12	0.16	0.25	0.15	—	77.7	87.4	-31.1
Mandatory transfer to welfare funds	-54	-75	-78	-90	0.00	0.00	0.00	0.00	—	37.8	4.2	15.8
PROFIT OR LOSS FOR THE PERIOD BEFORE TAX	17,880	26,456	36,985	41,212	1.03	1.14	1.37	1.31	7.7	48.0	39.8	11.4
Income tax	-3,461	-5,513	-9,166	-8,167	-0.20	-0.24	-0.34	-0.26	-13.5	59.3	66.3	-10.9
CONSOLIDATED PROFIT OR LOSS FOR THE PERIOD	14,418	20,942	27,819	33,045	0.83	0.90	1.03	1.05	14.4	45.2	32.8	18.8
Profit or loss attributed to the group	13,600	19,830	26,424	31,613	0.79	0.86	0.98	1.01	17.9	45.8	33.3	19.6
Profit or loss attributed to minority interests	818	1,112	1,395	1,432	0.05	0.05	0.05	0.05	-23.1	35.9	25.4	2.6
MEMORANDUM ITEMS:												
Average total assets (ATA)	1,732,460	2,319,238	2,697,225	3,134,241	100.00	100.00	100.00	100.00	16.5	33.9	16.3	16.2
Average own funds of the group (b)	97,430	119,209	134,308	157,553	5.62	5.14	4.98	5.03	18.0	22.4	12.7	17.3
Efficiency ratio (c)	—	—	—	—	56.99	53.60	48.37	45.53	—	—	—	—
Return on average equity of the group (b)	—	—	—	—	13.96	16.63	19.67	20.06	—	—	—	—

SOURCE: Banco de España. Data available at 22 February 2008.

- a. The data in this table refer to institutions active at some time during 2007.
 b. Includes own funds for accounting purposes excluding retained earnings; also included are declared dividends and remuneration, and valuation adjustments arising from exchange differences.
 c. The efficiency ratio is defined as operating expenses divided by gross income.

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

TABLE A.3.12

Data for each year (€m and %)

	AMOUNT				% OF ATA				% ANNUAL Δ			
	2004	2005	2006	2007	2004	2005	2006	2007	2004	2005	2006	2007
Net interest income:												
Banks	19,410	23,816	27,645	33,065	1.92	1.65	1.67	1.76	1.7	22.7	16.1	19.6
Savings banks	12,467	13,794	15,813	18,758	1.93	1.77	1.69	1.66	2.2	10.7	14.6	18.6
Co-operatives	1,522	1,677	1,903	2,356	2.47	2.29	2.17	2.34	-4.4	10.2	13.5	23.8
SCIs	417	587	667	692	3.89	3.42	3.56	2.95	-0.2	40.9	13.6	3.7
Gross income:												
Banks	33,821	42,855	50,730	58,919	3.34	2.96	3.06	3.13	4.5	26.7	18.4	16.1
Savings banks	18,494	21,598	26,734	31,530	2.86	2.77	2.86	2.80	0.4	16.8	23.8	17.9
Co-operatives	1,974	2,182	2,480	2,931	3.20	2.98	2.82	2.91	0.1	10.5	13.6	18.2
SCIs	490	740	831	983	4.57	4.32	4.43	4.20	6.5	51.0	12.3	18.2
Net operating income:												
Banks	15,727	20,882	26,848	32,540	1.55	1.44	1.62	1.73	8.5	32.8	28.6	21.2
Savings banks	7,840	10,327	14,770	18,317	1.21	1.32	1.58	1.63	-3.1	31.7	43.0	24.0
Co-operatives	734	890	1,091	1,405	1.19	1.22	1.24	1.40	-5.1	21.3	22.6	28.8
SCIs	259	405	458	558	2.41	2.36	2.44	2.38	8.0	56.7	13.0	21.8
Profit before tax:												
Banks	11,337	17,607	23,588	26,442	1.12	1.22	1.42	1.40	11.4	55.3	34.0	12.1
Savings banks	5,892	7,852	12,313	13,469	0.91	1.01	1.32	1.20	2.2	33.3	56.8	9.4
Co-operatives	488	697	765	913	0.79	0.95	0.87	0.91	-6.7	42.7	9.7	19.4
SCIs	163	300	319	388	1.52	1.75	1.70	1.66	17.4	84.1	6.3	21.5
Consolidated profit or loss for the period:												
Banks	9,050	13,601	17,356	20,438	0.89	0.94	1.05	1.09	22.4	50.3	27.6	17.8
Savings banks	4,842	6,535	9,599	11,470	0.75	0.84	1.03	1.02	3.7	35.0	46.9	19.5
Co-operatives	422	615	670	799	0.68	0.84	0.76	0.79	-6.4	45.9	8.9	19.2
SCIs	105	191	194	283	0.98	1.11	1.03	1.21	16.3	81.9	1.5	46.1

SOURCE: Banco de España. Data available at 22 February 2008.

a. The data in this table refer to CGs, and individual CIs not belonging to any CG active at some time during 2007.

