

**CAJA ESPAÑA DE
INVERSIONES, CAJA DE
AHORROS Y MONTE DE
PIEDAD AND SUBSIDIARIES**

2004 Consolidated Financial Statements
and Consolidated Management Report

Translation of 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 AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

AS OF DECEMBER 31, 2004 AND 2003 (NOTES 1, 2, 3 AND 4)

(Thousands of Euros)

ASSETS	2004	2003 (*)
CASH ON HAND AND DEPOSITS AT CENTRAL BANKS:		
Cash on hand	95.980	82.303
Bank of Spain	143.596	159.789
	239.576	242.092
GOVERNMENT DEBT SECURITIES (NOTE 5)	2.238.468	2.055.022
DUE FROM CREDIT INSTITUTIONS (NOTE 6):		
Demand deposits	17.376	69.801
Other	1.634.705	1.713.130
	1.652.081	1.782.931
LOANS AND CREDITS (NOTE 7)	9.346.316	7.731.602
DEBENTURES AND OTHER FIXED-INCOME SECURITIES (NOTE 8):		
Issued by the public sector	46.416	54.132
Other	324.683	443.045
	371.099	497.177
COMMON STOCKS AND OTHER EQUITY SECURITIES (NOTE 9)	246.160	192.134
INVESTMENTS IN NON-GROUP COMPANIES (NOTE 10):		
Credit institutions	45.266	32.391
Other	104.751	115.814
	150.017	148.205
INVESTMENTS IN GROUP COMPANIES (NOTE 11):		
Credit institutions	-	-
Other	472	373
	472	373
INTANGIBLE ASSETS	10.350	9.874
CONSOLIDATION GOODWILL (NOTE 12):		
Fully or proportionally consolidated companies	292	346
Companies accounted for by the equity method	29.448	40.621
	29.740	40.967
PROPERTY AND EQUIPMENT (NOTE 13):		
Land and buildings for own use	152.475	158.755
Other property	64.499	73.486
Furniture, fixtures and other	39.914	47.512
	256.888	279.753
OTHER ASSETS (NOTE 14)	278.953	254.677
ACCRUAL ACCOUNTS (NOTE 15)	84.695	73.500
ACCUMULATED LOSSES AT CONSOLIDATED COMPANIES (NOTE 21):		
Fully or proportionally consolidated companies	309	306
Companies accounted for by the equity method	1.326	3.516
Translation differences	-	-
	1.635	3.822
CONSOLIDATED DEFICIT FOR THE YEAR:		
Group	-	-
Minority interests	-	-
	-	-
TOTAL ASSETS	14.906.450	13.312.129
MEMORANDUM ACCOUNTS (NOTE 22):		
Contingent liabilities	466.419	416.169
Commitments	2.056.478	1.647.727
	2.522.897	2.063.896

(*) Presented for comparison purposes only.

The accompanying Notes 1 to 29 are an integral part
of the consolidated balance sheet as of December 31, 2004.

Translation of 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 AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

AS OF DECEMBER 31, 2004 AND 2003 (NOTES 1, 2, 3 AND 4)

(Thousands of Euros)

