

**CAJA ESPAÑA DE INVERSIONES,
CAJA DE AHORROS Y MONTE DE PIEDAD AND
COMPANIES COMPOSING, TOGETHER WITH THE CAJA,
THE CAJA ESPAÑA GROUP**

Consolidated Financial Statements
for the Years Ended December 31, 2000 and 1999
and 2000 Management Report,
together with Auditors' Report

Translation of reports and consolidated financial statements originally issued in Spanish and prepared in accordance with generally accepted accounting principles in Spain (see Note 29). In the event of a discrepancy, the Spanish-language version prevails.

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Auditors' report on consolidated financial statements

To the General Assembly of
Caja España de Inversiones, Caja de Ahorros y Monte de Piedad:

1. We have audited the consolidated financial statements of Caja España de Inversiones, Caja de Ahorros y Monte de Piedad (the "Caja") and of the companies (see Exhibit I) composing, together with the Caja, the Caja España Group (the "Group"), which consist of the consolidated balance sheets as of December 31, 2000 and 1999, and the related consolidated statements of income and expenses and notes to consolidated financial statements for the years then ended. The preparation of these consolidated financial statements is the responsibility of the Caja's directors. Our responsibility is to express an opinion on the consolidated financial statements taken as a whole based on our audit work performed in accordance with generally accepted auditing standards, which require examination, by means of selective tests, of the documentation supporting the consolidated financial statements and evaluation of their presentation, of the accounting principles applied and of the estimates made.
2. In 1999, pursuant to Rule 13.4 of Bank of Spain Circular 4/1991 and after obtaining authorization from the Bank of Spain to do so, the Caja charged to unrestricted reserves a portion (Ptas. 1,299 million) of the liabilities arising from commitments to its employees who had taken early retirement in that year (see Notes 2 and 21). The remainder was funded as indicated in Note 3-i.
3. As described in Note 3-i to the financial statements referred to above, in 2000 the Caja initiated the process of adaptation of its pension commitments to instrument them in accordance with Royal Decree 1588/1999 and Bank of Spain Circular 5/2000. Since as of the date of preparation of these 2000 consolidated financial statements this process had not been completed (the procedures outstanding being, basically, the presentation to the Directorate-General of Insurance of the Pension Plan rebalancing plan and the transfer of the related funds), in accordance with the principle of prudence, the Caja decided to postpone until 2001 the recording of the tax consequences of this process, which will give rise to the recording of deferred tax assets amounting to approximately Ptas. 2,900 million, the balancing entry being a reduction of the corporate income tax expense for that year.
4. In our opinion, the consolidated financial statements referred to above present, in all material respects, a true and fair view of the consolidated net worth and consolidated financial position of the Caja España Group as of December 31, 2000 and 1999, and of the consolidated results of its operations and of the consolidated funds obtained and applied in the years then ended, and contain the required information, sufficient for their proper interpretation and comprehension, in conformity with generally accepted accounting principles and standards applied on a consistent basis.
5. The accompanying management report for 2000 contains the explanations which the directors of the Caja consider appropriate about the Group's situation, the evolution of its business and other matters, but is not an integral part of the consolidated financial statements. We have checked that the accounting information in the management report is consistent with that contained in the consolidated financial statements for 2000. Our work as auditors was confined to checking the management report with the aforementioned scope, and did not include a review of any information other than that drawn from the accounting records of the consolidated entities.

March 2, 2001

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**CAJA ESPAÑA DE INVERSIONES, CAJA DE AHORROS Y MONTE DE PIEDAD
AND COMPANIES COMPOSING, TOGETHER WITH THE CAJA, THE CAJA ESPAÑA GROUP**

CONSOLIDATED BALANCE SHEETS AS OF DECEMBER 31, 2000 AND 1999 (NOTES 1, 2, 3 AND 4)

(Millions of Pesetas)

ASSETS	2000	1999	LIABILITIES AND EQUITY	2000	1999
CASH ON HAND AND ON DEPOSIT AT CENTRAL BANKS:			DUE TO CREDIT ENTITIES (Note 6):		
Cash on hand	8.565	11.136	Demand deposits	14.475	4.457
Cash at Bank of Spain	15.902	21.733	Time or notification deposits	293.964	203.234
	24.467	32.869		308.439	207.691
GOVERNMENT DEBT SECURITIES (Note 5)	319.550	274.166	CUSTOMER DEPOSITS (Note 16):		
DUE FROM CREDIT ENTITIES (Note 6):			Savings deposits-		
Demand deposits	12.864	1.847	Demand	553.046	513.496
Other	268.124	260.932	Time	453.677	374.140
	280.988	262.779	Other deposits-		
LOANS AND CREDITS (Note 7)	976.839	766.018	Demand	-	-
DEBENTURES AND OTHER FIXED-INCOME SECURITIES (Note 8):			Time	264.373	213.552
Issued by the public sector	10.694	10.369		1.271.096	1.101.188
Other	74.729	59.730	MARKETABLE DEBT SECURITIES (Note 17):		
	85.423	70.099	Bonds and debentures outstanding	76.011	86.374
COMMON STOCKS AND OTHER EQUITY SECURITIES (Note 9)	56.755	48.230		76.011	86.374
SHAREHOLDINGS IN NON-GROUP COMPANIES (Note 10):			OTHER LIABILITIES (Note 14)	29.249	23.140
Credit entities	2.868	-	ACCRUAL ACCOUNTS (Note 15)	14.711	9.275
Other shareholdings	10.492	9.275	PROVISIONS FOR CONTINGENCIES AND EXPENSES (Note 18):		
	13.360	9.275	Pension allowance	8.776	-
SHAREHOLDINGS IN GROUP COMPANIES (Note 11):			Other provisions	11.530	10.678
Credit entities	-	-		20.306	10.678
Other	1.162	1.197	GENERAL RISK ALLOWANCE	-	-
	1.162	1.197	NEGATIVE DIFFERENCE IN CONSOLIDATION (Note 12)	248	268
INTANGIBLE ASSETS	3.261	2.484	CONSOLIDATED SURPLUS FOR THE YEAR:		
GOODWILL IN CONSOLIDATION (Note 12)	4.970	4.118	Group	13.477	13.980
PROPERTY AND EQUIPMENT (Note 13):			Minority interests	847	25
Land and buildings for own use	27.436	27.229		14.324	14.005
Other property	8.650	10.602	SUBORDINATED DEBT (Note 19)	26.053	16.100
Furniture, installations and other	12.454	12.849	MINORITY INTERESTS (Note 20)	16.640	16.645
	48.540	50.680	ENDOWMENT FUND	2	2
OTHER ASSETS (Note 14)	23.668	19.389	RESERVES (Note 21)	75.656	65.320
ACCRUAL ACCOUNTS (Note 15)	18.844	14.331	REVALUATION RESERVES (Note 21)	4.568	4.572
PRIOR YEARS' LOSSES AT CONSOLIDATED COMPANIES (Note 21)	482	216	RESERVES AT CONSOLIDATED COMPANIES (Note 21)	1.006	593
CONSOLIDATED DEFICIT FOR THE YEAR	-	-	PRIOR YEARS' INCOME	-	-
TOTAL ASSETS	1.858.309	1.555.851	TOTAL LIABILITIES AND EQUITY	1.858.309	1.555.851
MEMORANDUM ACCOUNTS (Note 22)	300.276	229.937			

The accompanying Notes 1 to 29 and Exhibits I and II are an integral part of these consolidated balance sheets.

Translation of a report and consolidated financial statements originally issued in Spanish and prepared in accordance with generally accepted accounting principles in Spain (see Note 29). In the event of a discrepancy, the Spanish-language version prevails.

**CAJA ESPAÑA DE INVERSIONES, CAJA DE AHORROS Y MONTE DE PIEDAD
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CONSOLIDATED STATEMENTS OF INCOME AND EXPENSES

FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999 (NOTES 1, 2, 3 AND 4)

(Millions of Pesetas)

	(Debit)/Credit	
	2000	1999
INTEREST AND SIMILAR REVENUES (Note 26)	75.004	61.088
<i>Of which: Fixed-income securities</i>	19.981	17.244
INTEREST AND SIMILAR EXPENSES (Note 26)	(37.104)	(26.905)
INCOME FROM EQUITY SECURITIES:	2.098	1.703
<i>Common stocks and other equity securities</i>	1.726	1.532
<i>Shareholdings in non-Group companies</i>	372	171
<i>Holdings in Group companies</i>	-	-
NET INTEREST REVENUE	39.998	35.886
FEES COLLECTED (Note 26)	9.938	8.977
FEES PAID	(1.393)	(1.191)
GAINS (LOSSES) ON FINANCIAL TRANSACTIONS (Note 26)	10.161	6.207
NET ORDINARY REVENUE	58.704	49.879
OTHER OPERATING REVENUES	216	260
GENERAL ADMINISTRATIVE EXPENSES:	(32.207)	(28.582)
Personnel expenses (Note 26)	(21.700)	(18.866)
<i>Of which:</i>		
<i>Wages and salaries</i>	(16.415)	(14.210)
<i>Employee welfare expenses</i>	(4.755)	(4.212)
<i>Of which: pensions</i>	(1.195)	(862)
Other administrative expenses	(10.507)	(9.716)
DEPRECIATION, AMORTIZATION AND WRITEDOWN OF PROPERTY AND EQUIPMENT AND INTANGIBLE ASSETS (Note 13)	(4.026)	(3.395)
OTHER OPERATING EXPENSES	(37)	(18)
NET OPERATING REVENUE	22.650	18.144
NET INCOME (LOSS) FROM COMPANIES CARRIED BY THE EQUITY METHOD:	76	(104)
Share in income of companies carried by the equity method (Note 26)	1.162	374
Share in losses of companies carried by the equity method (Note 26)	(714)	(307)
Value adjustments due to collection of dividends	(372)	(171)
AMORTIZATION OF GOODWILL IN CONSOLIDATION (Note 12)	(639)	(531)
GAINS ON GROUP TRANSACTIONS	51	-
LOSSES ON GROUP TRANSACTIONS	-	-
WRITEOFFS AND CREDIT LOSS PROVISIONS (Net) (Note 7)	(515)	2.413
WRITEDOWN OF LONG-TERM FINANCIAL INVESTMENTS (Net)	-	-
PROVISION TO GENERAL RISK ALLOWANCE	-	-
EXTRAORDINARY INCOME (Note 26)	3.507	6.005
EXTRAORDINARY LOSS (Note 26)	(5.736)	(7.449)
SURPLUS BEFORE TAXES	19.394	18.478
CORPORATE INCOME TAX (Note 24)	(5.023)	(4.473)
OTHER TAXES	(47)	-
CONSOLIDATED SURPLUS FOR THE YEAR	14.324	14.005
Surplus attributed to minority interests	847	25
Surplus attributed to the Group	13.477	13.980

The accompanying Notes 1 to 29 and Exhibits I and II are an integral part of these consolidated statements of income and expenses.

Translation of a report and consolidated financial statements originally issued in Spanish and prepared in accordance with generally accepted accounting principles in Spain (see Note 29). In the event of a discrepancy, the Spanish-language version prevails.

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Notes to Consolidated Financial Statements
for the Years Ended December 31, 2000 and 1999

1. Caja España de Inversiones, Caja de Ahorros y Monte de Piedad

Caja España de Inversiones, Caja de Ahorros y Monte de Piedad ("Caja España" or the "Caja") arose on June 16, 1990, from the merger of Caja de Ahorros y Monte de Piedad de León, Caja de Ahorros y Monte de Piedad de Palencia, Caja de Ahorros Popular de Valladolid, Caja de Ahorros Provincial de Valladolid and Caja de Ahorros Provincial de Zamora and is the legal universal successor to all the rights, expectations, shares, obligations, liabilities and charges of each of the aforementioned entities, regardless of their nature, and the rights and guarantees of third parties affected remain in force after this subrogation, without modification, encumbrance or impairment whatsoever.

The Caja is a not-for-profit financial institution, formed with the General Popular Savings Bank status and, as such, its corporate purpose is to promote and administer deposits on behalf of depositors, to allocate the net surplus generated in each year to reserves to further guarantee the funds administered by it, to finance its own development and to carry out the community welfare work specifically envisaged in its corporate purpose. As a popular savings bank, the Caja is subject to certain regulations governing its business activities.

To perform its business activities in Spain, as of December 31, 2000 and 1999, the Caja had a network consisting of 535 and 457 branches, respectively.

The Caja belongs to the Spanish Confederation of Savings Banks and is a member of the Savings Banks Deposit Guarantee Fund.

Additionally, the Caja is the parent company of a group of entities which engage in collective investment institution management, pension funds, insurance, industrial, real estate and other activities.

The Caja's financial statements as of December 31, 2000, were prepared basically in accordance with the accounting principles and methods described in Note 3 and represent 100% of the consolidated assets and 102% of the consolidated net income of the Caja España Group (100% and 95% as of December 31, 1999, respectively).

The Caja's summarized balance sheets as of December 31, 2000 and 1999, and its summarized statements of income and expenses and of changes in financial position for the years then ended, prepared as stipulated in Bank of Spain Circular 4/1991, are as follows:

SUMMARIZED BALANCE SHEETS
AS OF DECEMBER 31, 2000 AND 1999
(Millions of Pesetas)

	2000	1999
ASSETS:		
Cash on hand and on deposit at central banks	24,467	32,855
Government debt securities	319,550	274,166
Due from credit entities	280,988	262,777
Loans and credits	976,839	766,039
Debentures and other fixed-income securities	85,419	70,099
Common stocks and other equity securities	56,740	47,928
Shareholdings in non-Group companies	18,664	13,925
Shareholdings in Group companies	3,846	3,739
Intangible assets	3,245	2,449
Property and equipment	48,512	51,027
Other assets	22,072	18,000
Accrual accounts	19,889	14,505
Total assets	1,860,231	1,557,509
Memorandum accounts	300,276	229,942
LIABILITIES:		
Due to credit entities	308,439	207,691
Customer deposits	1,275,801	1,102,904
Marketable debt securities	76,011	86,374
Other liabilities	25,483	22,880
Accrual accounts	14,926	9,280
Provisions for contingencies and expenses	23,858	12,744
Surplus for the year	13,728	13,301
Subordinated debt	42,692	32,739
Endowment fund	2	2
Reserves	74,723	65,022
Revaluation reserves	4,568	4,572
Total liabilities and equity	1,860,231	1,557,509

SUMMARIZED STATEMENTS OF INCOME AND EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999
(Millions of Pesetas)

	(Debit) / Credit	
	2000	1999
Interest and similar revenues	75,017	61,086
Interest and similar expenses	(38,027)	(26,986)
Income from equity securities	3,151	2,364
Net interest revenue	40,141	36,464
Fees collected	9,133	7,778
Fees paid	(1,393)	(1,188)
Gains (losses) on financial transactions	10,240	6,259
Net ordinary revenue	58,121	49,313
Other operating revenues	213	213
General administrative expenses	(31,819)	(28,135)
Depreciation, amortization and writedown of property and equipment and intangible assets	(3,993)	(3,376)
Other operating expenses	(35)	(18)
Net operating revenue	22,487	17,997
Writeoffs and credit loss provisions	(515)	2,413
Writedown of long-term financial investments	(664)	(172)
Extraordinary income	2,316	5,866
Extraordinary loss	(5,597)	(8,587)
Surplus before taxes	18,027	17,517
Corporate income tax	(4,256)	(4,216)
Other taxes	(43)	-
Surplus for the year	13,728	13,301

SUMMARIZED STATEMENTS OF CHANGES IN FINANCIAL POSITION
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999
(Millions of Pesetas)

	2000	1999
SOURCE OF FUNDS:		
From operations	24,776	19,976
Financing, less investment, at Bank of Spain and credit and savings entities (net variation)	90,925	75,813
Deposits (net increase)	161,213	75,586
Subordinated debt issue	9,953	16,639
Mortgage bond and cash bond issue	14,637	36,374
Other asset items less liability items (net variation)	1,039	-
	302,543	224,388
APPLICATION OF FUNDS:		
Fixed-income securities (net increase)	60,494	94,202
Loans and credits (net increase)	194,381	112,046
Short-term equity securities (net increase)	13,470	9,769
Acquisition of long-term investments	3,657	2,592
Variation in property and equipment and intangible assets	3,252	2,664
Community welfare projects reserve	2,289	2,291
Redemption of mortgage bonds and cash bonds	25,000	-
Other asset items less liability items (net variation)	-	824
	302,543	224,388

2. Basis of presentation of the consolidated financial statements, charges and credits to reserves, consolidation principles, comparative information and determination of net worth

Basis of presentation of the consolidated financial statements

The consolidated financial statements of the Caja and of the companies which, together with it, compose the Caja España Group (the "Group") are presented in the formats stipulated by Bank of Spain Circular 4/1991 and subsequent amendments, and, accordingly, they give a true and fair view of the consolidated net worth, financial position and results of the Group.