SOLVENCY OF CONSOLIDATED GROUPS OF CIs (a)

TABLE A.3.13

Year-end data (€m and %)

	AMOUNT				STRUCTURE %				% ANNUAL Δ			
	2004	2005	2006	2007	2004	2005	2006	2007	2004	2005	2006	2007
Own funds	138,853	171,249	209,753	224,444	100.0	100.0	100.0	100.0	22.3	23.3	22.5	7.0
Tier 1 capital	101,208	122,127	135,986	159,524	72.9	71.3	64.8	71.1	17.2	20.7	11.3	17.3
Capital stock, reserves and similar items	119,809	119,358	133,490	156,714	86.3	69.7	63.6	69.8	23.7	-0.4	11.8	17.4
Preference shares (Law 13/85)	—	17,436	17,682	27,105	—	10.2	8.4	12.1	—	—	1.4	53.3
Reserves less losses at consolidated companies	9,138	7,532	12,941	16,632	6.6	4.4	6.2	7.4	33.1	-17.6	71.8	28.5
Consolidation goodwill	-21,061	-16,425	-17,932	-21,921	-15.2	-9.6	-8.5	-9.8	126.9	-22.0	9.2	22.2
Other tier 1 capital (b)	-6,677	-5,774	-10,195	-19,005	-4.8	-3.4	-4.9	-8.5	-17.1	-13.5	76.6	86.4
Tier 2 capital	40,613	63,433	84,369	90,493	29.2	37.0	40.2	40.3	30.6	56.2	33.0	7.3
Subordinated debt	31,916	35,291	40,551	44,417	23.0	20.6	19.3	19.8	16.5	10.6	14.9	9.5
Other tier 2 capital (c)	8,697	28,141	43,818	46,076	6.3	16.4	20.9	20.5	134.6	223.6	55.7	5.2
Deductions from own funds	-2,969	-14,310	-10,602	-25,573	-2.1	-8.4	-5.1	-11.4	-24.8	382.0	-25.9	141.2
Requirements	101,330	124,126	150,394	169,171	100.0	100.0	100.0	100.0	23.6	22.5	21.2	12.5
Standard methods	100,723	123,566	149,701	168,235	99.4	99.5	99.5	99.4	23.8	22.7	21.2	12.4
Credit and counterparty risk	97,423	117,085	142,760	162,049	96.1	94.3	94.9	95.8	24.8	20.2	21.9	13.5
Trading book risk	2,429	5,341	5,557	4,451	2.4	4.3	3.7	2.6	-11.9	119.9	4.0	-19.9
Foreign exchange and gold risk	870	1,140	1,381	1,734	0.9	0.9	0.9	1.0	55.1	31.0	21.2	25.6
Commodity risk	—	—	3	—	—	—	—	—	-3.8	128.0	560.5	-87.8
Internal models	206	193	299	661	0.2	0.2	0.2	0.4	—	-6.3	54.5	121.1
Additional and deduction for netting arrangements	401	367	394	275	0.4	0.3	0.3	0.2	-33.7	-8.4	7.4	-30.1
Average weight of credit and counterparty risk (%)	63.8	63.9	67.5	66.8								
Surplus capital	37,523	47,123	59,359	55,273	—	—	—	—	19.1	25.6	26.0	-6.9
Solvency ratio (%)	11.0	11.0	11.2	10.6								
Tier 1 (%)	8.0	7.9	7.2	7.5								
MEMORANDUM ITEM: Other solvency ratios estimated:												
1988 Basel Capital Accord (%)	12.3	12.0	11.9	11.4								
Of which: tier 1 (%)	8.1	8.2	7.6	7.9								

SOURCE: Banco de España. Data available at 19 March 2008.

- a. Data refer to CGs of CIs at each date subject to compliance with the solvency ratio in Spain. The 2005 information includes any adjustments made by CGs pursuant to the provision on the entry into force of CBE 2/2006.
- b. Amount net of specific deductions from tier 1 capital.
- c. Amount net of deductions and specific eligibility limits for tier 2 capital.

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

TABLE A.3.14

Year-end data (€m and %)

	AMOUNT				STRUCTURE %				Δ ANNUAL %			
	2004	2005	2006	2007	2004	2005	2006	2007	2004	2005	2006	2007
Effective own funds	104,580	146,876	187,945	204,606	100.0	100.0	100.0	100.0	24.4	40.4	28.0	8.9
<i>Credit institutions or groups</i>	102,875	137,345	183,062	197,312	98.4	93.5	97.4	96.4	23.8	33.5	33.3	7.8
<i>Insurance undertakings or groups</i>	9,354	11,349	6,781	7,894	8.9	7.7	3.6	3.9	120.2	21.3	-40.3	16.4
<i>Deductions</i>	-7,649	-1,817	-1,899	-600	-7.3	-1.2	-1.0	-0.3	132.9	-76.2	4.5	-68.4
Capital requirements	79,159	105,515	135,886	154,526	100.0	100.0	100.0	100.0	26.8	33.3	28.8	13.7
<i>Credit institutions or groups</i>	76,283	100,133	132,580	150,623	96.4	94.9	97.6	97.5	25.3	31.3	32.4	13.6
<i>Insurance undertakings or groups</i>	3,574	5,595	3,624	4,150	4.5	5.3	2.7	2.7	87.3	56.5	-35.2	14.5
<i>Deductions</i>	-697	-212	-318	-247	-0.9	-0.2	-0.2	-0.2	80.9	-69.5	50.0	-22.3
Surplus or deficit	25,420	41,361	52,059	50,081	—	—	—	—	17.3	62.7	25.9	-3.8
Surplus or deficit of CGs	26,593	37,212	50,482	46,690	—	—	—	—	19.6	39.9	35.7	-7.5

SOURCE: Banco de España. Data available at 14 March 2008.

a. Data refer to CGs of CIs at each date subject to compliance with the solvency ratio in Spain. 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.