LIABILITIES AND EQUITY	2004	2003 (*)
DUE TO CREDIT INSTITUTIONS (NOTE 6):		
Demand deposits	27.302	16.117
Time or notification deposits	1.186.078	1.029.098
	1.213.380	1.045.215
CUSTOMER DEPOSITS (NOTE 16):		
Savings deposits-		
Demand	4.705.342	4.376.476
Time	4.508.511	3.970.345
Other deposits-		
Demand	-	-
Time	2.207.458	1.818.521
	11.421.311	10.165.342
MARKETABLE DEBT SECURITIES (NOTE 17):		
Bonds and debentures outstanding	374.476	379.488
Promissory notes and other securities	105.000	113.700
	479.476	493.188
OTHER LIABILITIES (NOTE 14)	249.238	209.952
ACCRUAL ACCOUNTS (NOTE 15)	96.591	89.688
PROVISIONS FOR CONTINGENCIES AND EXPENSES (NOTE 18):		
Pension allowance	108.416	36.297
Provision for taxes	837	778
Other provisions	104.015	142.282
	213.268	179.357
GENERAL RISK ALLOWANCE	-	-
NEGATIVE CONSOLIDATION DIFFERENCE (NOTE 12):		
Fully or proportionally consolidated companies	1.001	1.001
Companies accounted for by the equity method	51	51
	1.052	1.052
CONSOLIDATED SURPLUS FOR THE YEAR:		
Group	70.692	58.894
Minority interests	7.195	7.699
	77.887	66.593
SUBORDINATED DEBT (NOTE 19)	256.583	256.583
MINORITY INTERESTS (NOTE 20)	211.795	161.074
ENDOWMENT FUND	9	9
RESERVES (NOTE 21)	585.034	580.791
REVALUATION RESERVES (NOTE 21)	27.650	27.650
RESERVES AT CONSOLIDATED COMPANIES (NOTE 21):		
Fully or proportionally consolidated companies	53.628	27.219
Companies accounted for by the equity method	19.548	8.416
Translation differences	-	-
	73.176	35.635
PRIOR YEARS' RESULTS	-	-
TOTAL LIABILITIES AND EQUITY	14.906.450	13.312.129

(*) Presented for comparison purposes only.

The accompanying Notes 1 to 29 are an integral part
of the consolidated balance sheet as of December 31, 2004.

CAJA ESPAÑA DE INVERSIONES, CAJA DE AHORROS Y MONTE DE PIEDAD AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME AND EXPENSES

FOR THE YEARS ENDED

DECEMBER 31, 2004 AND 2003 (NOTES 1, 2, 3 AND 4)

(Thousands of Euros)

	2004	2003 (*)
INTEREST INCOME (NOTE 26)	481.616	485.024
Of which: Fixed-income securities	120.430	123.500
INTEREST EXPENSE (NOTE 26)	(192.495)	(202.863)
INCOME FROM EQUITY SECURITIES:	15.606	10.907
Common stocks and other equity securities	10.031	5.397
Investments in non-Group companies	5.542	5.449
Investments in Group companies	33	61
NET INTEREST INCOME	304.727	293.068
FEES COLLECTED (NOTE 26)	81.717	72.553
FEES PAID	(7.452)	(7.790)
GAINS (LOSSES) ON FINANCIAL TRANSACTIONS (NOTE 26)	16.976	36.501
GROSS OPERATING INCOME	395.968	394.332
OTHER OPERATING INCOME	3.013	1.391
GENERAL ADMINISTRATIVE EXPENSES:	(229.346)	(226.382)
Personnel expenses (Note 26)	(160.660)	(158.940)
Of which:		
Wages and salaries	(118.503)	(117.176)
Employee welfare expenses	(38.697)	(37.798)
Of which: pensions	(11.195)	(11.590)
Other administrative expenses	(68.686)	(67.442)
DEPRECIATION, AMORTIZATION AND WRITEDOWN OF PROPERTY AND EQUIPMENT AND INTANGIBLE ASSETS (NOTE 13)	(24.500)	(25.125)
OTHER OPERATING EXPENSES	(3.382)	(3.211)
NET OPERATING INCOME	141.753	141.005
NET INCOME (LOSS) FROM COMPANIES ACCOUNTED FOR BY THE EQUITY METHOD:	10.019	4.284
Share in income of companies accounted for by the equity method (Note 10)	16.157	19.455
Share in losses of companies accounted for by the equity method (Note 10)	(563)	(9.661)
Value adjustments due to collection of dividends	(5.575)	(5.510)
AMORTIZATION OF CONSOLIDATION GOODWILL (NOTE 12)	(7.303)	(34.330)
GAINS ON GROUP TRANSACTIONS:	21.982	-
Gains on disposal of investments in fully or proportionally consolidated companies	-	-
Gains on disposal of investments accounted for by the equity method	21.982	-
Gains on transactions involving Parent Company shares and Group financial liabilities	-	-
Reversal of negative consolidation differences	-	-
LOSSES ON GROUP TRANSACTIONS:	-	-
Losses on disposal of investments in fully or proportionally consolidated companies	-	-
Losses on disposal of investments accounted for by the equity method	-	-
Losses on transactions involving Parent Company shares and Group financial liabilities	-	-
WRITEOFFS AND CREDIT LOSS PROVISIONS (NET) (NOTE 26)	(47.000)	(39.579)
WRITEDOWN OF LONG-TERM INVESTMENTS (NET)	1.046	829
PROVISION TO GENERAL RISK ALLOWANCE	-	-
EXTRAORDINARY INCOME (NOTE 26)	91.530	31.441
EXTRAORDINARY LOSS (NOTE 26)	(96.558)	(19.376)
SURPLUS BEFORE TAXES	115.469	84.274
CORPORATE INCOME TAX (NOTE 24)	(37.582)	(17.681)
OTHER TAXES	-	-
CONSOLIDATED SURPLUS FOR THE YEAR:	77.887	66.593
Surplus attributed to minority interests	7.195	7.699
Surplus attributed to the Group	70.692	58.894