The consolidated financial statements were prepared from the individual accounting records of the Caja and of the other companies composing the Group. These consolidated financial statements include certain adjustments and reclassifications required to conform the accounting principles and presentation criteria followed by certain of the consolidated companies with those used by the Caja (see Note 3). The consolidated financial statements were prepared in accordance with the accounting principles and valuation methods described in Note 3. All accounting principles and valuation methods obligatorily applicable by the consolidated entities with a significant effect on the consolidated financial statements were applied in preparing them.

The 1999 consolidated financial statements of the Caja España Group were approved by the Caja's General Assembly on March 31, 2000, and the 2000 consolidated financial statements, which were prepared by the Board of Directors of Caja España on March 1, 2001, will be submitted for approval by the Caja's General Assembly and it is considered that they will be approved without changes.

Charges and credits to reserves

As indicated in Note 3-i, in 1999 the Caja continued with the early retirement plan initiated in 1997, of which 66 employees availed themselves. The cost of this plan amounted to Ptas. 3,446 million, of which Ptas. 3,393 million related to expenses to be incurred by the Caja in connection with early retirees through the date of final retirement (age 65) and Ptas. 53 million related to vested supplementary pension commitments to these employees. Pursuant to Rule 13.4 of Bank of Spain Circular 4/1991, and after obtaining authorization from the Bank of Spain, the Caja funded with a charge to reserves a portion of the cost of this early retirement plan (Ptas. 1,998 million) and, simultaneously, Ptas. 699 million were credited to reserves for the tax effects arising from timing differences applicable to the pension commitments funded with a charge to reserves. Therefore, the net charge to reserves amounted to Ptas. 1,299 million (see Notes 3-i, 21 and 24).

Consolidation principles

The consolidated Group was defined in accordance with Bank of Spain Circulars 4/1991 and 5/1993. Consequently, the Group includes all the companies ("dependent companies") which are directly or indirectly 50% or more owned by the Caja or, if less than 50% owned, are effectively controlled by the Caja and constitute, together with it, a single decision-making unit.

In accordance with Bank of Spain Circular 4/1991, the dependent companies whose business activities are directly related to those of the Caja were consolidated by the global integration method. The dependent companies consolidated as of December 31, 2000, showing the percentages of direct and indirect ownership by the Caja at that date and other relevant information, are listed in Exhibit I. All material accounts and transactions between these companies and between them and the Caja were eliminated in consolidation. The

equity of third parties in the Group's net worth is presented under the "Minority Interests" and "Consolidated Surplus for the Year - Minority Interests" captions in the consolidated balance sheets (see Note 20).

The Caja's shareholdings in dependent companies whose business activities differ from those of the Caja and the holdings in other companies ("associated companies") which, although not constituting a single decision-making unit with the Caja, have a lasting relationship with it and are intended to contribute to its business activities (pursuant to Article 185.2 of the Spanish Corporations Law and in accordance with Bank of Spain Circular 4/1991) and are less than 50% but more than 20% (if unlisted) or more than 3% (if listed) owned by the Group, or in which, although these ownership interests are not held, the Caja is one of the major shareholders and intends to keep the investment on a stable basis, are carried by the equity method, i.e. at the fraction of net worth represented by such holdings, net of the dividends collected from them and after other asset and liability eliminations. Exhibit I shows the nonconsolidated dependent companies and Exhibit II shows the percentages of direct and indirect ownership in associated companies and other relevant information thereon.

The other equity investments are presented in the accompanying consolidated balance sheets in accordance with the principles described in Note 3-e.

The major variations and events in the consolidable Group in 2000 are summarized as follows:

1. Acquisition of a 0.25% holding in Azucarera Ebro Agrícolas, S.A. for Ptas. 469 million, increasing the Caja's holding in this company to 5.47% as of December 31, 2000.
2. Incorporation of Retecal Interactiva, S.A. The Caja subscribed to 11% of the capital for Ptas. 27 million. Additionally, the Caja indirectly holds a further 14.97% of this company through Retecal, Sociedad Operadora de Telecomunicaciones de Castilla y León, S.A.
3. Increase in the Group's holdings in Retecal, Sociedad Operadora de Telecomunicaciones de Castilla y León, S.A. from 24.15% to 24.54%, and in Regional de Telecomunicaciones de Castilla y León, S.A. from 27.55% to 28.13%.
4. Change of the corporate name of Inmobiliaria Alcázar, S.A. to AyCO Grupo Inmobiliario, S.A.
5. As of December 31, 1999, the Caja held 1.26% of Banco Pastor, S.A., which it had acquired for Ptas. 1,700 million. In 2000, it acquired a further 1.85% holding for Ptas. 2,385 million and the full amount of the holding was recorded under the "Shareholdings in Non-Group companies" caption in the balance sheet as of December 31, 2000.
6. Acquisition of shares representing a 1.96% holding in the capital stock of Lingotes Especiales, S.A. for Ptas. 127 million. The Caja had a 10.15% holding in this company as of December 31, 2000.
7. Sale of all the shares of Moraleja Gestión, S.A., the acquisition cost of which was Ptas. 165 million, for Ptas. 208 million.

The major variations and events in the consolidable Group in 1999 are summarized as follows:

1. Formation of Caja España de Inversiones Finance Limited, a company with registered office in the Cayman Islands, which is wholly owned by the Caja. In 1999 this company issued preferred shares (see Note 20).
2. Transfer of the Caja's 5% holding in the unlisted company Gas Natural de Castilla y León, S.A. to the "Common Stocks and Other Equity Securities" caption in the consolidated balance sheet. As of December

31, 1998, this holding was recorded under the "Shareholdings in Non-Group Companies" caption and was carried by the equity method.

3. Acquisition by the Caja of a 19.5% holding in the capital stock of Inmobiliaria Alcázar, S.A. for Ptas. 860 million.
4. As of December 31, 1998, the Caja owned 31.99% of the capital stock of T.V. Servicios y Desarrollo, S.A. In August 1999, this company was merged into Regional de Telecomunicaciones de Castilla y León, S.A. (the absorbing company), effective January 1, 1999, for accounting purposes. The Caja's holding in the new company, which kept the name of the absorbing company, represented 27.55% of its capital stock as of December 31, 1999.

The effect of the variations in the scope of consolidation on the Group's assets, liabilities and surplus was not material.

In accordance with standard practice, the consolidated financial statements do not include the tax effect of transferring to the Group the accumulated reserves and undistributed earnings of the companies consolidated by the global integration method or carried by the equity method, because it is considered that no funds will be transferred (since these reserves will be used as self-financing resources at each investee).

Comparative information

Bank of Spain Circular 9/1999 introduced several amendments to Bank of Spain Circular 4/1991, certain of which were taken into account in the preparation of the 1999 consolidated financial statements, while others came into force in 2000.

The amendment with the most significant effect in 1999 refers to unlisted common stocks and other equity securities which since 1999 have been valued by the same method as that used for valuing holdings in Group and associated companies (see Note 3-e).

The amendments to Bank of Spain Circular 4/1991 that came into force in 2000 refer basically to the rules for the recording of the allowances for credit losses. The main amendments introduced by these rules are as follows:

1. The classification as doubtful of certain assets is brought forward (after six months instead of 12 months for certain risk exposure to individuals; consideration as doubtful of the balances relating to certain foreclosures, which previously could be excluded from this classification, etc.) and the conditions for reclassification of doubtful assets as regular lending are stricter.
2. As a general rule, a 10% allowance must be recorded for nonperforming assets past due by more than three months and less than six months (formerly no allowance had to be recorded for these assets on the basis of age).
3. The application of the "long" schedule of credit loss allowances is limited to mortgage loans on completed housing units (provided that the mortgage guarantee arose together with the financing) and to financial leases on these assets. Additionally, the amount of outstandings should not exceed 80% of the appraisal value of the housing units; otherwise, the general writedown schedule should be applied.
4. A new allowance is recorded for the statistical coverage of credit losses (see Note 3-c).

The effect of these amendments on the 2000 and 1999 consolidated financial statements was not material.

Bank of Spain Circular 5/2000, which came into force on December 31, 2000, amended, inter alia, the regulations relating to the valuation and recording of commitments and liabilities for pensions, and adapted to credit entities the contents of Royal Decree 1588/1999, enacting the regulations on instrumentation of employers' pension commitments to employees.

In 2000, the Caja (the only Group entity with pension commitments) reached an agreement with its employees for the instrumentation of the pension commitments and liabilities pursuant to the aforementioned Circular 5/2000 and Royal Decree 1588/1999 and initiated the pension commitment externalization process (see Note 3-i).

The effect of the entry into force of Circular 5/2000 on the Group's 2000 consolidated financial statements was not material.

Determination of net worth

As a result of application of the current regulations on presentation of the consolidated financial statements of credit entities, in evaluating the net worth of the Group as of December 31, 2000 and 1999, the balances of the following captions in the consolidated balance sheets should be taken into consideration:

	Millions of Pesetas	
	2000	1999
Endowment fund	2	2
Reserves (Note 21)	75,656	65,320
Revaluation reserves (Note 21)	4,568	4,572
Reserves at consolidated companies (Note 21)	1,006	593
Prior years' losses at consolidated companies (Note 21)	(482)	(216)
Net surplus for the year	13,477	13,980
Net worth per books	94,227	84,251
Allocation of net surplus to the community welfare projects reserve (Note 4)	(3,700)	(3,600)
Net worth after the allocation of net surplus	90,527	80,651

3. Accounting principles and valuation methods

The accounting principles and valuation methods applied in preparing the consolidated financial statements, which coincide with those stipulated by Bank of Spain Circular 4/1991 and subsequent amendments, were as follows:

a) Recording and accrual principles of accounting

In accordance with banking practice in Spain, transactions are recorded as of the date they are made, which may differ from the value date as of which interest revenues and expenses are calculated.

Revenues and expenses are recognized on an accrual basis for accounting purposes and the interest method is used for transactions with a settlement period exceeding 12 months and for all the fixed-income securities included in the ordinary and held-to-maturity investment portfolios.

However, in accordance with the accounting principle of prudence and with Bank of Spain regulations, interest on delinquent, disputed or doubtful balances receivable is not recognized as a revenue until it is collected or realized.

b) Foreign currency transactions

The assets and liabilities denominated in foreign currencies and hedging forward foreign currency purchase and sale transactions were translated to pesetas at the official average ("fixing") year-end exchange rates ruling in the spot foreign currency market.

The unmatured forward foreign currency purchase and sale transactions arranged for purposes other than hedging are valued at the year-end official exchange rates in the forward foreign currency market.

The exchange differences arising as a result of application of these methods are recorded in full at the net amount under the "Gains (Losses) on Financial Transactions" caption in the accompanying consolidated statements of income and expenses.

As regards the transactions denominated in currencies of EMU countries:

1. Since January 1, 1999, the currency of the Spanish monetary system is the euro, as defined in Council Regulation 974/98/EC dated May 3, 1998. However, the peseta will continue to be used as a unit of account in the Spanish monetary system in all legal documents, as a subdivision of the euro through December 31, 2001. In these consolidated financial statements balances denominated in euros or in the national monetary units of EMU countries which have adopted the euro as the official currency are recorded under the "National Currency" heading, and balances denominated in other currencies are recorded under the "Foreign Currencies" heading.
2. From December 31, 1998, the assets and liabilities denominated in currencies of the other EMU countries are first translated to euros at the fixed conversion rate published on December 31, 1998, and the resulting amount is subsequently translated to pesetas at the aforementioned fixed rate.

The equivalent peseta value of the assets and liabilities denominated in foreign currencies was Ptas. 34,729 million and Ptas. 30,910 million, respectively, as of December 31, 2000 (Ptas. 36,223 million and Ptas. 32,420 million, respectively, as of December 31, 1999).

c) Loans and credits, other assets receivable and credit loss allowances

The accounts receivable, which are basically reflected under the "Due from Credit Entities" and "Loans and Credits" captions on the asset side of the consolidated balance sheets, are generally recorded at the effective amounts advanced to or drawn by the borrowers, except for assets acquired at a discount other than marketable securities, which are reflected at face value. The difference between this latter amount and the amount advanced is recorded under the liability "Accrual Accounts" caption in the consolidated balance sheets.

The "Credit Loss Allowance", which is recorded as a reduction of the "Loans and Credits" caption in the accompanying consolidated balance sheets, is intended to cover the losses, if any, which might arise in the

full recovery of all lending transactions, except off-balance-sheet risks, arranged by the Group in the course of its business activities.

The credit loss allowances are determined as follows:

1. Provisions for domestic and foreign risks, except country risk:
 - a) Specific allowance: individually in accordance with Bank of Spain Circular 4/1991, based on the expected recovery of the risk assets and, as a minimum, the amount resulting from applying the coefficients stipulated in the aforementioned Circular and subsequent amendments. The balance of the allowance is increased by provisions from period income and decreased by chargeoffs of debts deemed to be uncollectible or which have been nonperforming for more than three years (six years in the case of mortgage transactions with effective coverage) and, if appropriate, by recoveries of the amounts previously provided for (see Note 7).
 - b) General-purpose allowance: also, pursuant to Bank of Spain regulations, an additional general-purpose allowance equal to 1% of loans and credits, private-sector fixed-income securities, contingent liabilities and doubtful assets without mandatory coverage (0.5% of certain mortgage loans) is recorded to cover the risks which, although not specifically identified as problematic, might become problematic in the future.
2. Country-risk allowance: on the basis of the estimated classification of each country's degree of debt-servicing difficulty (as of December 31, 2000 and 1999, it was not necessary to record country-risk allowances).
3. Allowance for the statistical coverage of credit losses: also, from July 1, 2000, the Caja is required to provision each quarter, with a charge to the consolidated statement of income and expenses, the positive difference resulting from subtracting the net specific charges for credit losses in the quarter from one-fourth of the statistical estimate of the overall unrealized credit losses on the various homogeneous loan portfolios (credit risk of each portfolio multiplied by the coefficients stipulated in Bank of Spain Circular 4/1991, which range from 0% to 1.5%). The maximum amount of this allowance is three times the weighted risk exposure. If the resulting difference were negative, the amount would be credited to the consolidated statement of income and expenses with a charge to the allowance recorded in this connection to the extent of the available balance.