ANNEX 4 SPANISH CONSOLIDATED GROUPS OF CREDIT INSTITUTIONS (DECEMBER
2007)

Spanish consolidated groups of credit institutions, December 2007

Explanatory notes

Full consolidation method is applied except as otherwise indicated:

- (*) Proportionate consolidation method.
- (**) Equity method.
- (A) Indicates that the institution joined the CG in 2007.
- DI Deposit institutions.
- OCI Other credit institutions.

BANKS

SCH Group, Financial Conglomerate (Coordinator: Banco de España)

0049-Banco Santander, SA (Spain)	DI				
0011-Allfunds Bank, S.A. (*)	DI	Angola	Banco Totta de Angola, SARL		DI
0030-Banco Español de Crédito, S.A.	DI	Argentina	Banco Santander Ríos.A.		DI
0036-Santander Investment, S.A.	DI		Préstamos de Consumo, S.A.		DI
0038-Banesto Banco de Emisiones, S.A.	DI	Austria	Santander Consumer Leasing Austria GmbH		OCI
0073-Open Bank Santander Consumer, S.A.	DI	Bahamas	Santander Bank & Trustltd.		DI
0083-Banco Alicantino de Comercio, S.A.	DI		Panamerican Bank (Bahamas)		DI
0086-Banco Banif, S.A.	DI		Santander Investment Bank (S.I.B.)		DI
0091-Banco de Albacete, S.A.	DI		Santander Merchant Bank, Ltd.		DI
0224-Santander Consumer Finance, S.A.	DI		Banco Santander Bahamas International, Ltd.		DI
4757-Bansalease, S.A., E.F.C.	OCI	Belgium	Santander Benelux, S.A.		DI
4784-Transolver Finance, E.F.C., S.A. (*)	OCI	Brazil	Banco Santander S.A.		DI
4797-Santander de Leasing, S.A., E.F.C.	OCI		Santander Brasil Arrendamiento Mercan		OCI
8206-Hipotebansa E.F.C., S.A.	OCI		Santander Participações e Serviços S.A.		OCI
8236-Santander Consumer, E.F.C., S.A.	OCI	Cayman Islands	Serfin International Bank & Trust		DI
8490-Santana Credit, E.F.C., S.A.	OCI	Chile	Banco Santander Chile		DI
8512-Unión Créditos Inmobiliarios (*)	OCI		Santander Factoring, S.A.		OCI
8906-Santander Factoring y Confirming	OCI		Santander Leasing S.A.		OCI
8910-Banesto Factoring, S.A., E.F.C.	OCI	Colombia	Banco Santander Colombia, S.A.		DI
		Slovakia	Opqr S.R.O.		OCI (A)
		US	Banco Santander International Miami		DI
			Totta & Açores Inc.- Newark		DI
			Grupo Drive		DI
		Russian Federation	Cb Extrobank		DI (A)
		Finland	Santander Consumer Finance Oy		DI (A)
		Hungary	Santander Consumer Finance Zrt.		OCI
		Ireland	Totta Ireland, PLC		DI
		Italy	Santander Consumer Finance Media S.R.L.		DI (A)
			Santader Private Banking, S.P.A.		DI (A)
			FC Factor S.R.L.		OCI
			Santander Consumer Bank S.P.A.		OCI
			Unifin S.P.A.		OCI
		Jersey	Abbey National International Limited		DI
		Mexico	Banco Santander, S.A., Institución de Br		DI
		Norway	Santander Consumer Bank		DI
		Netherlands	Santander Consumer Finance B.V.		DI
		Panama	Banco Santander (Panamá)		DI
		Paraguay	Banco de Asunción, S.A.		DI
		Peru	Banco Santander Perú S.A.		DI (A)
		Poland	Santander Consumer Spólka Akcyjna		DI
		Portugal	B.S.N. Portugal		DI
			Banco Madasant		DI
			Banco Santander Totta		DI
			Banco Santander Consumer Portugal, S.A.		DI
			Totta-Crédito Especializado, Ific, S.A.		OCI
			It Car - Alquiler e Comercio Automóveis		OCI (A)
		Puerto Rico	BST International Bank, Inc.		DI
			Banco Santander Puertorico		DI
			Santander Overseas Bank Inc.		DI
			Santander International Bank		DI
			Santander Financialservices		OCI
			Crefisa		OCI
			Santander Mortgage Corp.		OCI

UK	Abbey National plc	DI
	Abbey National Treasury Services plc	DI
	CA Premier Banking Limited	DI
	Buhal Leasing, Ltd.	OCI
	Santander Consumer Finance (UK) plc	OCI
	Abbey National Leasing (5) Ltd	OCI
	Abbey National Business Asset Leasing Lt	OCI
	Santander Cards Limited	OCI
	Abbey Covered Bonds(Lm) Limited	OCI
Czech Republic	Santander Consumer Finance A.S.	OCI
Germany	Santander Consumer Bank Aktiengesellscht	DI
	Santander Consumer Leasing Gmbh	OCI
Switzerland	Banco Santander (Suisse), S.A.	DI
Uruguay	Banco Santander Uruguay	DI
	Río Bank Internationalsaife	DI
Venezuela	Banco de Venezuela, S.A.C.A.	DI

Mapfre Group, Consolidated proportionally with Caja Madrid-2038

0063-Banco Ser. Fin. Caja Madrid-Mapfre (Spain) DI

0125-Bancofar, S.A.	DI	Mexico	Finanmadrid México S.A.	OCI
4837-Madrid Leasing Corporación, S.A.	OCI			
8793-Finanmadrid, S.A., E.F.C.	OCI			