(*) Presented for comparison purposes only.

The accompanying Notes 1 to 29 are an integral part
of the consolidated statement of income and expenses
for the year ended December 31, 2004.

Translation of 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 AND SUBSIDIARIES

Notes to Consolidated Financial Statements for the Year Ended December 31, 2004

1. Description of the Parent Entity

Caja España de Inversiones, Caja de Ahorros y Monte de Piedad ("Caja España" or the "Caja"), the Parent Entity of the Caja España de Inversiones, Caja de Ahorros y Monte de Piedad and Subsidiaries Group ("the Caja España Group" or "the Group"), came into existence 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 affected third parties remain in force after this subrogation, without modification, encumbrance or impairment whatsoever.

The Caja is a not-for-profit financial institution, with the status of a general popular savings bank 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, 2004, the Caja had a network of 543 branches (538 at 2003 year-end). At 2004 year-end, the Caja had no agents to whom Bank of Spain Circular 6/2002 was applicable.

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

In view of the business activities carried on by the Caja and the other Group entities, they do not have any environmental liability, expenses, assets, provisions or contingencies that might be material with respect to the Group's net worth, financial position and results. Therefore, no specific disclosures relating to environmental issues are included in these notes to consolidated financial statements.

2. Basis of presentation of the consolidated financial statements, determination of consolidated net worth and consolidation principles

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 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 each of the companies which together with the Caja compose the Group. The consolidated financial statements include any necessary adjustments and reclassifications which are appropriate 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 basically by applying the accounting principles and valuation standards described in Note 3 which coincide with those stipulated by Bank of Spain Circular 4/1991 and subsequent amendments. All obligatory accounting principles with a significant effect on the consolidated financial statements were applied in preparing them.

The 2003 consolidated financial statements of the Caja España Group were approved by the Caja's General Assembly on April 29, 2004, and the 2004 consolidated financial statements, which were prepared by the Caja's Board of Directors on February 24, 2005, will be submitted for approval by the Caja's General Assembly and it is considered that they will be approved without changes.

The 2003 data in these notes to consolidated financial statements are presented for comparison purposes only.

As of December 31, 2004, the Caja's financial statements were prepared basically in accordance with the accounting principles and methods described in Note 3 and represent 99.81% of the consolidated assets and 79.80% of the consolidated net surplus attributable to the Group (99.28% and 94.53% as of December 31, 2003, respectively).