The provisions for the losses which may arise as a result of the off-balance-sheet risks of the Caja (and of the other consolidated companies) are included under the "Provisions for Contingencies and Expenses – Other Provisions" caption in the accompanying consolidated balance sheets (see Note 18).

The recorded credit loss allowances meet the requirements of the relevant Bank of Spain regulations.

d) Government debt securities and debentures and other fixed-income securities

The securities composing the Group's fixed-income securities portfolio as of December 31, 2000 and 1999, have been classified as follows:

1. The securities assigned to the trading portfolio, which consists of securities held for the purpose of operating in the market at short-term, are stated at their year-end market price or, in the absence thereof, at the market price on the last trading day preceding that date. The differences arising from

price variations are recorded ex-coupon at their net amount under the "Gains (Losses) on Financial Transactions" caption in the accompanying consolidated statements of income and expenses. As of December 31, 1999, the fixed-income securities assigned to the trading portfolio amounted to Ptas. 1,097 million. No securities had been assigned to this portfolio as of December 31, 2000 (see Note 5).

2. The securities assigned to the held-to-maturity investment portfolio, which consists of securities which the Group has decided to hold until final maturity basically because it has the financial capability to do so, are stated at acquisition price, adjusted by the amount resulting from accruing by the interest method the positive or negative difference between the redemption value and the acquisition price over the residual life of the security.

Gains or losses arising on disposals of these securities are recorded in the consolidated statement of income and expenses as extraordinary income or extraordinary losses, although in the case of gains a specific provision is recorded for the same amount, which is credited to income on a straight-line basis over the residual life of the securities sold.

3. The securities assigned to the ordinary investment portfolio (which consists of the securities not assigned to either of the two portfolios described above) are stated at the lower of adjusted acquisition price, as defined in paragraph 2 above, or market value. The market value of listed securities in this portfolio was deemed to be the market price on the last day of trading of each year and that of unlisted securities to be the discounted present value at the market interest rates prevailing on that date. The resulting unrealized losses are basically recorded with a charge to accrual accounts (see Notes 5 and 8). The unrealized losses on securities sold to third parties under repurchase agreement are only written off in respect of the proportional part of the period from the expected repurchase date to the maturity date.

In the event of disposal of these securities, the losses with respect to the adjusted acquisition price are recorded with a charge to surplus. Gains (if they exceed the losses charged to surplus in the year) are credited to surplus only for the portion, if any, exceeding the security price fluctuation allowance required at year-end and charged to accrual accounts.

e) Equity securities

1. The holdings in consolidable dependent companies and the holdings in nonconsolidable dependent and associated companies are consolidated and valued, respectively, as described in Note 2. The gains or losses disclosed by comparing the acquisition cost with the underlying book value, adjusted by the unrealized gains disclosed at the time of the acquisition and still existing at the date of the subsequent valuation, are recorded as follows:
 - a. The difference arising at the date of first-time consolidation is recorded as "Goodwill in Consolidation" or "Negative Difference in Consolidation", as appropriate. The goodwill in consolidation is amortized on a straight-line basis over a period not exceeding that for which the holding will contribute to the obtaining of revenues for the Group, up to a maximum of ten years. A negative difference in consolidation is treated as a provision and is credited to the consolidated statement of income and expenses only if the results of the company concerned evolve unfavorably or if it relates to a realized gain (see Note 12).
 - b. The differences disclosed subsequent to the date of acquisition or of first-time consolidation are classified as surplus for each year.

2. The other equity securities (holdings in companies which are neither dependent nor associated), except for those included in the trading portfolio, are stated at the lower of cost, revalued where appropriate pursuant to the applicable enabling legislation, or market, calculated as explained below:
 - a. Listed securities: the lower of average market price in the last quarter or market price on the last trading day of the year.
 - b. Unlisted securities: underlying book value of the holding per the latest available balance sheet (in some cases unaudited) of each investee, adjusted by the amount of the unrealized gains existing at the time of acquisition and still existing at the date of subsequent valuation. As regards the portion of the unrealized gains not allocable to specific assets of the investee:
 - If they can be treated as goodwill, they are maintained as an addition to the cost of the investment. This goodwill is amortized by the straight-line method over ten years, generally (through the recording of a specific allowance) except for the portion absorbed through an increase in the underlying book values of the investees.
 - If they cannot be treated as goodwill, they are written off with a charge to surplus for the year.

A security price fluctuation allowance was recorded to recognize the unrealized losses (as discussed above) and is presented as a reduction of the balance of the "Common Stocks and Other Equity Securities" caption in the consolidated balance sheets as of December 31, 2000 and 1999 (see Note 9). Net provisions of Ptas. 2,909 million and Ptas. 374 million were recorded to the security price fluctuation allowance with a charge to surplus for 2000 and 1999, respectively. These amounts are recorded under the "Gains (Losses) on Financial Transactions" caption in the consolidated statements of income and expenses.

Securities in the trading portfolio are stated at the year-end market price. The differences arising from valuation variations are recorded at their net amount under the "Gains (Losses) on Financial Transactions" caption in the consolidated statements of income and expenses. As of December 31, 2000 and 1999, the Group had assigned securities amounting to Ptas. 1,995 million and Ptas. 1,166 million, respectively, to the trading portfolio (see Note 9).

f) Intangible assets

This caption in the consolidated balance sheets includes basically the unamortized costs of certain computer software developments and the investments in permanent installations as a result of the opening of branches in rented premises. In 2000 and 1999 the Group capitalized software development costs amounting to Ptas. 1,419 million and Ptas. 1,400 million, respectively, and investments in permanent installations in rented premises amounting to Ptas. 2,065 million and Ptas. 1,209 million, respectively.

Computer software is amortized over a maximum period of three years and investments in permanent installations in rented premises are amortized over a maximum period of five years. The amortization charged to consolidated surplus in this connection amounted to Ptas. 807 million in 2000 and Ptas. 441 million in 1999.

In 1998 the Group recorded an allowance of Ptas. 600 million, with a charge to the consolidated statement of income and expenses, for possible diminution in value of intangible assets. This allowance, which is recorded under the "Provisions for Contingencies and Expenses – Other Provisions" caption in the consolidated balance sheet as of December 31, 1998, was released in 1999 (see Note 18).

Also, in 2000 and 1999 the Group wrote down intangible assets amounting to Ptas. 1,900 million and Ptas. 676 million respectively, which are recorded under the "Extraordinary Loss" caption in the consolidated statements of income and expenses (see Note 26).

g) Goodwill in consolidation

This caption in the consolidated balance sheets as of December 31, 2000 and 1999, reflects the unamortized differences in first-time consolidation which arose on the acquisition of shares in certain dependent and associated companies. Goodwill is amortized on a straight-line basis over a period not exceeding that during which these investments contribute to the obtainment of income for the Group, up to a maximum limit of ten years.

Ptas. 639 million and Ptas. 531million of amortization of goodwill in consolidation were charged to surplus in 2000 and 1999, respectively, and these amounts are included under the "Amortization of Goodwill in Consolidation" caption in the consolidated statements of income and expenses (see Note 12).

h) Property and equipment

1. Operating property and equipment.

Property and equipment are stated at cost revalued, where appropriate, pursuant to the applicable enabling legislation, net of the related accumulated depreciation.

Depreciation is provided by the straight-line method at rates based on the following years of estimated useful life of the related assets:

	Years
Buildings	50
Furniture and installations	7 to 12
Computer hardware	4

2. Property and equipment acquired through foreclosure.

Property and equipment acquired through foreclosure are stated at the lower of their appraised value or the amount of the net debt settled.

The allowances recorded for the foreclosed asset are maintained at a level which is at least 25% of the lower of the loan principal or appraised value, plus 100% of the recovered interest, if any.

If these assets are not disposed of or included in operating property and equipment of the Group within three years, provisions are recorded on the basis of the time elapsed since their acquisition, except in the case of completed housing units, offices and multi-purpose premises whose book value is supported by an updated appraisal performed by an independent appraiser other than that which assessed the market value of the assets at the time of foreclosure.

The provisions recorded with a charge to the "Extraordinary Loss" caption in the consolidated statements of income and expenses are presented as a reduction of the balance of the "Property and Equipment - Other Property" caption in the consolidated balance sheets (see Notes 13 and 26).

Upkeep and maintenance expenses are expensed currently.

i) Pensions and allowances to employees

Under the collective labor agreement currently in force and the agreements entered into with certain employees, the Caja has undertaken to make payments to its employees, or to their beneficiary rightholders, to supplement the social security benefits for retirement, permanent disability, death of spouse or death of parent. None of the other Group companies have commitments of this kind to their employees.

1999

As of December 31, 1999, the Caja had taken out the following insurance policies to cover all its pension commitments:

1. Pension group insurance policy taken out with Intercaser, S.A. de Seguros y Reaseguros to cover supplementary pension payments to a certain group of employees.
2. A guarantee and insurance policy taken out with Caser, Compañía de Seguros y Reaseguros, S.A. for the Caja's other serving employees and for the retired employees or recipients of a pension vested or which might be vested in the future, who are not included in the policy mentioned in the preceding paragraph. As part of this policy, the Caja also arranged group life insurance protection against the risk of disability, death of spouse and death of parent of all its employees.

The insurance premiums were revised annually, in line with the review of the actuarial valuation, on the basis of changes in the composition of the insured group and in the insured economic variables which determined the amounts of the guaranteed benefits. Thus, the amounts required to set up the technical reserves to meet these benefits, net of financial and technical income, were recorded as an expense or as a revenue, as appropriate, in the consolidated statements of income and expenses, except as indicated in the following paragraph.

In 1999 the Caja offered certain employees the possibility of taking early retirement before the age stipulated in the current collective labor agreement (65 years). The cost of this early retirement plan, of which 66 employees availed themselves, was Ptas. 3,446 million and was covered in full by the insurance policies arranged by the Caja, as follows:

- a. Through a cash contribution made by the Caja amounting to Ptas. 2,860 million, of which Ptas. 1,998 million were recorded with a charge to reserves (a credit of Ptas. 699 million was simultaneously posted to reserves for the tax effects of the related timing differences) and Ptas. 862 million with a charge to the consolidated statement of income and expenses (see Notes 2, 21, 24 and 26).
- b. The remaining Ptas. 586 million were offset by the excesses arising from the net level premium reserves of the insurance policies arranged.

In accordance with Bank of Spain regulations, actuarial studies were conducted as of December 31, 1999, to determine the discounted present value of the accrued liabilities for commitments to the Caja's employees at year-end, using the individual capitalization method and the following assumptions:

Life expectancy tables	GRM-GRF 95
Annual nominal discount rate	4.5%
Annual nominal salary increase rate (*)	3.5%
Annual nominal rate of increase in social security contribution bases (*)	2.5%
Annual rate of increase in CPI at medium term	1.5%

(*) In the case of employees who took early retirement in 1999, the assumed rate used was 1.5% for both parameters.

Based on these actuarial studies, the discounted present value of the vested commitments to retired employees and to their beneficiary rightholders (including the discounted present value of the future salary and social security contributions of early retirees) and the discounted present value of the accrued commitments to serving employees as of December 31, 1999, were as follows:

	Millions of Pesetas
Retired employees	21,792
Serving employees	9,562
	31,354

These discounted present values are fully covered by the net level premium reserves of the insurance policies referred to above.

2000

Bank of Spain Circular 5/2000, which came into force in 2000, and amended Circular 4/1991, adapted the accounting treatment of the coverage of pension commitments of credit entities to adapt them to the provisions of Royal Decree 1588/1999, enacting the Regulations on the instrumentation of employers' pension commitments to their employees and beneficiaries. Pursuant to the Circular and the Royal Decree and their amendments, the entities that have pension commitments to their employees must, before November 16, 2002, instrument these commitments through insurance contracts, a pension plan or both. Exceptionally, credit and other entities may maintain coverage of their pension commitments through in-house allowances, provided they comply with certain conditions and request authorization from the Bank of Spain. Also, the aforementioned Bank of Spain Circular 5/2000 and Royal Decree 1588/1999 establish the valuation methods to be applied and the adaptation periods in the event that the methods disclose the need to record supplementary provisions.

In 2000 certain modifications were made to the instrumentation of the pension commitments in order to adapt them to the provisions of Bank of Spain Circular 5/2000 and Royal Decree 1588/1999, and to certain agreements entered into with the employees, as explained below:

1. On September 28, 2000, Caja España and the representatives of the Caja's Labor Unions reached an agreement to extinguish and replace the existing employee welfare system with a new employee welfare system consisting of a defined contribution pension fund under which title to the related rights is transferred to the workers. This agreement set the method for calculating the commitments for past services accrued as of December 31, 1999, and the contributions to be made from 2000 onwards.

The agreement was ratified by the Caja's Board of Directors on October 30, 2000, and by all the workers.

2. As a result of the agreement described in the preceding paragraph, on December 21, 2000, Caja España informed the insurance entities Intercaser, S.A. de Seguros y Reaseguros and Caser, Compañía de Seguros y Reaseguros, S.A. of the partial surrender of the existing policies for the portion relating to the commitments to serving employees and certain employees who took early retirement, and the adaptation of the policies to Royal Decree 1588/1999, whereby the insurance entities took on the interest rate and actuarial risk of the insured group. The amount of the partial surrender, totaling Ptas. 19,773 million, net of Ptas. 185 million payable to the insurance entities, was recorded under the "Loans and Credits" caption in the consolidated balance sheet as of December 31, 2000. Accordingly, as of that date, the policies covered all of the commitments for past services to retired employees and for past and future services to certain employees who took early retirement. The net level premium reserves recorded in this connection amounted to approximately Ptas. 12,045 million (calculated on the basis of the guaranteed assumptions: basically an assumed interest rate of between 5.6% and 5.89% in the first 40 years and 2.50% for the remainder, and GRM-GRF 95 mortality tables). Additionally, as of December 31, 2000, these policies covered contingencies relating to permanent disability, death of spouse or death of parent.
3. As far as commitments for past services to serving employees and the remaining "pre-retirees" are concerned, it was agreed to instrument these through a defined contribution occupational pension fund known as Fondempleo Caja España Plan de Pensiones. On December 4, 2000, the Control Committee of Futurespaña 60, Fondo de Pensiones approved the integration of the aforementioned plan in accordance with the specifications presented. The accrued commitments for past services to be integrated in the pension fund, which were valued as of December 31, 1999, on the basis of an actuarial study using the assumptions established in the agreement with the workers (annual assumed interest rate of 4.5%, GRM-GRF 95 mortality tables, annual salary increase of 3.5%, annual nominal rate of increase in social security contribution bases of between 2% and 2.5% and a pension review rate of 1.5%) amounted to Ptas. 11,166 million. As of December 31, 2000, the Caja had recorded Ptas. 11,684 million under the "Customer Deposits – Savings Deposits – Time" caption in the consolidated balance sheet in relation to the accrued commitments to this group of employees which had not yet been transferred, including the yield accrued in 2000.