Pastor Group, Mixed Group (reports to Banco de España)

0072-Banco Pastor, S.A. (Spain) DI

8620-Pastor Servicios Financieros	OCI			
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Grupo Popular, Mixed Group (reports to Banco de España)

0075-Banco Popular Español, S.A. (Spain) DI

0004-Banco de Andalucía, S.A.	DI	US	Total Bank	DI (A)
0024-Banco de Crédito Balear, S.A.	DI	France	Banco Popular France	DI
0082-Banco de Castilla, S.A.	DI	Portugal	Banco Popular Portugal	DI
0095-Banco de Vasconia, S.A.	DI		Heller Factoring Portuguesa	OCI
0097-Banco de Galicia, S.A.	DI			
0216-Banco Popular Hipotecario, S.A.	DI			
0229-Bancopopular-E, S.A.	DI			
0233-Popular Banca Privada, S.A.	DI			
8816-Sdad. Conjunta Emisión G.M.P., EFC, SA (*)	OCI			
8903-Popular de Factoring, S.A., E.F.C.	OCI			

Sabadell Group, Mixed Group (reports to Banco de España)

0081-Banco de Sabadell, S.A. (Spain) DI

0185-Banco Urquijo Sabadell B.P., S.A.	DI	Andorra	Banc Sabadell d'Andorra, S.A.	DI
8211-Bansabadell Financiación EFC, SA	OCI	Bahamas	Banco Atlántico (Bahamas) Bank And Trust	DI
8821-Bansabadell Fincom, E.F.C., S.A. (*)	OCI	US	Transatlantic Bank	DI (A)
		France	Banco Atlántico Monacos.A.M.	DI

Bankpyme Group

0142-Bco.Pequeña y Med.Empresa (Spain) DI

4753-Edamleasing E.F.C., S.A.	OCI			
8734-Multiahorro E.F.C., S.A.	OCI			

Grupo BBVA, Financial Conglomerate (Coordinator: Banco de España)

0182-Banco Bilbao Vizcaya Argentaria, SA (Spain) DI

0009-Finanzia, Banco de Crédito, S.A.	DI	Netherlands Antilles	Banco Provincial Overseas N.V.	DI
0057-Banco Depositario BBVA, S.A.	DI	Argentina	BBVA Banco Frances, S.A.	DI
0113-Banco Industrial de Bilbao, S.A.	DI		PSA Finance Argentina Compañía Financiera, S.A. (*)	OCI
0121-Banco Occidental, S.A.	DI	Brazil	Uno-E Brasil Banco de Investimentos, S.A.	DI
0129-BBVA Banco de Financiación, S.A.	DI	Cayman Islands	Mercury Trust Limited	OCI
0132-Banco de Promoción de Negocios	DI	Chile	Banco Bilbao Vizcaya Argentaria Chile, S	DI
0227-UNOE Bank, S.A.	DI		Forum Servicios Financieros, S.A. (*)	OCI
1004-Banco de Crédito Local de España	DI		Gente BBVA, S.A.	OCI
8321-Iberdrola Servi. Finan. E.F.C., S.A.	OCI		BBVA Factoring Limitada (Chile)	OCI (A)
8908-BBVA Factoring, E.F.C., S.A.	OCI	Colombia	BBVA Colombia, S.A.	DI
		US	BBVA Bancomer USA	DI
			The Laredo National Bank	DI
			Texas State Bank	DI
			State National Bank (Snb)	DI (A)
			Compass Bank	DI (A)
			Compass Southwest, Lp	DI (A)