The summarized balance sheets and statements of income and expenses of Caja España de Inversiones, Caja de Ahorros y Monte de Piedad as of December 31, 2004 and 2003, prepared in accordance with the accounting principles and methods described in Note 3, are as follows:

CAJA ESPAÑA DE INVERSIONES, CAJA DE AHORROS Y MONTE DE PIEDAD

SUMMARIZED BALANCE SHEETS

AS OF DECEMBER 31, 2004 AND 2003

(Thousands of Euros)

	2004	2003
Assets:		
Cash on hand and deposits at central banks	239,571	242,092
Government debt securities	2,238,469	2,055,022
Due from credit institutions	1,652,081	1,782,931
Loans and credits	9,514,640	7,818,339
Debentures and other fixed-income securities	371,098	497,177
Common stocks and other equity securities	87,382	138,753
Investments in non-Group companies	82,809	35,186
Investments in Group companies	131,986	111,472
Intangible assets	9,282	8,833
Property and equipment	232,429	249,707
Other assets	230,285	201,938
Accrual accounts	87,606	75,748
Total assets	14,877,638	13,217,198
Memorandum accounts	2,522,897	2,063,898
Liabilities:		
Due to credit institutions	1,213,380	1,045,215
Customer deposits	11,510,024	10,206,967
Marketable debt securities	479,476	493,188
Other liabilities	257,887	231,012
Accrual accounts	97,471	91,081
Provisions for contingencies and expenses	141,824	63,569
Surplus for the year	56,410	55,672
Subordinated debt	466,583	416,583
Endowment fund	9	9
Reserves	626,924	586,252
Revaluation reserves	27,650	27,650
Total liabilities	14,877,638	13,217,198

SUMMARIZED STATEMENTS OF INCOME AND EXPENSES

FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

(Thousands of Euros)

	2004	2003
Interest income	485,646	486,573
Interest expense	(197,827)	(209,250)
Income from equity securities	45,294	5,401
NET INTEREST INCOME	333,113	282,724
Fees collected	76,413	68,051
Fees paid	(7,447)	(7,787)
Gains (losses) on financial transactions	11,608	34,837
GROSS OPERATING INCOME	413,687	377,825
Other operating income	2,111	1,286
General administrative expenses	(223,351)	(223,722)
Depreciation, amortization and writedown of property and equipment and intangible assets	(24,129)	(24,917)
Other operating expenses	(3,380)	(3,211)
NET OPERATING INCOME	164,938	127,261
Writeoffs and credit loss provisions	(47,000)	(39,579)
Writedown of long-term investments	852	14,767
Extraordinary income	39,610	11,319
Extraordinary loss	(95,708)	(41,074)
SURPLUS BEFORE TAXES	62,692	72,694
Corporate income tax	(6,282)	(17,022)
SURPLUS FOR THE YEAR	56,410	55,672

Determination of consolidated net worth

As a result of the application of the current regulations for the presentation of consolidated financial statements of credit institutions, in evaluating the Group's net worth as of December 31, 2004 and 2003, the balances of the following captions in the accompanying consolidated balance sheets should be taken into consideration:

	Thousands of Euros	
	2004	2003
Endowment fund	9	9
Reserves (Note 21)	585,034	580,791
Revaluation reserves (Note 21)	27,650	27,650
Reserves at consolidated companies (Note 21)	73,176	35,635
Accumulated losses at consolidated companies (Note 21)	(1,635)	(3,822)
Net surplus for the year	70,692	58,894
Net worth per books	754,926	699,157
Allocation of net surplus to the community welfare projects reserve (Note 4)	(25,000)	(15,000)
Net consolidated worth after allocation of surplus for the year	729,926	684,157

Consolidation principles

The consolidated Group was defined in accordance with Bank of Spain Circulars 4/1991 and 5/1993 and includes all the companies ("the subsidiaries") 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 subsidiaries whose business activities are directly related to those of the Caja were fully consolidated. 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 sheet.

The proportional integration method, which consists of including the assets, rights and obligations and revenues and expenses of companies in proportion to the Group's ownership interest in them, was applied to those companies whose business activity is related to that of the Caja and to those in which it has a minimum interest of 20% and management is shared with one or more shareholders.