As of December 31, 2000, the Pension Plan rebalancing plan had not yet been filed with the Directorate-General of Insurance. This Plan will envisage the contribution of all the past service commitments described in the preceding paragraph prior to March 31, 2001. Therefore, there is no shortfall and no deferral is required.

From 2000 onwards, the Caja must make annual individual contributions to the pension plan for serving employees as follows:

- A general contribution of 4.5% of the previous year's pensionable salary of each employee (calculated on the basis of the base salary and the years of service) from the first year of the employment relationship.
- An additional personal contribution for each employee, consisting of a percentage (defined in the aforementioned agreement with the workers dated September 28, 2000) of pensionable salary.
- An extraordinary contribution calculated on the basis of the ratio of net surplus to average total assets for the preceding year, up to a limit of 1% of pensionable salary.

Accordingly, in 2000 the Caja made contributions of Ptas. 1,500 million to the pension plan, of which Ptas. 1,195 million were recorded with a charge to the "General Administrative Expenses – Personnel Expenses" caption in the 2000 consolidated statement of income and expenses (see Note 26).

4. The remaining commitments (future salaries accrued by all the employees who took early retirement and commitments for future services of the "pre-retirees" included in the pension plan described in section 3 above) were covered as of December 31, 2000, through an in-house allowance of Ptas. 8,274 million, which was recorded under the "Provisions for Contingencies and Expenses – Pension Allowance" caption in the consolidated balance sheet as of that date (see Note 18). This allowance was calculated using an actuarial study assuming an annual interest rate of 4%, GRM-GRF 95 mortality tables and an annual salary increase of 1% (see Note 18).

The contribution of Ptas. 11,684 million to the pension plan and the provision of Ptas. 8,274 million to the pension allowance were made and recorded, respectively, basically, with a charge to the amount of the partial surrender of the insurance policies and, accordingly, the effect on the consolidated statement of income and expenses was not material.

As a result of the changes in the instrumentation of the pension commitments, tax effects will be disclosed in 2001 which will give rise to the recording of deferred tax assets of approximately Ptas. 2,900 million.

j) Deposit Guarantee Fund

In accordance with Article 3.2 of Royal Decree-Law 18/1982, the annual contribution by savings banks to this Fund was suspended in 1996.

k) Termination indemnities

Under current Spanish labor legislation, employers are required to make indemnity payments to employees terminated without just cause. There is no staff reduction plan making it necessary to record a provision in this connection.

l) Corporate income tax

The expense for corporate income tax of each year is calculated on the basis of book surplus before taxes, increased or decreased, as appropriate, by the permanent differences from the taxable income. Permanent differences are defined as those arising between the taxable income and the book surplus before taxes which do not reverse in subsequent periods.

As required by current regulations, the timing differences relating to deferred tax assets and liabilities are recorded in accordance with the accounting principle of prudence and up to the limits stipulated in such regulations (see Note 24).

The tax benefit for investment tax credits is treated as a reduction of the corporate income tax for the year in which they are taken (see Note 24). Entitlement to these tax credits is conditional upon compliance with the regulatorily stipulated requirements.

m) Derivatives

The Group uses these instruments in transactions to hedge its asset and liability positions and in other transactions (see Note 23).

These transactions include basically unmatured foreign currency purchase and sale transactions, unmatured securities purchase and sale transactions, futures and options on securities and interest rates and interest rate swaps (IRSs), currency swaps and cross-currency swaps.

Pursuant to Bank of Spain regulations, futures transactions must be recorded in memorandum accounts based on either the future rights and commitments which might have an effect on net worth, or on the balances required to reflect the transactions, regardless of whether or not they affect the Group's net worth. Accordingly, these instruments' notional amount (theoretical value of the contracts) does not reflect the total credit or market risk assumed by the Group.

The premiums collected and paid for options sold or purchased, respectively, must be recorded as an asset by the purchaser under the "Other Assets" caption and as a liability by the writer under the "Other Liabilities" caption in the consolidated balance sheets (see Note 14).

Interest rate swaps relating to trading transactions (arranged other than for hedging purposes) are traded in OTC markets. The gains or losses arising from these transactions are not recognized in the consolidated statement of income and expenses until the effective settlement amount is known. The loss resulting from the theoretical close of these transactions as of December 31, 2000 and 1999, to value them at market price is covered by the provisions recorded under the "Provisions for Contingencies and Expenses – Other Provisions" caption in the consolidated balance sheets at those dates (see Note 18).

Interest rate swaps aimed at eliminating or significantly reducing the currency and interest rate risks existing in certain asset and liability positions were treated as hedging transactions. The gains or losses arising on these hedging transactions were accrued symmetrically to the revenues or expenses arising from the hedged items.

Also, the commitments assumed for the guarantees provided by the Caja to certain mutual funds marketed through its commercial network or to their unitholders were recorded as financial options in memorandum accounts as of December 31, 2000 and 1999. Under these commitments, the Caja undertakes to pay the amounts required to cover any differences which might exist at a certain date between the net asset value of the units in the aforementioned mutual funds and a certain guaranteed price. Taking into account the composition of the portfolios of the mutual funds under guarantee and the foreseeable performance of their net asset value, no material provisions were required in this connection as of December 31, 2000 or December 31, 1999.

Finally, the Group recorded in memorandum accounts as of December 31, 2000 and 1999, several options on interest rates arranged for speculative purposes linked to cross-currency swaps, which limit to 8% the

return on the assets hedged by the aforementioned swaps. The valuation of these options did not disclose the need for a provision for potential unrealized losses.

4. Allocation of the Caja's surplus

The proposed allocation of the 2000 net surplus that the Caja's Board of Directors will submit for approval by the General Assembly, and the approved allocation of the Caja's 1999 net surplus, are as follows:

	Millions of Pesetas	
	2000	1999
Net surplus of the Caja	13,728	13,301
Allocation to:		
Community welfare projects reserve (Notes 2 and 14)	3,700	3,600
Reserves	10,028	9,701
	13,728	13,301

5. Government debt securities

The detail of the balances of this caption in the consolidated balance sheets is as follows:

	Millions of Pesetas	
	2000	1999
Bank of Spain certificates of deposit	-	9,735
Fixed-income securities-		
Trading portfolio	-	1,097
Ordinary investment portfolio	244,866	185,030
Held-to-maturity investment portfolio	75,724	79,382
	320,590	265,509
	320,590	275,244
Less- Security price fluctuation allowance	(1,040)	(3,702)
Add- Accrual account	-	2,624
	(1,040)	(1,078)
	319,550	274,166

The Bank of Spain certificates of deposit, which were only negotiable (under certain conditions) between financial intermediaries subject to the cash ratio, were redeemable semiannually through September 2000 and earned annual interest of 6%. In 2000 and 1999 redemptions of these securities amounted to Ptas. 9,735 million and Ptas. 8,974 million, respectively.

The breakdown of the balances of the "Fixed-Income Securities" caption in the foregoing detail, disregarding the balances of the "Security Price Fluctuation Allowance" and "Accrual Account" accounts, and the average annual interest rates in 2000 and 1999, are as follows:

	Millions of Pesetas		Average Annual Interest Rate	
	2000	1999	2000	1999
Trading portfolio- Treasury bills	-	1,097	-	4.18%
Ordinary investment portfolio- Treasury bills	69,328	33,785	4.81%	3.83%
Other listed securities traded under the book-entry system	175,538	151,245	4.95%	5.08%
	244,866	185,030		
Held-to-maturity investment portfolio- Other listed securities traded under the book-entry system	75,724	79,382	6.87%	7.79%

Of these securities and of those acquired under resale agreement, as of December 31, 2000 and 1999, the Group had sold under repurchase agreement effective amounts of Ptas. 410,873 million and Ptas. 334,747 million, respectively, to other financial intermediaries and to private-sector depositors; accordingly, these amounts are recorded under the respective captions on the liability side of the consolidated balance sheets (see Notes 6 and 16).

The market value of the held-to-maturity investment portfolio amounted to Ptas. 82,296 million and Ptas. 86,445 million as of December 31, 2000 and 1999, respectively, and that of the ordinary investment portfolio to Ptas. 243,997 million and Ptas. 181,491 million, respectively. The acquisition cost of the trading portfolio as of December 31, 1999, was Ptas. 939 million.

The breakdown, by term to maturity, of the balances of this caption as of December 31, 2000 and 1999, is as follows:

	Millions of Pesetas				
	Up to 3 Months	3 Months to 1 Year	1 to 5 Years	Over 5 Years	Total
Bank of Spain certificates of deposit	4,750	4,985	-	-	9,735
Treasury bills	5,229	13,482	16,171	-	34,882
Other listed securities traded under the book-entry system	3,026	4,819	104,387	118,395	230,627
Balances at December 31, 1999	13,005	23,286	120,558	118,395	275,244
Treasury bills	3,589	53,853	11,886	-	69,328
Other listed securities traded under the book-entry system	11,546	1,751	122,404	115,561	251,262
Balances at December 31, 2000	15,135	55,604	134,290	115,561	320,590

The variations in the security price fluctuation allowance in 2000 and 1999 were as follows:

	Millions of Pesetas	
	2000	1999
Balances at the beginning of the year	3,702	-
Net provision (release) charged (credited) to surplus for the year	(38)	1,078
Provision (release) charged (credited) to accrual accounts (Note 3-d)	(2,624)	2,624
Balances at year-end	1,040	3,702

On February 1, 1999, the Caja pledged certain securities and other assets to secure any kind of current or future obligations to the Bank of Spain. As of December 31, 1999, Bank of Spain certificates with a face value of Ptas. 9,735 million had been assigned to the aforementioned guarantee. As of December 31, 2000, no government debt securities were pledged to secure any type of guarantee.

6. Due from/to credit entities

The detail of the balances of the "Due from Credit Entities" and "Due to Credit Entities" captions in the consolidated balance sheets, by type and currency, is as follows:

	Millions of Pesetas			
	Assets		Liabilities	
	2000	1999	2000	1999
By type:				
Demand deposits-				
Current accounts and notes sent for collection (net)	1,980	1,179	353	15
Other accounts	10,884	668	14,122	4,442
	12,864	1,847	14,475	4,457
Other (assets) or time or notification deposits (liabilities)-				
Time deposits	167,561	206,513	145,745	81,280
Assets acquired/ sold under resale/ repurchase agreement (Note 5)	100,563	54,419	148,219	121,954
	268,124	260,932	293,964	203,234
	280,988	262,779	308,439	207,691
By currency:				
In national currency	277,665	252,111	279,018	177,880
In foreign currencies	3,323	10,668	29,421	29,811
	280,988	262,779	308,439	207,691

The detail, by term to maturity, of the balances of the “Due from Credit Entities – Other” and “Due to Credit Entities – Time or Notification Deposits” captions in the foregoing table and of the average interest rates in 2000 and 1999, is as follows:

	Millions of Pesetas					Average Interest Rate for the Year
	Up to 3 Months	3 Months to 1 Year	1 to 5 Years	Over 5 Years	Total	
Balances at December 31, 1999:						
Assets-						
Assets acquired under resale agreement	47,888	6,531	-	-	54,419	2.68%
Time deposits	183,876	7,112	12,405	3,120	206,513	3.10%
	231,764	13,643	12,405	3,120	260,932	
Liabilities-						
Time deposits	75,945	2,423	-	2,912	81,280	3.10%
Assets sold under repurchase agreement	120,290	1,664	-	-	121,954	2.67%
	196,235	4,087	-	2,912	203,234	
Balances at December 31, 2000						
Assets-						
Assets acquired under resale agreement	100,563	-	-	-	100,563	3.95%
Time deposits	142,666	17,816	3,875	3,204	167,561	4.54%
	243,229	17,816	3,875	3,204	268,124	
Liabilities-						
Time deposits	102,978	25,293	10,521	6,953	145,745	5.31%
Assets sold under repurchase agreement	106,041	42,178	-	-	148,219	4.09%
	209,019	67,471	10,521	6,953	293,964	

7. Loans and credits

The detail of the balances of this caption in the consolidated balance sheets, by type, borrower sector and currency, is as follows:

	Millions of Pesetas	
	2000	1999
By type and borrower sector:		
Public authorities	62,695	57,493
Other resident borrowers-		
Commercial bills	54,523	42,373
Secured loans	447,068	358,555
Other term loans	353,150	265,383
Demand and other loans	48,130	27,507
Financial leases	9,957	-
Nonresident and other borrowers	5,001	15,861
Doubtful assets	9,505	11,303
	990,029	778,475
Less- Credit loss allowance	(13,190)	(12,457)
	976,839	766,018
By currency:		
In national currency	967,261	758,049
In foreign currencies	9,578	7,969
	976,839	766,018

Assets leased under financial lease contracts are included in the foregoing "Financial Leases" account for the principal amount of the unmatured payments, excluding financial charges and VAT, plus the residual value at which the purchase option can be exercised.

In 1999, the Group securitized mortgage loans amounting to Ptas. 30,000 million in favor of TDA 7, Fondo de Titulización Hipotecaria. The securitized risks, which were retired from the consolidated balance sheet, relate to home loans tied to MIBOR with an outstanding balance ranging from Ptas. 4 million to Ptas. 40 million each, maturity at over 36 months and an appraised value exceeding 80% of the outstanding balance.

Subsequently, the Group acquired bonds issued by TDA 7, Fondo de Titulización Hipotecaria, which were recorded under the "Debentures and Other Fixed-Income Securities – Other" caption in the consolidated balance sheets as of December 31, 2000 and 1999, for an effective amount of Ptas. 24,510 million and Ptas. 28,021 million, respectively.

The breakdown, by term to maturity, of the balances of this caption in the consolidated balance sheets, disregarding the "Credit Loss Allowance" account balance, is as follows:

	Millions of Pesetas	
	2000	1999
Up to 3 months	86,596	66,622
3 months to 1 year	109,605	75,246
1 to 5 years	189,764	131,519
Over 5 years	604,064	505,088
	990,029	778,475

As of December 31, 2000 and 1999, there were no loans or credits without fixed maturity dates.

The variations in 2000 and 1999 in the "Credit Loss Allowance" account were as follows:

	Millions of Pesetas	
	2000	1999
Balances at the beginning of the year	12,457	13,668
Net provision (release) charged (credited) to surplus for the year	3,174	(522)
Release through transfer to loans written off and other	(2,441)	(689)
Balances at year-end	13,190	12,457
Of which:		
Allowances for specific risks	4,810	6,751
General-purpose allowance	7,496	5,706
Allowance for statistical coverage	884	-

Additionally, as of December 31, 2000 and 1999, the Group had recorded an allowance of Ptas. 790 million and Ptas. 114 million, respectively, to cover possible bad debts arising from off-balance-sheet risks, which is included under the "Provisions for Contingencies and Expenses – Other Provisions" caption in the consolidated balance sheets (see Notes 3-c and 18).