		Central Bank Of The South	DI	(A)
		Homeowners Loan Corporation	OCI	
		Valley Mortgage Company, Inc.	OCI	
		Compass Auto Receivables Corporation	OCI	(A)
		Compass Texas Mortgagefinancing, Inc	OCI	(A)
		Compass Mortgage Corporation	OCI	(A)
		Compass Mortgage Financing, Inc.	OCI	(A)
		Phoenix Loan Holdings, Inc.	OCI	(A)
		Stavis Margolis Advisory Services, Inc.	OCI	(A)
	Ireland	BBVA Ireland Public Limited Company	OCI	
	Italy	BBVA Finance SPA.	OCI	
		BBVA Finanzia, S.P.A.	OCI	
	Jersey	BBVA Privanza (Jersey), Ltd.	DI	
	Mexico	BBVA Bancomer Servicios, S.A.	DI	
		BBVA Bancomer, S.A. Dec.V.	DI	
		Hipotecaria Nacional, S.A. de C.V.	OCI	
		Financiera Ayudamos S.A. de C.V., Sofomer	OCI	(A)
	Panama	Banco Bilbao Vizcaya Argentaria (Panamá), S.A.	DI	
	Paraguay	BBVA Paraguay, S.A.	DI	
	Peru	Banco Continental, S.A.	DI	
	Portugal	Banco Bilbao Vizcaya Argentaria (Portugal), S.A.	DI	
		BBVA Instituição Financeira Crédito, S.A.	OCI	
		BBVA Leasimo - Sociedade de Locacao Financeira, S.	OCI	
	Puerto Rico	Banco Bilbao Vizcaya Argentaria Puerto Rico	DI	
		BBVA International Investment Corporation	OCI	
	Switzerland	BBVA Suiza, S.A. (BBVA Switzerland)	DI	
	Uruguay	Banco Bilbao Vizcaya Argentaria Uruguay, S.A.	DI	
	Venezuela	Banco Provincial S.A. - Banco Universal	DI	
Deutsche Group SAE				
Deutsche Bank, A.G. (Germany)				
			DI	
		0019-Deutsche Bank, S.A.E.	DI	
		0205-Deutsche Bank Credit, S.A.	DI	
Paribas Group				
BNP Paribas (France)				
			DI	
		0058-BNP Paribas España, S.A.	DI	
		0225-Banco Cetelem, S.A.	DI	
		8798-Euro Crédito E.F.C., S.A.	OCI	
Grupo Barclays Group S.A., Mixed Group (reports to Banco de España)				
Barclays PLC (United Kingdom)				
			DI	
		0065-Barclays Bank, S.A.	DI	
		8905-Barclays Factoring, SA, EFC	OCI	
Citibank Group				
Citigroup Inc (United States of America)				
			DI	
		0122-Citibank España, S.A.	DI	
		8818-Citifin, S.A., E.F.C.	OCI	
General Electric Group				
General Electric Capital Corp. (United States of America)				
			DI	
		0223-General Electric Capital Bank, S.A.	DI	
		8821-Bansabadell Fincorn, E.F.C., S.A. (*)	OCI	
UBS Group				
UBS AG (Switzerland)				
			DI	
		0226-UBS Bank S.A.	DI	
OTHER GROUPS OF BANKS (only consolidated with other financial institutions not subject to the supervision of Banco de España)				
			DI	
		0042-Banco Guipuzcoano, S.A.	DI	
		0061-Banca March, S.A.	DI	Mixed Group (reports to Banco de España)
		0078-Banca Pueyo, S.A.	DI	
		0128-Bankinter, S.A.	DI	Mixed Group (reports to Banco de España)
		0188-Banco Alcalá, S.A.	DI	
		0198-Banco Cooperativo Español, S.A.	DI	
		0211-EBN Banco de Negocios, S.A.	DI	
		0232-Banco Inversis Net, S.A.	DI	
		1000-Instituto de Crédito Oficial	OCI	
		0094-RBC Dexia Investor Services España	DI	UK Parent: RBC Dexia Investor Services Limited

0138-Bankoa, S.A.	DI	France	Parent: CRCAM Pyrenees Gascogne	DI
0186-Banco de Finanzas e Inversiones	DI	Italy	Parent: Grupo Mediolanum S.P.A.	
0200-Privat Bank, S.A.	DI	Belgium	Parent: Banque Degroof, S.A.	DI
0217-Banco Halifax Hispania, S.A.	DI	UK	Parent: Hbos PLC	DI

SAVINGS BANKS

Grupo M.P. Córdoba Group, Mixed Group (reports to Banco de España)

2024-Caja de Ahorros y M.P. de Córdoba (Spain)	DI			
0184-Banco Europeo de Finanzas, S.A. (*)	DI	(A)		
8612-Comerciantes Reunidos del Sur, S.A.	OCI			

Caja Granada Group, Mixed Group (reports to Banco de España)

2031-Caja General de Ahorros de Granada (Spain)	DI	(A)		
0184-Banco Europeo de Finanzas, S.A. (*)	DI	(A)		

Caja Madrid Group, Financial Conglomerate (Coordinator: Banco de España)

2038-Caja de Ahorros y M.P. de Madrid (España)	DI			
0063-Banco Ser. Fin. Caja Madrid-Mapfre (*)	DI	Mexico	Finanmadrid México, S.A. (*)	OCI
0099-Altæ Banco, S.A.	DI			
0125-Bancofar, S.A. (*)	DI			
4837-Madrid Leasing Corporación, S.A. (*)	OCI			
8793-Finanmadrid, S.A., E.F.C. (*)	OCI			

Caja Asturias Group, Mixed Group (reports to Banco de España)

2048-Caja de Ahorros de Asturias (Spain)	DI			
0115-Banco Liberta, S.A.	DI			

Caja Baleares Group, Mixed Group (reports to Banco de España)

2051-Caja de Ahorros y M.P. de Baleares (Spain)	DI			
4838-SA Nostra de Inversiones, E.F.C., SA	OCI			

Caja Cantabria Group

2066-C.Ahorros de Santander y Cantabria (Spain)	DI			
4819-Bancantabria Inversiones, SA, EFC.	OCI			

Bancaja Group, Mixed Group (reports to Banco de España)

2077-Bancaja (Spain)	DI			
0093-Banco de Valencia, S.A.	DI			
8825-Adquiera Servicios Financieros EFC	OCI			

Caixa Vigo Group

2080-Caixa Vigo, Ourense e Pontevedra (Spain)	DI			
0046-Banco Gallego, S.A.	DI			

Ibercaja Group, Mixed Group (reports to Banco de España)

2085-Ibercaja (Spain)	DI			
4832-Ibercaja Leasing y Financiación	OCI			

C.Mediterráneo Group, Mixed Group (reports to Banco de España)

2090-Caja de Ahorros del Mediterráneo (Spain)	DI			
8824-Camge Financiera, EFC, SA	OCI			

Caja Galicia Group, Mixed Group (reports to Banco de España)

2091-Caja de Ahorros de Galicia (Spain)	DI			
8240-Cxg Crédito Familiar Corporación CA	OCI			

Caja Jaén Group

2092-Caja Provincial de Ahorros de Jaén (Spain)	DI	(A)		
0184-Banco Europeo de Finanzas, S.A. (*)	DI	(A)		

Grupo Bbk, Mixed Group (reports to Banco de España)