The list of the fully or proportionately consolidated companies as of December 31, 2004, the Caja's direct or indirect ownership interest in them as of that date and other relevant information thereon is as follows:

	Line of Business and Address	Percentage of Ownership		Thousands of Euros					
		Direct	Indirect (a)	Equity Data (b)			Net Cost of the Holding		
				Capital Stock	Reserves (c)	Net Income (Loss) for the Year	Caja	Other Group Companies	Total
Fully or proportionally consolidated companies									
Caja España Asesores, Correduría de Seguros, S.A., Sociedad Unipersonal	Insurance brokerage (León)	-	100%	120	51	2,440	-	120	120
Caja España Fondos, S.A., S.G.I.I.C., Sociedad Unipersonal	Mutual fund manager (Madrid)	-	100%	4,538	1,345	1,522	-	5,213	5,213
Caja España de Inversiones Sociedad de Participaciones Preferentes, S.A., Sociedad Unipersonal	Issuance of preferred stock (León)	100%	-	60	6,512	7,225	60	-	60
Caja España Promociones, Sociedad Gestora de Marketing, S.A., Sociedad Unipersonal	Advertising promotion (León)	-	100%	60	(42)	(1,621)	-	(1,605)	(1,605)
Cerro del Baile, S.A.	Real estate (Madrid)	-	80%	6,000	(10)	2	-	4,791	4,791
Inmocaja, S.A., Sociedad Unipersonal	Real estate (León)	100%	-	8,865	1,135	1,238	8,865	-	8,865
Invergestión, Sociedad de Inversiones y Gestión, S.A., Sociedad Unipersonal	Portfolio company (León)	100%	-	102,606	(16,981)	43,077	123,061	-	123,061
Madrigal Participaciones, S.A.	Portfolio company (Valladolid)	-	34.81%	30,000	-	-	-	10,443	10,443
Nuevas Promociones Tudela, S.L.	Real estate development (Valladolid)	-	55%	1,000	-	-	-	550	550
Sespaña, Sociedad de Agencia de Seguros de Caja España de Inversiones, S.A.	Insurance agency (León)	-	99.74%	2,322	12	(2,282)	-	51	51
Sodinteleco S.L.	Acquisition, management and holding of equity interests in Grupo Corporativo ONO, S.A. (Valladolid)	45.93%	-	80,720	-	2	19,786	-	19,786
Viproelco, S.A.	Real estate development (León)	-	50%	480	-	-	-	240	240

(a) Only the percentages held through Group companies are included.

(b) Data per the latest available financial statements, generally as of December 31, 2004, pending approval by the respective Shareholders' Meetings.

(c) Includes additional paid-in capital and interim dividends distributed by the company.

	Thousands of Euros			
	Consolidation Goodwill	Reserves at Consolidated Companies	Negative Consolidation Differences	Accumulated Losses at Consolidated Companies
CONSOLIDATED COMPANIES:				
Fully or proportionally consolidated companies				
Caja España Asesores, Correduría de Seguros, S.A., Sociedad Unipersonal	-	73	-	-
Caja España Fondos, S.A., S.G.I.I.C., Sociedad Unipersonal	91	958	-	-
Caja España de Inversiones Sociedad de Participaciones Preferentes, S.A., Sociedad Unipersonal	-	510	-	-
Caja España Promociones, Sociedad Gestora de Marketing, S.A., Sociedad Unipersonal	-	8	-	-
Cerro del Baile, S.A.	201	-	-	4
Inmocaja, S.A., Sociedad Unipersonal	-	308	-	-
Invergestión, Sociedad de Inversiones y Gestión, S.A., Sociedad Unipersonal	-	51,771	631	-
Madrigal Participaciones, S.A.	-	-	-	-
Nuevas Promociones Tudela, S.L.	-	-	-	-
Sespaña, Sociedad de Agencia de Seguros de Caja España de Inversiones, S.A.	-	-	370	305
Sodinteleco S.L.	-	-	-	-
Viproelco, S.A.	-	-	-	-
	292	53,628	1.001	309