The detail of the balances of the "Writeoffs and Credit Loss Provisions" caption in the consolidated statements of income and expenses is as follows:

	Millions of Pesetas	
	2000	1999
Net provision to (release from) the credit loss allowance	3,174	(522)
Net provision to off-balance-sheet allowance (Note 18)	676	-
Bad debts written off	365	399
Recovery of written-off assets	(3,700)	(2,290)
Expense/(Revenue)	515	(2,413)

In 2000 the Caja reached an out-of-court settlement with Mall Gijón, S.A. and other companies belonging to its group in relation to certain loans granted to these companies by the Caja and Caja de Ahorros de Asturias which had become bad debts and, accordingly, had been written off. As a result of the aforementioned settlement, the Caja and the companies belonging to the Mall Group undertook to cease all litigation, legal proceedings and disputes in process, basically through the payment to Caja España of Ptas. 2,906 million, which were recorded under the "Recovery of Written-Off Assets" account in the foregoing detail.

As of December 31, 2000 and 1999, loans and credits amounting to Ptas. 41,753 million and Ptas. 27,472 million, respectively, had been assigned to the pledge arranged on February 1, 1999 (as described in Note 5).

8. Debentures and other fixed-income securities

The breakdown, by currency, listing status, type and issuer sector, of the balances of this caption in the consolidated balance sheets is as follows:

	Millions of Pesetas	
	2000	1999
By currency:		
In national currency	67,091	53,362
In foreign currencies	18,332	16,737
	85,423	70,099
By listing status:		
Listed securities	81,938	67,726
Unlisted securities	3,485	2,373
	85,423	70,099
By type:		
Public-sector securities	10,694	10,369
Bonds and debentures	74,729	59,730
	85,423	70,099
By issuer sector:		
Spanish public authorities	7,340	7,008
Nonresident public authorities	3,354	3,491
Credit entities	10,794	6,389
Other resident sectors	43,244	41,842
Other nonresident sectors	20,692	11,542
	85,424	70,272
Less- Security price fluctuation allowance	(1)	(200)
Add- Accrual account	-	27
	(1)	(173)
	85,423	70,099

The detail as of December 31, 2000 and 1999, of the balances classified as ordinary investment portfolio and held-to-maturity investment portfolio under the "Debentures and Other Fixed-Income Securities" caption in the consolidated balance sheets, disregarding the security price fluctuation allowance and the accrual accounts, and of their market value at those dates is as follows:

	Millions of Pesetas	
	Book Value	Market Value
Balances as of December 31, 1999-		
Ordinary investment portfolio	53,465	53,801
Held-to-maturity investment portfolio	16,807	16,152
	70,272	69,953
Balances as of December 31, 2000-		
Ordinary investment portfolio	67,833	68,337
Held-to-maturity investment portfolio	17,591	18,613
	85,424	86,950

The variations in 2000 and 1999 in this securities portfolio, disregarding the "Security Price Fluctuation Allowance" and the "Accrual Account", were as follows:

	Millions of Pesetas	
	2000	1999
Balances at the beginning of the year	70,272	36,358
Acquisitions	24,938	54,996
Sales	(10,518)	(26,652)
Adjustments, transfers and other	732	5,570
Balances at year-end	85,424	70,272

The annual interest rates on the fixed-income securities on hand as of December 31, 2000, ranged from 3.99% to 12.06% (from 3.71% to 13.86% as of December 31, 1999). The weighted average return was 6.12% in 2000 and 6.76% in 1999.

Ptas. 9,881 million (face value) of the total fixed-income securities of the Group mature in 2001.

The variations in the security price fluctuation allowance in 2000 and 1999 were as follows:

	Millions of Pesetas	
	2000	1999
Balances at the beginning of the year	200	21
Net provision (release) charged (credited) to surplus for the year	(172)	152
Provision (release) charged (credited) to accrual accounts (Note 3-d)	(27)	27
Year-end balances	1	200

As of December 31, 2000 and 1999, fixed-income securities amounting to Ptas. 37,139 million and Ptas. 29,991 million (face value), respectively, had been assigned to the pledge arranged on February 1, 2000 (as described in Note 5).

9. Common stocks and other equity securities

The “Common Stocks and Other Equity Securities” caption reflects the shares and securities representing holdings in the capital stock of other companies which have no lasting relationship with the Group and are not intended to contribute to its activity, and units in mutual funds. The detail of the balances of this balance-sheet caption, by listing status, currency and classification and valuation method, is as follows:

	Millions of Pesetas	
	2000	1999
By listing status:		
Listed shares	47,632	40,609
Unlisted shares	13,442	7,580
Capital market mutual funds promoted by the Group	3,113	4,423
	64,187	52,612
Less- Security price fluctuation allowance	(7,432)	(4,382)
	56,755	48,230
By currency:		
In national currency	53,949	48,107
In foreign currencies	2,806	123
	56,755	48,230
By classification and valuation method:		
Trading portfolio	1,995	1,166
Ordinary investment portfolio	54,760	47,064
	56,755	48,230

The market value of listed securities and mutual funds included in this caption in the consolidated balance sheets, calculated in accordance with the valuation methods described in Note 3-e, amounted to approximately Ptas. 54,378 million as of December 31, 2000 (Ptas. 57,998 million as of December 31, 1999), and the acquisition cost of the securities classified in the trading portfolio amounted to Ptas. 2,489 million (Ptas. 1,177 million as of December 31, 1999).

As of December 31, 2000 and 1999, there were no significant investments in credit entities.

The variations in 2000 and 1999 in this portfolio, disregarding the “Security Price Fluctuation Allowance”, were as follows:

	Millions of Pesetas	
	2000	1999
Balances at the beginning of the year	52,612	39,138
Acquisitions	67,592	44,196
Sales	(52,846)	(33,814)
Transfers (Notes 2 and 10)	(1,700)	3,421
Adjustments writedowns and other	(1,471)	(329)
Balances at year-end	64,187	52,612

The variations in the security price fluctuation allowance in 2000 and 1999 were as follows:

	Millions of Pesetas	
	2000	1999
Balances at the beginning of the year	4,382	1,320
Net provision charged to surplus for the year (Note 3-e)	2,909	374
Allowance used	-	(67)
Transfers and other variations	141	2,755
Balances at year-end	7,432	4,382

As of December 31, 1999, the Group included under this caption in the consolidated balance sheet its holding (5% at that date) in the capital stock of Gas Natural de Castilla y León, S.A., which as of December 31, 1998, was classified under the "Shareholdings in Non-Group Companies" caption. The transfer took place at a cost of Ptas. 3,421 million and a security price fluctuation allowance of Ptas. 2,632 million was simultaneously transferred. In 2000 the Group acquired a further 4.9% of the capital of the aforementioned company for Ptas. 3,710 million.

On January 12, 2000, Ahorro Corporación Financiera, S.V.B., S.A. (acting on behalf of Caja España and other savings banks) entered into a shareholder agreement with other shareholders to participate in the capital stock of Xfera Móviles, S.A., which was subsequently awarded a Spanish B2 third-generation wireless telephony license. Under this agreement, the Caja and the other shareholders undertook to finance and capitalize the Company in accordance with the existing business plan which envisages capital stock of Ptas. 412,000 million in 2002, and certain restrictions were established on the transfer of holdings. The holding in Xfera Móviles, S.A. finally allocated to the Caja was 1.66%, and Ptas. 874 million had been paid as of December 31, 2000. The additional capital payments to be made by the Caja through 2002 amount to approximately Ptas. 6,000 million.

As of December 31, 2000 and 1999, equity securities amounting to Ptas. 1,054 million and Ptas. 1,966 million (face value), respectively, had been assigned to the pledge arranged on February 1, 1999, as described in Note 5.

10. Holdings in non-Group companies

This caption in the consolidated balance sheets reflects the ownership rights in the capital of companies which, although not forming part of the Group, do have a lasting relationship with it and are intended to contribute to its activity, pursuant to Bank of Spain Circular 4/1991 ("associated companies"). Although these companies

are not managed solely by the Caja, the shareholdings in them are less than 50% but more than 20% in the case of unlisted companies (more than 3% for listed companies).

The detail, by currency and listing status, of the balances of this caption in the consolidated balance sheets as of December 31, 2000 and 1999, is as follows:

	Millions of Pesetas	
	2000	1999
By currency:		
In national currency	13,360	9,275
	13,360	9,275
By listing status:		
Listed	10,338	6,377
Unlisted	3,022	2,898
	13,360	9,275

As of December 31, 2000, the Group had a 3.11% holding in the capital stock of Banco Pastor, S.A., valued by the equity method at Ptas. 2,868 million.

The variations in 2000 and 1999 in the balances of this caption in the consolidated balance sheets were as follows:

	Millions of Pesetas	
	2000	1999
Balances at the beginning of the year	9,275	7,239
Acquisitions and effect of recording by the equity method	2,909	2,585
Transfers and other	1,176	(549)
Balances at year-end	13,360	9,275

The major acquisitions (there were no sales) by the Group in 2000 and 1999 were as follows:

Azucarera Ebro Agrícolas, S.A.

In May 1998, Ebro Agrícolas, Compañía de Alimentación, S.A. merged with Sociedad General Azucarera de España, S.A. and both companies were dissolved giving rise to the post-merger company Azucarera Ebro Agrícolas, S.A. After the merger, the Group's holding in Azucarera Ebro Agrícolas, S.A. was 5.22% of its capital stock, with a total cost of Ptas. 10,140 million, of which Ptas. 4,842 million related to goodwill arising on the acquisition, which was amortized in 1998 to 2000 at a rate of Ptas. 484 million in each year (see Note 12).

In 2000 the Group acquired further shares for Ptas. 469 million at an acquisition cost of Ptas. 10,609 million, thus increasing its holding as of December 31, 2000, to 5.47%. The additional goodwill that arose on these 2000 purchases amounted to Ptas. 198 million, of which Ptas. 22 million were amortized in 2000.

The process to merge Puleva, S.A. into Azucarera Ebro Agrícolas, S.A. was initiated in 2000, and will be effective for accounting purposes from January 1, 2001. The Group's holding in the new company will foreseeably be 3.54% of its capital stock.

Retecal Interactiva, S.A.

In 2000 the Caja and other shareholders formed Retecal Interactiva, S.A. with capital stock of Ptas. 500 million, to engage in the development and distribution of value added services based on leading-edge telecommunications networks and automated data processing. The Caja has a direct holding of 11% and an additional indirect holding of 14.97%.

Retecal, Sociedad Operadora de Telecomunicaciones de Castilla y León, S.A.

As of December 31, 1998, the Caja owned 3.40% of the capital stock of Retecal, Sociedad Operadora de Telecomunicaciones de Castilla y León, S.A., which it had acquired for Ptas. 142 million.

In January 1999, Retecal, Sociedad Operadora de Telecomunicaciones de Castilla y León, S.A. increased capital by Ptas. 5,312 million, and the Caja subscribed to 3,575 shares with a par value of Ptas. 358 million, thus increasing its holding in this company to 5.26%.

In July 2000, capital was increased again by Ptas. 5,000 million, and the Caja subscribed to 2,631 shares with a par value of Ptas. 264 million, 50% of which was paid, thus maintaining its holding in this company.

As of December 31, 2000, Retecal, Sociedad Operadora de Telecomunicaciones de Castilla y León, S.A., owned 61% of Retecal Interactiva, S.A.

Regional de Telecomunicaciones de Castilla y León, S.A.

As of December 31, 1998, the Group owned 31.99% of the capital stock of T.V. Servicios y Desarrollo, S.A., which it had acquired for Ptas. 650 million.

In January 1999, T.V. Servicios y Desarrollo, S.A. increased capital by Ptas. 4,631 million, and the Group subscribed to 137,367 shares with a par value of Ptas. 1,374 million, thus increasing its holding in this company to 30.33%.

In August 1999 T.V. Servicios y Desarrollo, S.A. was merged into Regional de Telecomunicaciones de Castilla y León, S.A. (the absorbing company), effective from January 1, 1999, for accounting purposes. As a result of this merger, the Group held 22,871 shares in the new company, representing 27.55% of its capital stock.

In July 2000, Regional de Telecomunicaciones de Castilla y León, S.A. increased capital by Ptas. 3,500 million, and the Group subscribed to 10,333 shares with a par value of Ptas. 1,032 million, 50% of which was paid, giving rise to goodwill of Ptas. 4 million (see Note 12). After this capital increase, the Group's holding in the company's capital stock was 28.13%.

As of December 31, 2000 and 1999, Regional de Telecomunicaciones de Castilla y León, S.A., owned 68.55% of Retecal, Sociedad Operadora de Telecomunicaciones de Castilla y León, S.A.

AyCO Grupo Inmobiliario, S.A. (formerly Inmobiliaria Alcázar, S.A.)

In 1999 the Group acquired 868,741 shares of Inmobiliaria Alcázar, S.A. for Ptas. 860 million, representing a holding of 19.5% in the capital stock of this company. The resulting goodwill amounted to Ptas. 231 million, of which Ptas. 46 million and Ptas. 27 million were amortized in 2000 and 1999, respectively (see Note 12).

On June 21, 2000, the Shareholders' Meeting of Inmobiliaria Alcázar, S.A. resolved to change the company's name to AyCO Grupo Inmobiliario, S.A.

Banco Pastor, S.A.

As of December 31, 1999, the Group had a 1.26% holding in the capital of Banco Pastor, S.A. worth Ptas. 1,700 million, which was recorded under the "Common Stocks and Other Equity Securities" caption in the consolidated balance sheet as of that date.

In 2000 the Group acquired a further holding of 1.85% for Ptas. 2,385 million, which, together with the existing holding as of December 31, 1999, were recorded under the "Shareholdings in Non-Group Companies" caption in the consolidated balance sheet as of December 31, 2000 (see Note 9).

As a result of these acquisitions, goodwill amounting to Ptas. 1,258 million was disclosed, of which Ptas. 82 million were amortized in 2000 (see Note 12).

Lingotes Especiales, S.A.

As of December 31, 1999, the Group held 8.19% of the capital stock of Lingotes Especiales, S.A., which had been acquired for Ptas. 217 million, giving rise to negative differences in consolidation amounting to Ptas. 20 million. In 2000 the Group made further purchases for Ptas. 127 million and as of December 31, 2000, owned 10.15% of the capital of the company. These purchases gave rise to goodwill of Ptas. 51 million, of which Ptas. 20 million were offset by the pre-existing negative difference in consolidation (see Note 12).

* * *

As of December 31, 2000 and 1999, the market value of the holdings in listed associated companies was lower than their net book value (considering goodwill) by Ptas. 2,092 million and Ptas. 824 million, respectively.

Exhibit II lists the "Shareholdings in Non-Group Companies", showing the percentages of ownership and other relevant information on the investees.

11. Shareholdings in Group companies

This caption in the consolidated balance sheets reflects the investments in dependent companies which are not consolidable because their business activities are not directly related with those of the Group. None of these shareholdings are listed and all the shares are denominated in pesetas.