2095-Bilbao Bizkaia Kutxa (Spain)	DI			
4809-Adefisa Leasing, E.F.C., S.A.	OCI	France	Arca, S.A.	DI
8830-Bbkge Kredit EFC, SA	OCI	(A)		

La Caixa Group, Financial Conglomerate (Coordinator: Banco de España)

2100-C. Ahorros y Pensiones de Barcelona (Spain)	DI			
0133-Microbank de la Caixa, S.A.	DI	France	Recouvrements Dulud, S.A.S.	OCI
8221-Corporación Hipotecaria Mutual	OCI			

8776-Finconsum, E.F.C., S.A.	OCI
8788-Financiacaixa 2, E.F.C., S.A.	OCI

Caja Guipuzkoa Group, Mixed Group (reports to Banco de España)

2101-Caja Ahorros Gipuzkoa y S. Sebastian (Spain)	DI
0059-Banco de Madrid, S.A.	DI
8811-Grupo Serv. Hip. On-Line, EFC, SA	OCI

Unicaja Group, Mixed Group (reports to Banco de España)

2103-Unicaja (Spain)	DI
0184-Banco Europeo de Finanzas, S.A. (*)	DI

Cajasol Group

2106-M.P.C.A. S. Fernando de Huelva Jerez (Spain)	DI	(A)
0184-Banco Europeo de Finanzas, S.A. (*)	DI	(A)
8596-Unión Cto. Fin. Mob. Inm. Credifimo	OCI	(A)

OTHER GROUPS OF SAVINGS BANKS (only consolidated with other financial institutions not subject to the supervision of Banco de España)

2000-Confed. Española Cajas de Ahorros	DI	
2010-M.P. y Caja Gral. Badajoz	DI	Mixed Group (reports to Banco de España)
2013-Caixa d'Estalvis de Catalunya	DI	(A) Mixed Group (reports to Banco de España)
2017-Círculo Católico Obreros de Burgos	DI	
2018-Caja de Ahorros Municipal de Burgos	DI	
2030-Caixa d'Estalvis de Girona	DI	Mixed Group (reports to Banco de España)
2032-Caja de Ahorro Prov. de Guadalajara	DI	
2037-Caja de Ahorros de la Rioja	DI	
2040-Caixa d'Estalvis Comarcal Manlleu	DI	
2041-Caixa d'Estalvis de Manresa	DI	Mixed Group (reports to Banco de España)
2042-Caixa d'Estalvis Laietana	DI	Mixed Group (reports to Banco de España)
2043-Caja de Ahorros de Murcia	DI	Mixed Group (reports to Banco de España)
2045-Caja de Ahorros y M.P. Ontinyent	DI	
2052-Caja Insular de Ahorros de Canarias	DI	
2054-Caja de Ahorros y M.P. de Navarra	DI	Mixed Group (reports to Banco de España)
2056-Colonya-Caixa d'Estalvis Pollensa	DI	
2059-Caixa d'Estalvis de Sabadell	DI	Mixed Group (reports to Banco de España)
2065-Caja General de Ahorros de Canarias	DI	
2069-Caja Ahorros y Monte Piedad Segovia (**)	DI	
2073-Caixa d'Estalvis de Tarragona	DI	Mixed Group (reports to Banco de España)
2074-Caixa d'Estalvis de Terrassa	DI	Financial Conglomerate, subject to additional supervisory requirements (Coordinator: Banco de España)
2081-Caixa d'Estalvis del Penedes	DI	Mixed Group (reports to Banco de España)
2086-Caja Ahorros Inmaculada de Aragón	DI	Mixed Group (reports to Banco de España)
2094-Caja de Ahorros y M.P. de Ávila	DI	
2096-Caja España de Inversiones	DI	Mixed Group (reports to Banco de España)
2097-Caja de Ahorros de Vitoria y Álava	DI	Mixed Group (reports to Banco de España)
2099-Caja Ahorros y M.P. de Extremadura	DI	
2104-Caja Ahorros de Salamanca y Soria	DI	Mixed Group (reports to Banco de España)
2105-Caja Ahorros de Castilla-La Mancha	DI	Mixed Group (reports to Banco de España)

CREDIT CO-OPERATIVES (only consolidated with other financial institutions not subject to the supervision of Banco de España)

3001-Caja R. de Almendralejo, S.C.C.	DI	(A)
3008-Caja R. de Navarra, S.C.C.	DI	
3017-Caja R. de Soria, S.C.C.	DI	
3021-Caja R. de Aragón, S.C.C. (**)	DI	
3025-Caixa C. dels Enginyers, S.C.C.	DI	
3035-Caja Laboral Popular C.C.	DI	Mixed Group (reports to Banco de España)
3058-Cajamar Caja Rural, S.C.C.	DI	Mixed Group (reports to Banco de España)
3062-Caja R. de Ciudad Real, S.C.C.	DI	
3067-C.R. de Jaén, Barna y Madrid, Scc	DI	
3081-Caja R. de Toledo, S.C.C.	DI	
3084-Ipar Kutxa Rural, S.C.C.	DI	
3085-Caja R. de Zamora, C.C.	DI	
3146-Caja de Crédito Cooperativo, S.C.C.	DI	(A)
3171-Caixa dels Advocats-Caja Abogados	DI	
3172-Caja Caminos, S.C.C.	DI	
3183-Caja de Arquitectos S.C.C.	DI	
3188-Credit Valencia, C.R.C.C.V. (**)	DI	(A)
3189-Caja R. Aragonesa y de Los Pirineos	DI	

SPECIALISED CREDIT INSTITUTIONS (SCIs)

Cartuja Group

8817-Cartuja Financiera Andaluza, S.A. (España) OCI

Ing Lease Group, Mixed Group (reports to Banco de España)

Ing Groep N.V. (Netherlands) OCI

4709-Ing Lease (España), E.F.C., S.A. OCI

8820-Ing Real Estate Finance S.E., EFC OCI

G.M.A.C.España Group

General Motors Corporation (United States of America)

8714-Gmac España S.A.F., E.F.C. OCI

8827-Gmac Residential Funding Corporatio OCI

Carrefour Group

Carrefour S.A. (France)

8795-Servicios Financieros Carrefour, EFC OCI

8815-Finandia E.F.C., S.A. OCI

Scania Group

Scania Cv.Aktiebolag (Sweden) (A)

8813-Scania Finance Hispania EFC, SA OCI (A)

OTHER GROUPS OF SCIs (only consolidated with other financial institutions not subject to the supervision of Banco de España)

4713-Lico Leasing, S.A., E.F.C. OCI

8512-Unión Créditos Inmobiliarios OCI Proportionally consolidated with SCH-0049

8769-Unión Financiera Asturiana, S.A. OCI (A)

8807-Arafin E.F.C., S.A. OCI

8828-los Finance E.F.C., S.A. OCI (A) Germany Parent: Private Financing Initiatives S.L. (A)

ANNEX 5 INFORMATION FOR BANK CUSTOMERS, REGISTERS AND OTHER
INSTITUTIONAL INFORMATION

Yearly data (number)

	2004	2005	2006	2007
ADVERTISING PROJECTS				
Cases processed	4,273	5,482	6,137	6,528
BY TYPE OF DECISION:				
Authorised (a)	3,622	4,791	5,319	5,641
Rejected	7	24	13	2
Modified (b)	519	476	638	643
Returned (c)	125	191	167	242
BY TYPE OF TRANSACTION				
Lending transactions	2,298	3,186	3,234	3,209
Deposit transactions	1,244	1,510	1,954	2,260
Other	80	95	131	172
BY TYPE OF MEDIUM				
Press	1,156	1,707	1,435	1,181
Radio	177	179	262	187
Television	290	383	352	214
Other	1,999	2,522	3,270	4,059
COMMISSION CHARGES				
Cases examined	1,264	1,255	1,172	1,104
Decisions (d)	1,008	1,014	903	887
Approvals	393	426	412	368
With objections	615	588	491	519
Objections formulated	2,003	1,420	1,568	1,893

SOURCE: Banco de España.

- a. Includes both authorisations owing to an affirmative decision and deemed authorisations owing to the absence of a negative decision ("administrative silence").
- b. Modifications, normally in prices, in projects authorised in the same or in previous years.
- c. Relate to projects whose content does not require authorisation, or which have been withdrawn by the applicant.
- d. A single decision may relate to various cases.

REGISTERS AND OTHER INSTITUTIONAL INFORMATION

TABLE A.5.2

Year-end data and changes in the year (number and percentage)

	2004	2005	2006	2007
Senior officers	4,837	4,838	4,898	4,877
Legal persons	386	392	401	420
Individuals	4,451	4,446	4,497	4,457
Of which:				
<i>Males</i>	4,071	4,048	4,055	3,980
<i>Females</i>	380	398	442	477
<i>Percentage of females in commercial banks</i>	5	5	6	7
<i>Percentage of females in savings banks</i>	13	14	15	16
<i>Percentage of females in credit co-operatives</i>	5	6	7	7
<i>Percentage of females in SCIs</i>	5	5	5	5
<i>Percentage of females in other credit institutions</i>	10	10	11	12
Additions or deletions of senior officers	1,724	1,212	1,401	1,281
Of which: First-time additions	650	449	678	569
Reinstatements	92	61	80	67
Inquiries as to integrity of senior officers	48	36	56	64
Average number of people listed per document	8	6	6	5
Registered shareholders	566	612	583	560
Individuals	96	101	99	88
Legal persons	470	511	484	472
<i>Of which: credit institutions (a)</i>	116	116	117	114
Of which: Spanish shareholders	367	385	381	385
Registered shareholders	364	362	367	421
Individuals	169	164	156	214
Legal persons	195	198	211	207
<i>Of which: credit institutions (a)</i>	72	69	87	91
Of which: Spanish shareholders	362	360	365	420
Registered shareholders	179	175	179	172
Individuals	38	39	36	28
Legal persons	141	136	143	144
<i>Of which: credit institutions (a)</i>	61	60	61	67
Of which: Spanish shareholders	155	151	153	145
Agency agreements	10,678	12,570	20,461	24,323
Banks	4,410	4,786	10,294	11,356
Savings banks	260	294	294	258
Credit co-operatives	81	71	68	64
Specialised credit institutions	52	50	67	62
Branches of credit institutions	35	38	45	109
Currency exchange bureaux and/or money transfer agencies	5,840	7,331	9,693	12,474
Agency agreements with foreign CIs	106	106	106	107
Registered amendments to articles of association	268	229	214	223
Cases processed of amendments to articles of association	59	60	66	37
Banks	33	13	11	11
Savings banks	3	2	0	1
Credit co-operatives	15	39	44	16
SCIs	3	1	2	4
MGCs	5	5	9	5
Reported to Directorate General of the Treasury and Financial Policy	46	28	51	29
Reported to regional government	13	32	15	8

SOURCE: Banco de España.

a. Spanish credit institutions and branches in Spain of foreign ones.