The variations in 2000 and 1999 in the balances of this caption in the consolidated balance sheets were as follows:

	Millions of Pesetas	
	2000	1999
Balances at the beginning of the year	1,197	1,219
Effect of recording by the equity method	(35)	(22)
Balances at year-end	1,162	1,197

Exhibit I lists the investments in nonconsolidable dependent companies, showing the percentages of ownership and other relevant information thereon.

12. Goodwill in Consolidation and Negative Difference in Consolidation

The detail, by company, of the balances of the "Goodwill in Consolidation" caption in the consolidated balance sheets, net of the related accumulated amortization, is as follows:

	Millions of Pesetas	
	2000	1999
Consolidated companies:		
Caja España Fondos, S.G.I.I.C., S.A.	35	40
Associated companies (Note 10):		
Azucarera Ebro Agrícolas, S.A.	3,566	3,874
AyCO Grupo Inmobiliario, S.A. (formerly Inmobiliaria Alcázar, S.A.)	158	204
Banco Pastor, S.A.	1,176	-
Lingotes Especiales, S.A.	31	-
Regional de Telecomunicaciones de Castilla y León, S.A.	4	-
	4,935	4,078
	4,970	4,118

The variations in 2000 and 1999 in the balances of the "Goodwill in Consolidation" caption in the consolidated balance sheets were as follows:

	Millions of Pesetas	
	2000	1999
Balances at the beginning of the year	4,118	4,859
Additions (Note 10)	1,491	231
Amortization (Notes 3-g and 10)	(639)	(531)
Other	-	(441)
Balances at year-end	4,970	4,118

The detail, by company, of the balances of the "Negative Difference in Consolidation" caption in the consolidated balance sheets is as follows:

	Millions of Pesetas	
	2000	1999
Consolidated companies:		
Caja España Pensiones, E.G.F.P., S.A.	59	59
Invergestión, Sociedad de Inversiones y Gestión, S.A. (sole-shareholder company)	105	105
Sespaña, Sociedad de Agencia de Seguros de Caja España de Inversiones, S.A	62	62
	226	226
Nonconsolidated dependent companies and associated companies:		
Seteco, S.A.	1	1
Lingotes Especiales, S.A. (Note 10)	-	20
Siemcalsa, S.A.	7	7
Harinera del Pisuerga, S.A.	14	14
	22	42
	248	268

13. Property and Equipment

The variations in 2000 and 1999 in the property and equipment accounts (own assets and assets assigned to community welfare projects) and in the related accumulated depreciation and allowances were as follows:

	Millions of Pesetas					
	Own Use by the Group			Assigned to Community Welfare Projects (Note 14)		Total
	Lands and Buildings for Own Use	Other Property	Furniture, Installations and Other	Other Property	Furniture, Installations and Other	
Revalued cost:						
Balances at January 1, 1999	32,738	12,694	32,030	5,159	1,941	84,562
Additions	126	3,698	2,346	20	83	6,273
Retirements or reductions	(83)	(3,982)	(598)	(109)	(23)	(4,795)
Transfers	941	(1,323)	(970)	-	-	(1,352)
Balances at December 31, 1999	33,722	11,087	32,808	5,070	2,001	84,688
Additions	96	2,991	4,093	187	39	7,406
Retirements or reductions	(1,078)	(5,056)	(1,548)	-	-	(7,682)
Transfers	1,156	(1,408)	(1,507)	-	-	(1,759)
Balances at December 31, 2000	33,896	7,614	33,846	5,257	2,040	82,653
Accumulated depreciation:						
Balances at January 1, 1999	3,409	495	18,774	1,173	1,239	25,090
Additions	478	69	2,407	88	78	3,120
Retirements or reductions	(13)	(84)	(503)	(24)	(35)	(659)
Other variations	(29)	17	-	-	-	(12)
Balances at December 31, 1999	3,845	497	20,678	1,237	1,282	27,539
Additions	508	67	2,644	90	101	3,410
Retirements or reductions	(63)	(62)	(1,273)	-	-	(1,398)
Balances at December 31, 2000	4,290	502	22,049	1,327	1,383	29,551
Allowances for diminutions in value and for foreclosed assets:						
Balances at January 1, 1999	2,722	3,379	-	-	-	6,101
Net release of the allowance for foreclosed property (Note 26)	-	(115)	-	-	-	(115)
Other variations	(74)	557	-	-	-	483
Balances at December 31, 1999	2,648	3,821	-	-	-	6,469
Net release of the allowance for foreclosed property (Note 26)	-	(413)	-	-	-	(413)
Other variations	(478)	(1,016)	-	-	-	(1,494)
Balances at December 31, 2000	2,170	2,392	-	-	-	4,562
Net property and equipment as of December 31, 1999	27,229	6,769	12,130	3,833	719	50,680
Net property and equipment as of December 31, 2000	27,436	4,720	11,797	3,930	657	48,540

The "Other Property" account included in assets assigned for own use by the Group included Ptas. 3,241 million and Ptas. 3,695 million as of December 31, 2000 and 1999, respectively, of assets not assigned to financial activities. These amounts represent the value, net of the related accumulated depreciation and allowances, of the buildings, land lots and unbuilt lots acquired through foreclosure on unpaid loans, and of the buildings for sale or used for atypical activities.

14. Other Assets and Other Liabilities

Other assets

The detail of the balances of this caption in the accompanying consolidated balance sheets is as follows:

	Millions of Pesetas	
	2000	1999
Checks drawn on credit entities	5,263	2,111
Transactions in transit	2,254	2,959
Tax receivables:		
Deferred tax assets (Note 24)	9,180	9,469
Tax receivables (Note 24)	127	1,022
Options purchased (Note 3-m)	756	124
Items to be adjusted for hedging futures transactions	3,367	1,221
Other items	2,721	2,483
	23,668	19,389

As of December 31, 1999, the "Tax Receivables" caption included basically the amount of the final 1998 corporate income tax refund, which was collected in January 2000. As of December 31, 2000, this caption included other receivables from the tax authorities.

The "Deferred Tax Assets" account reflects mainly the deferred taxes arising from pension payments to be made in the next ten years and those arising from the recording of certain provisions for contingencies and expenses (see Note 24).

Other liabilities

The detail of the balances of this caption in the consolidated balance sheets is as follows:

	Millions of Pesetas	
	2000	1999
Deferred tax liabilities (Note 24)	359	342
Transactions in transit	1,207	1,219
Liabilities payable	757	740
Options written (Note 3-m)	872	298
Items to be adjusted for hedging futures transactions	4,078	2,511
Tax collection accounts	7,180	7,623
Corporate income tax payable (Note 24)	678	1,409
Income lock-in (*)	3,144	437
Other items	1,390	288
	19,665	14,867
Community welfare projects reserve	9,584	8,273
	29,249	23,140

(*) Relates basically to gains on credit sales of property and equipment.

Community welfare projects reserve

The regulations governing the Community Welfare Projects Reserve of savings banks stipulate, inter alia, that all the annual surplus, net of the amounts to be appropriated to reserves and to the provision for corporate income tax, must be used to finance community welfare projects, either individually or on a joint basis (see Note 1).

The balances of the "Community Welfare Projects Reserve" as of December 31, 2000 and 1999, are recorded under the "Other Liabilities" caption in the consolidated balance sheets at those dates, the detail being as follows:

	Millions of Pesetas	
	2000	1999
Unused provisions	3,935	2,826
Other liabilities of the Community Welfare Projects	979	714
Provisions invested in property (Note 13)	3,930	3,833
Provisions invested in tangible fixed assets other than property (Note 13)	657	719
Other	83	181
	9,584	8,273

The variations in these balances in 2000 and 1999 were as follows:

	Millions of Pesetas	
	2000	1999
Beginning balances before the allocation of net surplus	8,273	7,364
Provisions charged to prior year's surplus	3,600	3,200
Period maintenance expenses	(2,647)	(2,340)
Other items	358	49
Ending balances before the allocation of net surplus	9,584	8,273

Depreciation of fixed assets assigned to Community Welfare Projects is determined using the same methods as those applied for property and equipment for own use. The maintenance expenses of Community Welfare Projects for 2000 and 1999 include Ptas. 191 million and Ptas. 166 million, respectively, relating to depreciation of fixed assets assigned to these projects (see Note 18).

15. Accrual Accounts

The detail of the balances of these captions in the consolidated balance sheets is as follows:

	Millions of Pesetas	
	2000	1999
Asset accrual accounts-		
Unmatured accrued interest revenues:		
Bank of Spain	-	147
Credit entities	1,241	2,068
Loans and credits	5,045	3,051
Investments securities	10,068	7,732
Other investments	1,112	28
	17,466	13,026
Other accruals	1,378	1,305
	18,844	14,331
Liability accrual accounts-		
Unmatured accrued costs:		
Credit entities	2,758	675
Deposits	6,835	3,922
	9,593	4,597
Unearned revenues from investments taken at a discount	1,740	1,654
Accrued expenses	3,577	3,290
Other accruals	251	249
Unmatured accrued revenues from investments taken at a discount	(450)	(515)
	14,711	9,275

16. Customer funds

The detail of the balances of this caption in the consolidated balance sheets, by type, depositor sector and currency, is as follows:

	Millions of Pesetas	
	2000	1999
By type and depositor sector:		
Public authorities	34,498	22,989
Other resident sectors-		
Demand deposits	170,031	145,086
Savings accounts	350,031	343,755
Time deposits	433,488	356,662
Assets sold under repurchase agreement (Note 5)	262,058	204,824
	1,215,608	1,050,327
Nonresidents	20,990	27,872
	1,271,096	1,101,188
By currency:		
In national currency	1,268,874	1,099,438
In foreign currencies	2,222	1,750
	1,271,096	1,101,188

The detail, by term to maturity, of the balances of this caption in the consolidated balance sheets, is as follows:

	Millions of Pesetas	
	2000	1999
Demand deposits	553,046	513,496
Up to 3 months	419,000	350,561
3 months to 1 year	214,746	187,820
1 to 5 years	77,650	42,607
Over 5 years	6,654	6,704
	1,271,096	1,101,188

17. Marketable debt securities

The balance of this caption in the consolidated balance sheets relates in full to mortgage bonds and cash bonds issued by Caja España, the main features of which are as follows:

Security	Year of Issue	Maturity Date	Face Value (Millions of Pesetas)		Annual Interest Rate	Interest Payment
			2000	1999		
Mortgage bonds	1997	03/31/2000	-	15,000	5%	Semiannual
Mortgage bonds	1997	09/30/2000	-	10,000	4.5%	Semiannual
Mortgage bonds	1998	03/31/2001	10,000	10,000	4%	Semiannual
Cash bonds	1998	12/15/2003	15,000	15,000	4%	Semiannual
Mortgage bonds	1999	05/20/2002	5,824	5,824	3%	Semiannual
Mortgage bonds	1999/2000	02/22/2005	24,959	17,722	4.25%	Semiannual
Cash bonds	1999	12/15/2002	5,728	5,728	2.6%	Semiannual
Cash bonds	1999	04/30/2004	5,800	5,800	3.72%	Maturity
Cash bonds	1999	04/30/2002	1,300	1,300	3.27%	Maturity
Mortgage bonds	2000	04/19/2005	7,400	-	4.25%	Semiannual
			76,011	86,374		

In accordance with Article 59 of Royal Decree 685/1982, as amended by Royal Decree 1289/1991, the total volume of unmatured mortgage bonds cannot exceed 90% of the unamortized principal of all the mortgage loans from an entity qualifying for coverage. As of December 31, 2000 and 1999, the total amount of the unmatured mortgage bonds represented 10.8% and 16.4%, respectively, of the unamortized principal of all the Caja's mortgage loans.

The effective amounts of mortgage bonds and cash bonds owned by the Group were Ptas. 3,319 million and Ptas. 2,333 million as of December 31, 2000 and 1999, respectively, and these amounts were classified under the "Debentures and Other Fixed-Income Securities" caption in the consolidated balance sheets.

The total amount charged to surplus for the cost of mortgage bond and cash bond issues was Ptas. 3,285 million in 2000 and Ptas. 2,582 million in 1999 (see Note 26).

18. Provisions for contingencies and expenses

The variations in this caption in 2000 and 1999 were as follows:

	Millions of Pesetas	
	2000	1999
Balances at the beginning of the year	10,678	9,084

Net provision charged to surplus (Note 26)	815	3,129
Use of the allowance for intangible assets (Note 3-f)	-	(600)
Pension allowance recorded with a charge to surrendered premiums (Note 3-i)	8,274	-
Other variations	539	(935)
Balances at year-end	20,306	10,678

The detail of these provisions as of December 31, 2000 and 1999, is as follows:

	Millions of Pesetas	
	2000	1999
Pension allowance-		
Commitments to employees who took early retirement (Note 3-i)	8,274	-
Loyalty bonuses	420	-
Other	82	-
	8,776	-
Credit loss allowance for off-balance-sheet risks (Notes 3-c and 7)	790	114
Provisions for futures transactions (Note 3-m)	165	230
Other items	10,575	10,334
	11,530	10,678
	20,306	10,678

The balance of the "Other Items" caption as of December 31, 2000 and 1999, includes mainly the provisions recorded by the Group to cover certain risks incurred as a result of its activity and potential unrealized losses at certain investees.

19. Subordinated debt

The detail of the balances of this caption in the consolidated balance sheets as of December 31, 2000 and 1999, is as follows:

	Millions of Pesetas	
	2000	1999
Registered debenture issued to the Deposit Guarantee Fund	1,100	1,100
Subordinated debentures	24,953	15,000
	26,053	16,100

The registered debenture of Ptas. 1,100 million was subscribed by the Savings Banks Deposit Guarantee Fund. This issue is secured by the Caja's universal net worth and is classified as subordinated debt which, for creditor ranking purposes, ranks behind all general creditors. This is a perpetual interest-free debt.

The main features of the subordinated debt included in the "Subordinated Debentures" account in the foregoing detail are as follows:

Security	Year of Issue	Maturity Date	Face Value (Millions of Pesetas)		Annual Interest Rate	Interest Payment
			2000	1999		
Subordinated debentures	1996	12/31/2006	10,000	10,000	(*) 4.13%	Semiannua 1
Subordinated debentures	1997	12/31/2007	5,000	5,000	(*) 4.13%	Semiannua 1
Subordinated debentures	2000	06/27//2015	9,953	-	5.75%	Semiannua 1
			24,953	15,000		

(*) Tied to the "federated savings banks' liabilities benchmark rate".

The cost of the subordinated financing charged to surplus in 2000 and 1999 totaled to Ptas. 757 million and Ptas. 402 million, respectively (see Note 26).

20. Minority interests

The variations in 2000 and 1999 in the balances of the "Minority Interests" caption in the consolidated balance sheets were as follows:

	Millions of Pesetas	
	2000	1999
Balances at the beginning of the year	16,645	7
Allocation of prior year's net surplus	25	22
Dividends paid to minority shareholders	(30)	(22)
Issue of preferred shares (Note 2)	-	16,639
Other	-	(1)
Balances at year-end	16,640	16,645

In 1999 Caja España de Inversiones Finance Limited, a wholly-owned investee of the Group, issued preferred shares amounting to 100 million (Ptas. 16,639 million), with no maturity date (although they may be redeemed, fully or partially, at the discretion of the issuer and after obtaining authorization from the Bank of Spain and from the guarantor, at any time from the fifth year from the date of payment) and fixed interest of 5%

during the first five years and a floating rate tied to Euribor thereafter. These shares are subordinated to the Caja's other obligations.