ANNEX 6 DOCUMENTS PUBLISHED BY THE CEBS, ECB AND BCBS IN 2007

Advice to the European Commission	
January	Results of the survey on supervisory practices for commodities business and firms carrying out commodities business CEBS and CEIOPS publish a cross-sectoral comparison of the capital instruments that are eligible for prudential purposes in European banking, insurance and securities regulation.
March	Result of a quantitative survey on hybrid capital instruments
June	Result of a quantitative survey of eligible own funds
August	Result of a survey on supervisory practices for liquidity risk management Impact of the differences in sectoral rules on the calculation of own funds of financial conglomerates. CEBS and CEIOPS joint report.
October	Assessment of the risks arising from commodities business and from firms carrying out commodities business
November	Review of the large exposures regime (first part of technical advice)
Standards and guidelines	
July	Amendments to the guidelines on financial reporting
September	Mediation protocol between banking supervisors (a)
October	Analytical report on prudential filters (b) Assessment of convergence on supervisory reporting (FINREP and COREP) Protocol and methodology for a peer review mechanism

a. The objective is to facilitate and speed up the supervisory procedures set out in the Capital Requirements Directive and to support the application of the pre-existing co-operation tools among supervisors such as the CEBS guidelines on validation and on home/host co-operation.

b. The objective of these prudential filters is to maintain the definition and quality of regulatory capital for institutions using IFRSs for prudential reporting.

April	Document	Large banks and private equity-sponsored leveraged buyouts in the EU
June	Document	Half-yearly financial stability review
October	Document	Yearly report on developments in EU banking structures
November	Document	Yearly report on EU banking sector stability
December	Document	Half-yearly financial stability review

May	Document	Progress on Basel II implementation and new workstreams and outreach
October	Document	Transparency in payments messages
	Guidelines	Guidelines for computing capital for incremental default risk in the trading book
November	Principles	Home-host supervisory co-operation and allocation mechanisms in the context of Advanced Measurement Approaches (AMA)

BANCO DE ESPAÑA PUBLICATIONS

Studies and reports

REGULAR

Annual Report (in Spanish and English)
Economic Bulletin (quarterly) (the Spanish version is monthly)
Financial Stability Report (in Spanish and English) (half-yearly)
Informe del Servicio de Reclamaciones (quarterly)
Memoria del Servicio de Reclamaciones (annual)
Mercado de Deuda Pública (annual)
Report on Banking Supervision in Spain (in Spanish and English) (annual)
Research Memorandum (in Spanish and English) (annual)
The Spanish Balance of Payments and International Investment Position (in Spanish and English) (annual)

NON-PERIODICAL

Central Balance Sheet Data Office: commissioned studies
Notas de Estabilidad Financiera

ECONOMIC STUDIES

- 55 ISABEL ARGIMÓN MAZA: El comportamiento del ahorro y su composición: evidencia empírica para algunos países de la Unión Europea (1996).
- 56 JUAN AYUSO HUERTAS: Riesgo cambiario y riesgo de tipo de interés bajo regímenes alternativos de tipo de cambio (1996).
- 57 OLYMPIA BOVER, MANUEL ARELLANO AND SAMUEL BENTOLILA: Unemployment duration, benefit duration, and the business cycle (1996). (The Spanish original of this publication has the same number.)
- 58 JOSÉ MARÍN ARCAS: Stabilising effects of fiscal policy. Volumes I and II (1997). (The Spanish original of this publication has the same number.)
- 59 JOSÉ LUIS ESCRIVÁ, IGNACIO FUENTES, FERNANDO GUTIÉRREZ AND M.^a TERESA SASTRE: El sistema bancario español ante la Unión Monetaria Europea (1997).
- 60 ANA BUISÁN AND ESTHER GORDO: El sector exterior en España (1997).
- 61 ÁNGEL ESTRADA, FRANCISCO DE CASTRO, IGNACIO HERNANDO AND JAVIER VALLÉS: La inversión en España (1997).
- 62 ENRIQUE ALBEROLA ILLA: España en la Unión Monetaria. Una aproximación a sus costes y beneficios (1998).
- 63 GABRIEL QUIRÓS (ed.): Mercado español de deuda pública. Volumes I and II (1998).
- 64 FERNANDO C. BALLABRIGA, LUIS JULIÁN ÁLVAREZ GONZÁLEZ AND JAVIER JAREÑO MORAGO: A BVAR macroeconomic model for the Spanish economy: methodology and results (2000). (The Spanish original of this publication has the same number.)
- 65 ÁNGEL ESTRADA AND ANA BUISÁN: El gasto de las familias en España (1999).
- 66 ROBERTO BLANCO ESCOLAR: El mercado español de renta variable. Análisis de la liquidez e influencia del mercado de derivados (1999).
- 67 JUAN AYUSO, IGNACIO FUENTES, JUAN PEÑALOSA AND FERNANDO RESTOY: El mercado monetario español en la Unión Monetaria (1999).
- 68 ISABEL ARGIMÓN, ÁNGEL LUIS GÓMEZ, PABLO HERNÁNDEZ DE COS AND FRANCISCO MARTÍ: El sector de las Administraciones Públicas en España (1999).
- 69 JAVIER ANDRÉS, IGNACIO HERNANDO AND J. DAVID LÓPEZ-SALIDO: Assessing the benefits of price stability: the international experience (2000).
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