The returns due to the holders of the preferred shares issued by the Group, which amounted to Ptas. 847 million in 2000, were recorded under the "Consolidated Surplus for the Year – Surplus Attributed to Minority Interests" caption in the consolidated statements of income and expenses.

21. Reserves, revaluation reserves, reserves at consolidated companies and prior years' losses at consolidated companies

The breakdown of the balances of these captions in the consolidated balance sheets and the variations therein in 2000 and 1999 were as follows:

	Millions of Pesetas	
	Reserves, Reserves at Consolidated Companies and Prior Years' Losses at Consolidated Companies	Revaluation Reserves
Balances at January 1, 1998	57,628	4,607
Allocation of the Caja's 1998 net surplus	9,347	-
Net charges for early retirements (Notes 2 and 3-i)	(1,299)	-
Sale of fixed assets revalued in 1996	-	(35)
Other variations	21	-
Balances at December 31, 1999 (Note 2)	65,697	4,572
Allocation of 1999 net surplus	10,380	-
Sale of fixed assets revalued in 1996	-	(4)
Other variations	103	-
Balances at December 31, 2000 (Note 2)	76,180	4,568

Equity

In accordance with current regulations, the Group is required to maintain minimum equity based on the risks to which it is subject as a result of the transactions performed by it. As of December 31, 2000 and 1999, the computable net equity of the Group, determined pursuant to the aforementioned regulations, exceeded the required level.

Revaluation reserve, Royal Decree-Law 7/1996

In 1996 the Caja revalued its property and equipment pursuant to Royal Decree-Law 7/1996. The resulting gross surplus of Ptas. 4,752 million was credited to the "Revaluation Reserves" caption in the consolidated balance sheet.

The tax inspection of the assets revalued pursuant to Royal Decree-Law 7/1996 was completed in 1999 (see Note 24) and, therefore, the balance of the "Revaluation Reserve, Royal Decree-Law 7/1996" can be used, free of tax, to offset book losses which may arise in the future. From January 1, 2007, the balance of this reserve can be taken to unrestricted reserves, provided that the monetary surplus has been realized. The surplus will be deemed to have been realized in respect of the portion on which depreciation has been taken for accounting purposes or when the revalued assets have been transferred or retired from the accounting records. If this balance were used in a manner other than that provided for in Royal Decree-Law 7/1996, it would be subject to tax.

**Reserves at consolidated companies and prior years'
losses at consolidated companies**

The breakdown, by company, of the balances of these captions in the consolidated balance sheets as of December 31, 2000 and 1999, is as follows:

	Millions of Pesetas	
	2000	1999
Reserves at consolidated companies:		
Invergestión, Sociedad de Inversiones y Gestión, S.A.	356	267
Sespaña, Sociedad de Agencia de Seguros de Caja España de Inversiones, S.A.	-	4
Caja España Gestora de Pensiones, E.G.F.P., S.A.	73	21
Caja España Fondos, S.G.I.I.C., S.A.	79	57
Minero Siderúrgica de Ponferrada, S.A.	399	38
Lingotes Especiales, S.A.	45	8
Azucarera Ebro Agrícolas, S.A.	47	192
Caja España Vida, Sociedad de Seguros y Reaseguros, S.A.	-	6
Caja España de Inversiones Finance Limited	4	-
Caja España Asesores, Correduría de Seguros, S.A.	3	-
	1,006	593
Prior years' losses at consolidated companies:		
Inmocaja, S.A.	47	10
Harinera del Pisuerga, S.A.	2	4
Sociedad de Investigación y Explotación Minera de Castilla-León, S.A.	3	11
Campo de Inversiones, S.A.	13	190
Seteco, Servicios Técnicos de Coordinación, S.A.	1	1
Sespaña, Sociedad de Agencia de Seguros de Caja España de Inversiones, S.A.	69	-
AyCO Grupo Inmobiliario, S.A. (formerly Inmobiliaria Alcázar, S.A.)	34	-
Retecal, Sociedad Operadora de Telecomunicaciones de Castilla y León, S.A.	293	-
Cogeneración El Portillo, S.A.	16	-
Caja España Vida, Sociedad de Seguros y Reaseguros, S.A.	4	-
	482	216

22. Memorandum accounts

As of December 31, 2000 and 1999, the main transactions, commitments and contingencies at the Group, which arose in the normal course of its banking operations, were as follows:

	Millions of Pesetas	
	2000	1999
Contingent liabilities:		
Guarantees and other sureties provided	69,132	45,451
Other contingent liabilities	1,326	1,265
Commitments:		
Balances drawable by third parties	208,958	165,064
Other commitments	20,860	18,157
	300,276	229,937

23. Derivatives

The detail, by derivative, of the notional amounts of the derivatives held by the Group as of December 31, 2000 and 1999, is as follows:

	Millions of Pesetas	
	2000	1999
Interest rate swaps in national currency	84,425	43,445
Cross-currency swaps	3,975	4,138
Currency swaps	10,427	8,167
Financial futures-		
Purchased	7,205	-
Sold	7,223	213
Options-		
Purchased	16,754	5,373
Sold	101,928	102,880
Forward purchases and sales and other transactions	32,996	30,915

The unrealized losses resulting from the valuation of the aforementioned transactions, as indicated in Note 3-m, are covered by provisions recorded under the "Provisions for Contingencies and Expenses – Other Provisions" caption (see Note 18).

No significant gains or losses arose in 2000 and 1999 from transactions involving derivatives.

24. Tax matters

The balance of the "Other Assets - Tax Receivables" caption in the consolidated balance sheets includes, as of December 31, 1999, final corporate income tax refund for 1998. Also, the balance of the "Other Liabilities" caption as of December 31, 2000 and 1999, includes the estimated corporate income tax payable for 2000 and 1999, respectively (see Note 14).

The detail of the "Corporate Income Tax" caption in the 2000 and 1999 consolidated statements of income and expenses is as follows:

	Millions of Pesetas	
	2000	1999
Corporate income tax expense accrued in the year	5,040	4,565
Adjustments from prior years	(17)	(92)
Corporate income tax expense	5,023	4,473

The reconciliation of the corporate income tax payable, calculated on the basis of the surplus per books, to the tax expense recorded in the consolidated statements of income and expenses and the final amount payable or refundable in connection with this tax is as follows:

	Millions of Pesetas	
	2000	1999
Corporate income tax at the standard 35% rate	6,788	6,467
Increases (decreases) arising from permanent differences	(1,211)	(1,995)
Tax credits, tax relief and other	(537)	(606)
Reversal to reserves of the deferred tax asset arising from the charge to reserves for early retirements (Notes 2 and 3-i)	-	699
Corporate income tax expense	5,040	4,565
Increases (decreases) arising from timing differences	275	1,058
Tax withholdings, prepayments and other	(4,637)	(4,214)
Tax payable (Note 14)	678	1,409

The difference between the tax charge for the current year and for prior years and the tax charge already paid or to be paid in the future gave rise to the following deferred tax assets and deferred tax liabilities as of December 31, 2000 and 1999:

	Millions of Pesetas	
	2000	1999
Deferred tax assets (Note 14):		
Provisions to pension allowance	3,007	3,406
Provisions for contingencies and expenses	4,381	3,992
Other items	1,792	2,071
	9,180	9,469
Deferred tax liabilities (Note 14)	359	342

Pursuant to current tax legislation, tax returns cannot be deemed to be final until they have been reviewed by the tax inspection authorities or until the statute of limitations has expired. For these purposes, from January 1, 1999, the statute of limitations for the tax authorities to determine the tax charge through the appropriate calculation is four years. However, this period ceases to run upon commencement of a tax audit.

The tax audit performed at the Caja of corporate income tax for 1992 to 1996, of personal income tax withholdings and prepayments and VAT for 1993 to 1996 and of the asset revaluation pursuant to Royal Decree-Law 7/1996 was completed in 1999 (see Note 21).

As a result of this tax audit, and in connection with corporate income tax, in 1999 the Group recorded deferred tax assets of Ptas. 482 million and interest for late payment amounting to Ptas. 135 million, which is included under the "Extraordinary Loss" caption. The declared tax bases for the other taxes reviewed were not modified.

The Caja currently has 1997 to 2000 open for review by the tax inspection authorities for the main taxes applicable to its activities. As of December 31, 2000, the other Group companies generally had the last four years open for review by the tax inspection authorities with respect to the main taxes applicable to them.

The varying interpretations which can be made of the tax regulations applicable to the operations performed by the Caja and by other consolidated companies give rise to certain contingent tax liabilities for the open years that are not susceptible to objective quantification. However, it is considered that if these contingent liabilities became actual liabilities, they would not materially affect the consolidated financial statements.

25. Transactions with nonconsolidated dependent companies and associated companies

The detail of the major balances and transactions of the Group at the end of 2000 and 1999 with nonconsolidated dependent companies and with associated companies is as follows:

Nonconsolidated dependent companies

	Millions of Pesetas	
	2000	1999
Loans and credits	133	230
Customer deposits	1,155	956
Interest and similar revenues	5	5
Interest and similar expenses	39	16
General administrative expenses	13	50

Associated companies

	Millions of Pesetas	
	2000	1999
Loans and credits	10,714	2,138
Customer deposits	1,434	1,093
Interest and similar revenues	467	323
Interest and similar expenses	31	459

26. Statements of income and expenses

The detail, by type of transaction, of certain captions in the consolidated statements of income and expenses is as follows:

	Millions of Pesetas	
	2000	1999
Interest and similar revenues:		
Bank of Spain	686	422
Due from credit entities	8,326	7,143
Fixed-income securities	19,981	17,241
Loans and credits	45,949	35,632
Other revenues	62	650
	75,004	61,088
Fees collected:		
Contingent liabilities	683	530
Collection and payment services	4,508	3,658
Securities services	762	645
Marketing of nonbank financial products	3,614	3,830
Other fees	371	314
	9,938	8,977
Interest and similar expenses:		
Bank of Spain	1,159	578
Due to credit entities	9,346	5,678
Deposits	22,516	17,611
Bonds and other marketable debt securities (Note 17)	3,285	2,582
Subordinated debt (Note 19)	757	402
Other interest	41	54
	37,104	26,905
Gains (Losses) on financial transactions:		
Ordinary fixed-income securities investment portfolio	759	(148)
Trading fixed-income securities portfolio	22	(104)
Ordinary equity securities investment portfolio	9,373	6,021
Trading equity securities portfolio	(177)	418
Trading futures transactions	178	(207)
Other gains	6	227
	10,161	6,207

General administrative expenses - Personnel expenses-

The detail of the balances of this caption in the consolidated statements of income and expenses is as follows:

	Millions of Pesetas	
	2000	1999
Wages and salaries of serving employees	16,415	14,210
Social security costs (*)	4,755	4,212
Other expenses	530	444
	21,700	18,866

(*) Including Ptas. 1,195 million and Ptas. 862 million of contributions for pensions in 2000 and 1999, respectively (see Note 3-i).

The average number of employees at the Group in 2000 and 1999, by professional category, was as follows:

	Average Number of Employees	
	2000	1999
Management team	10	14
Supervisors	636	588
Clerical staff	1,915	1,858
Messengers and other	40	83
	2,601	2,543

Extraordinary income and loss

The detail of the "Extraordinary Loss" and "Extraordinary Income" captions in 2000 and 1999 is as follows:

	Millions of Pesetas	
	2000	1999
Extraordinary loss:		
Fixed asset disposals	190	218
Net provisions to other specific allowances (Notes 13 and 18)	402	3,014
Prior years' losses	759	1,688
Intangible asset writedowns (Note 3-f)	1,900	676
Other items	2,485	1,853
	5,736	7,449
Extraordinary income:		
Fixed asset disposals	2,291	1,114
Prior years' interest	526	1,845
Prior years' income	458	2,587
Other items	232	459
	3,507	6,005

In 2000 and 1999 the Group recorded specific allowances for possible unrealized losses at certain investees and for certain risks relating to their business activities.

Share in income/losses of companies carried by the equity method-

The detail, by company, of the balances of these captions in the consolidated statements of income and expenses for the years ended December 31, 2000 and 1999, is as follows:

	Millions of Pesetas	
	2000	1999
Share in income of companies carried by the equity method:		
Harinera del Pisuerga, S.A.	-	6
Minero Siderúrgica de Ponferrada, S.A.	76	279
Lingotes Especiales, S.A.	26	45
Azucarera Ebro Agrícolas, S.A.	503	41
AyCO Grupo Inmobiliario, S.A. (formerly Inmobiliaria Alcázar, S.A.)	368	-
Banco Pastor, S.A.	72	-
Campo de Inversiones, S.A.	31	-
Mejor Campo Abonos y Cereales, S.A.	7	-
Caja España Vida, Sociedad de Seguros y Reaseguros, S.A.	77	-
Seteco, Servicios Técnicos de Coordinación, S.A.	2	3
	1,162	374
Share in losses of companies carried by the equity method:		
Harinera del Pisuerga, S.A.	7	-
Regional de Telecomunicaciones de Castilla y León, S.A.	112	7
Sociedad de Investigación y Explotación Minera de Castilla-León, S.A.	9	7
AyCO Grupo Inmobiliario, S.A. (formerly Inmobiliaria Alcázar, S.A.)	-	18
Retecal, Sociedad Operadora de Telecomunicaciones de Castilla y León, S.A.	473	251
Cogeneración el Portillo, S.A.	113	16
Caja España Vida, Sociedad de Seguros y Reaseguros, S.A.	-	8
	714	307

27. Compensation and other benefits to the Board of Directors and Supervisory Committee

The fees earned by the members of the Caja's Board of Directors and Supervisory Committee amounted to Ptas. 49 million in 2000 and Ptas. 56 million in 1999. The salary compensation earned by the directors who are also Caja employees is recorded under the "General Administrative Expenses – Personnel Expenses" caption in the consolidated statements of income and expenses for 2000 and 1999, and amounted to Ptas. 26 million in each year. Additionally, in 2000 and 1999 the members of the Caja's Board of Directors who are also directors of the Caja's dependent companies received from them Ptas. 39 million and Ptas. 42 million, respectively, under these headings.

The total risk exposure to directors or to entities controlled by the members of the Caja's Board of Directors amounted to Ptas. 175 million and Ptas. 198 million as of December 31, 2000 and 1999 (balance drawn down from credit facilities and loans) and earned average annual interest of 4.36% and 4.38%, respectively.

As of December 31, 2000 and 1999, there were no pension or life insurance commitments to former or current members of the Boards of Directors of the Caja or of other Group entities.

28. Statements of changes in financial position

Following are the 2000 and 1999 statements of changes in financial position of the Group:

APPLICATION OF FUNDS	Millions of Pesetas		SOURCE OF FUNDS	Millions of Pesetas	
	2000	1999		2000	1999
Fixed- income securities (net increase)	60.498	94.160	Funds from operations-		
Loans and credits (net increase)	194.402	111.293	Consolidated surplus for the year	14.324	14.005
Short-term equity securities (net increase)	13.134	10.120	Writeoffs and credit loss provisions	515	(2.413)
Acquisition of long-term financial investments-			Net provision to other special allowances (Note 26)	402	3.014
Acquisitions of shareholdings in Group and associated companies	2.798	2.667	Net provision to security price fluctuation allowance	2.699	1.604
Variation in property and equipment and intangible assets	1.085	2.825	Depreciation, amortization and writedown of property and equipment and intangible assets	5.926	4.071
Community Welfare Projects Reserve	2.289	2.291	Amortization of goodwill in consolidation	639	531
Repayment of mortgage bonds and cash bonds	25.000	-	Net gain on fixed asset disposals	(2.101)	(896)
Other asset items less liability items (net variation)	-	952	Net income from companies carried by the equity method	(76)	104
Minority interests (net variation)	30	-		22.328	20.020
TOTAL FUNDS APPLIED	299.236	224.308	Financing, less investment, at Bank of Spain and credit and savings entities (net variation)	90.941	75.796
			Deposits (net increase)	158.224	75.480
			Subordinated debt issue	9.953	-
			Mortgage bond and cash bond issue (Note 17)	14.637	36.374
			Minority interests (net variation)	-	16.638
			Other asset items less liability items (net variation)	3.153	-
			TOTAL FUNDS OBTAINED	299.236	224.308

29. Explanation added for translation to English

These consolidated financial statements are presented on the basis of accounting principles generally accepted in Spain. Certain accounting practices applied by the Group that conform with generally accepted accounting principles in Spain may not conform with generally accepted accounting principles in other countries.

CONSOLIDATED COMPANIES AND NONCONSOLIDATED DEPENDENT COMPANIES

Company Name, Line of Business and Address	Percentage of Ownership		Millions of Pesetas					
	Direct	Indirect	Equity Data (*)			Net Cost of the Holding		
			Paid- in Capital Stock	Reserves (**)	Net Income (Loss) for the Year	Caja	Other Group Companies	Total
Consolidated companies								
Caja España de Inversiones Finance Limited (issue of preferred shares) South Church Street PO Box 309 (Georgetown –Cayman Islands)	100%	-	-	3	833	-	-	-
Inmocaja, S.A. (real estate) Ordoño II, 10 (León)	100%	-	1,475	(948)	1,096	1,475	-	1,475
Invergestión, Sociedad de Inversiones y Gestión, S.A. (holding company) Plaza de Santo Domingo, 4 (León)	100%	-	1,930	194	217	1,930	-	1,930
Caja España Gestora de Pensiones, E.G.F.P., S.A. (pension fund manager) Virgen de los Peligros, 3 1º (Madrid)	-	100%	144	100	35	-	147	147
Caja España Fondos, S.G.I.I.C., S.A. (mutual fund manager) c/Velázquez, 23 3º (Madrid)	-	100%	756	(6)	218	-	867	867
Sespaña, Sociedad de Agencia de Seguros de Caja España de Inversiones, S.A. (insurance agency) c/Ordoño II, 13 (León)	-	90%	10	2	5	-	-	-
Caja España Asesores, Correduría de Seguros, S.A. (insurance brokerage) Pz. Santo Domingo, 4 (León)	-	100%	20	(71)	85	-	20	20
Nonconsolidated dependent companies								
Harinera del Pisuerga, S.A. (agriculture) Nogales del Pisuerga (Palencia)	100%	-	450	3	(13)	441	-	441
Caja de Inversiones, S.A. (agriculture and livestock services) c/Toro, 50 (Salamanca)	-	100%	50	(10)	27	-	50	50
Cogeneración El Portillo, S.A. (electricity generation) Pz. Santo Domingo, 3 (León)	0.10%	99.90%	10	107	(118)	-	-	-
Sociedad de Estudios y Gestión Medioambiental, S.A. (environmental projects) Pz. Santo Domingo, 4 1º (León)	-	100%	10	-	-	-	10	10
Caja España Vida, Sociedad de Seguros y Reaseguros, S.A. (insurance and reinsurance) Pz. Santo Domingo, 4 (León)	1%	94%	750	16	37	7	705	712

(*) Data generally relating to December 31, 2000; pending approval by the respective Shareholders' Meetings of the companies.

(**) Includes the interim dividends distributed by the company.

ASSOCIATED COMPANIES

Company Name, Line of Business and Address	Percentage of Ownership		Millions of Pesetas					
	Direct	Indirect	Equity Data (*)			Net Cost of the Holding		
			Paid- in Capital Stock	Reserves (**)	Net Income (Loss) for the Year	Caja	Other Group Companies	Total
Regional de Telecomunicaciones de Castilla y León, S.A. (cable telecommunications service) c/Francisco Hernández Pacheco, 14 Edificio Begar (Valladolid)	28.13%	-	10,052	1,253	(246)	2,022	-	2,022
Retecal, Sociedad Operadora de Telecomunicaciones de Castilla y León, S.A. (cable telecommunications service) c/Francisco Hernández Pacheco, 14 Edificio Begar (Valladolid)	5.26%	19.28%	12,000	(709)	(2,277)	458	-	458
Retecal Interactiva, S.A. (leading-edge telecommunications network service) Parque Tecnológico Las Arroyadas, parcela 202 (Boecillo – Valladolid)	11.00%	14.97%	250	-	-	27	-	27
Sociedad de Investigación y Explotación Minera de Castilla-León, S.A. (mining research promotion) c/García Morato, 35 6º (Valladolid)	31.50%	-	80	(2)	(54)	8	-	8
Mínero Siderurgia de Ponferrada, S.A. (coal mining) León	13.56%	-	3,716	7,588	1,787	242	-	242
Lingotes Especiales, S.A. (machinery manufacture) Valladolid	10.15%	-	1,597	1,963	322	344	-	344
Azucarera Ebro Agrícolas, S.A. (food) Madrid	5.47%	-	6,631	96,177	9,301	10,609	-	10,609
Mejor Campo Abonos y Cereales, S.A. (marketing of fertilizers and fodder) Pz. Santo Domingo, 4 (León)	-	27%	10	1	26	-	3	3
Seteco, Servicios Técnicos de Coordinación, S.A. (past-dues management services) c/Moisés León, 39 (León)	-	20%	10	(9)	13	-	2	2
AyCO Grupo Inmobiliario, S.A. – formerly Inmobiliaria Alcázar, S.A. (real estate) c/Serrano, 240 6ºA (Madrid)	19.54%	-	2,223	1,255	1,460	860	-	860
Banco Pastor, S.A. (finance entity) c/Cantón Pequeño, 1 (La Coruña)	3.11%	-	9,086	73,693	9,465	4,085	-	4,085

(*) Data generally relating to December 31, 2000; pending approval by the respective Shareholders' Meetings of the companies.

(**) Includes the interim dividends distributed by the company.

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

CAJA ESPAÑA DE INVERSIONES, CAJA DE AHORROS Y MONTE DE PIEDAD AND COMPANIES COMPOSING, TOGETHER WITH THE CAJA, THE CAJA ESPAÑA GROUP

2000 Consolidated Management Report

Economic and financial environment

World economic growth accelerated notably in the first half of 2000 and, as a result, world GDP for the year as a whole grew by 4.7% which, according to the IMF, was the highest rate in the last decade. However, there was a general economic deterioration in both Europe and the U.S. after the summer.

In view of this situation, the restrictive monetary policy initiated by the central banks in 1999 was prolonged by them in the first half of the year to halt the danger of inflation, through successive increases in interest rates. One of the factors which most contributed to the upturn in inflation was the rise in oil prices. The effects of the international economic crisis reduced oil prices to US\$ 9.9/barrel in December 1999. Since then, the price of crude oil more than tripled, reaching the highest level in the last ten years.

The Spanish economy grew vigorously in 2000, although it slowed slightly in the second half due to the weaker domestic demand caused by lower consumption and investment. Also, the GDP experienced an annual increase of 4.1%, which was similar to that in 1999. The most problematic macroeconomic variable in 2000 was unquestionably inflation which, due to the higher oil prices, was 4% for the whole of the year.

Inflation also rose in the European Monetary Union, which resulted in repeated interest rate rises by the European Central Bank and led to record minimum exchange rates of the euro against the U.S. dollar.

In Castilla y León the economy followed an expansionary course, with estimated growth of 4.2%, which exceeded the national average. The most notable industries were agriculture and construction which, as in the past, were the main pillars of the regional economy and also represent a major part of the Caja España Group's financial intermediation activities.

Equity and capital ratio

The Group's computable equity at 2000 year-end amounted to Ptas. 119,945 million, which amply exceeded the current minimum regulatory requirement for equity.

In 2000 computable equity increased by approximately Ptas. 21,000 million as a result of the issuance and placement of subordinated debt securities and of the conversion into capital of a portion of the income obtained in the year.

The capital ratio (computable equity divided by risk-weighted net assets) was 11.62%, which was well above the minimum ratio specified by the Bank of Spain.

In 2000 the Entity's ratings were unchanged from the levels obtained in 1999 year-end.

Business volume and variations therein

As of December 31, 2000, the business volume, measured as the net assets in the consolidated public balance sheet, amounted to Ptas. 1,858,309 million, up 19.4% on 1999 year-end.

The customer savings managed by Caja España at 2000 year-end totaled Ptas. 1,633,989 million, which represented an annual increase of nearly 10%.

The customer funds reflected on the liability side of the balance sheet, i.e. deposits, marketable debt securities issued and subordinated debt, grew by 14.1% in 2000 to Ptas. 1,373,160 million at year-end.

Off-balance-sheet funds decreased by 7.8% to Ptas. 260,829 million and were invested mainly in mutual funds, pension funds and endowment insurance. Pension funds performed excellently in 2000 and increased by 34.6% in the year. In contrast, mutual funds decreased by 10.4% in line with the widespread falls throughout the financial services industry.

Funds borrowed from credit entities amounted to Ptas. 308,439 million, up 48.5% on 1999. The lending by the Caja to other credit entities in the interbank market amounted to Ptas. 280,988 million, up nearly 7% year-on-year. As a result of these balances, Caja España had a net interbank borrowing position of Ptas. 27,451 million.

The total securities portfolio reached a net balance of Ptas. 476,250 million at 2000 year-end, representing growth of Ptas. 73,283 million (18.2%). The main item was government debt securities, which amounted to Ptas. 319,550 million at year-end

Loans and credits, net of credit loss allowance, amounted to Ptas. 976,839 million following growth of Ptas. 210,821 million (27.5%) with respect to December 1999. The main lending item was mortgage loans, the balance of which was Ptas. 447,068 million in 2000.

Caja España's risk control policy enabled it to expand lending while simultaneously steadily improving loan quality ratios. In this connection, nonperforming loans were reduced to 0.92% of total credit risk exposure, which was 0.46 percentage points lower than in December 1999, and the credit loss allowances amply exceeded the volume of doubtful and nonperforming loans, with a coverage ratio of 163.06% adding other unrestricted allowances to specific credit loss allowances.

2000 earnings

Caja España's consolidated public statement of income and expenses included most notably the increase in all margins, with no exceptions, which enabled the Group's efficiency ratio to improve from 64.11% at 1999 year-end to 61.72% at 2000 year-end.

The net interest revenue of Ptas. 39,998 million was 11.5% higher than in 1999, due more to the increase in business volume than to the rise in interest rates.

Net service commissions and gains on financial transactions amounted to Ptas. 18,706 million, up 33.7% on 1999. The good performance of these items raised net ordinary revenue by 17.7% to Ptas. 58,704 million at year-end.

Operating costs, personnel expenses and general expenses rose by 12.7% due to the externalization of the employee pension allowance and the strong expansion of the commercial network, which was one of the most ambitious commercial objectives set for 2000. The expansion led to the opening of 81 new branches, which resulted in an 18.6% increase in the depreciation expense for the year.

Despite this trend in overhead costs, the net operating revenue of Ptas. 22,650 million was 24.8% higher than in 1999, thanks to the good performance of the aforementioned margins.

Nonperforming loans decreased by 0.46 percentage points in 2000, although credit loss provisions of Ptas. 515 million were recorded due to the entry into force in July of the new statistical allowance for credit losses.

The surplus before taxes amounted to Ptas. 19,394 million, up nearly 5% on 1999.

The subtraction of the tax burden, consisting mainly of corporate income tax, gives a surplus after taxes of Ptas. 14,324 million, compared with Ptas. 14,005 million in 1999. Of the Ptas. 14,324 million of surplus after taxes at consolidated level, Ptas. 847 million were attributable to minority interests and the remaining Ptas. 13,477 million to Caja España Group companies.

Commercial network

At 2000 year-end Caja España had a commercial network of 535 operational branches, 78 more than in 1999. Their geographical distribution by autonomous community was as follows: 382 in Castilla y León, 80 in Madrid, 27 in Galicia, 17 in Aragon, 9 in Castilla-La Mancha, 9 in Asturias, 4 in Navarra, 3 in Cantabria, 3 in Extremadura and 1 in La Rioja.

The branch network is supplemented by new distribution channels which also grew considerably in 2000. The "Línea España" telephone banking channel with nearly 53,000 users grew by 28.5% in the year. The strong expansion of Internet banking was evidenced at Caja España by the 192.8% increase in the Caja's Internet customers to 21,576 users.

Noteworthy with regard to the provision of services was the expansion of the automated teller machine network by 100 units to 535 at 2000 year-end.

Caja España's payment system at stores consists of 10,084 dataphones, which is 1,565 more than in 1999. To enable its customers to use this system, the Entity had 415,057 cards outstanding, which represented an increase of 7.5% with respect to 1999.

Human resources

Caja España had 2,666 employees at 2000 year-end, which was a net increase of 230 with respect to 1999. In 2000, 268 new employees had to be hired to meet the network expansion requirements and the vacancies left by staff who departed.

Social dividend

Caja España, since it is a savings bank aware of its responsibility to the community in which it operates, not only provides financial services, but also, through community welfare projects, provides other services relating to culture, teaching, care, health and research. Ptas. 3,600 million were allocated to these services in 2000 and the amount earmarked for 2001 is Ptas. 3,700 million, up 3% on the prior year.

Future strategies and objectives

The annual objectives plan systematically sets forth the strategies that the Caja will follow in 2001, which are basically as follows:

- Adopt a new commercial management focus based on customers in order to bond, reactivate and establish a profitable relationship with them together with the identification of our key customers.
- Give priority attention to the following segments:
 - Children and youths,
 - SMEs
 - Professionals and high-income individuals
- Strengthen our commercial and institutional presence in the area of expansion, with specific commercial and corporate image actions.
- Continue our process of expansion through the opening of 20 branches in Levante.
- Consolidate the business of recently opened branches for the purpose of self-financing our expansion.
- Continue the acquisition of holdings in strategic industries as and when permitted by the generation of business from the standpoints of profitability and induced business.
- Take staff training action to adapt the profile of the Caja's people to customer requirements and make each employee a customer adviser.
- Competence will be a key factor in personnel management, both in recruitment and in promotion, compensation and training.
- Make progress in actions to improve the quality of our service as part of the continuous improvement process undertaken in pursuit of quality.

Through these strategies, Caja España aims to increase customer funds under management by 16% and lending by 19%, while paying particular attention to high-profitability financial and tax products for customers, such as mortgage loans, pension plans and customer securities.