The Caja's holdings in subsidiaries whose business activities differ from those of the Caja and the holdings in other companies ("associated companies") in which the Caja has significant management influence or with which the Caja has long-term operating relationships, and are in general less than 50% but more than 20% (if unlisted) or more than 3% (if listed) owned by the Group, are accounted for 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. The effect on consolidated assets and consolidated gross operating income of accounting for subsidiaries whose business activities differ from those of the Caja by the equity method and fully consolidating them is not material. The nonconsolidated subsidiaries and associated companies accounted for by the equity method, including percentages of direct and indirect ownership and other relevant information as of December 31, 2004, is as follows:

	Line of Business and Address	Percentage of Ownership		Thousands of Euros					
		Direct	Indirect (a)	Equity Data (b)			Net Cost of the Holding		
				Capital Stock	Reserves (c)	Net Income (Loss) for the Year	Caja	Other Group Companies	Total
Investments in Group companies: Accounted for by the equity method- Campo de Inversiones, S.A., Sociedad Unipersonal (d)	Farming and livestock services (León)	-	100.00%	301	40	131	-	301	301
Investments: Accounted for by the equity method - Ayco Grupo Inmobiliario, S.A. (e)	Real estate (Madrid)	19.54%	-	13,385	16,746	345	5,176	-	5,176
Banco Pastor, S.A. (e) (f)	Financial institution (La Coruña)	-	5.00%	65,421	781,298	58,504	-	53,152	53,152
Caja España Vida, Sociedad de Seguros y Reaseguros, S.A. (g)	Insurance and reinsurance (León)	1.00%	49.00%	29,015	4,617	4,352	290	14,235	14,525
Ebro Puleva, S.A. (e)	Food (Madrid)	0.49%	5.04%	92,319	772,190	88,336	6,123	64,073	70,196
Fadesa Inmobiliaria, S.A (e)	Real estate (La Coruña)	3.00%	-	11,137	255,527	95,689	47,422	-	47,422
Gas Natural de Castilla y León, S.A (h)	Acquisition, production, distribution and sale of gas (Valladolid)	-	9.90%	6,326	78,663	9,765	-	22,038	22,038
Grupo Norte Agrupación Empresarial de Servicios, S.L. (i)	Portfolio company (Valladolid)	-	21.10%	4,517	2,755	-	-	2,946	2,946
Lingotes Especiales, S.A. (e)	Machinery manufacture (Valladolid)	10.15%	-	9,600	15,314	3,668	2,069	-	2,069
Mejor Campo Abonos y Cereales, S.A. (h)	Marketing of fertilizers and fodder (Valladolid)	-	27.00%	60	(77)	119	-	-	-
Seteco, Servicios Técnicos de Coordinación, S.A. (g)	Past-dues management service (León)	-	20.00%	60	(31)	46	-	12	12
Sociedad de Investigación y Explotación Minera de Castilla y León, S.A. (h)	Mining research promotion (Valladolid)	31.50%	-	481	50	56	76	-	76
Televisión de Castilla y León, S.A. (e)	Television operator (Valladolid)	15.30%	-	20,025	(572)	(1,578)	1,867	-	1,867
Tubos de Castilla y León, S.A. (g)	Manufacture of pipes and tubes (León)	-	49.00%	2,440	-	(715)	-	846	846

(a) Only the percentages held through Group companies are included.

(b) Data per the latest available consolidated (where appropriate) financial statements, pending approval by the respective Shareholders' Meetings.

(c) Including interim dividends and additional paid-in capital.

(d) Data per financial statements as of December 31, 2004.

(e) Data per consolidated financial statements as of September 30, 2004.

(f) Including interim dividends and capital increases performed in the last quarter of 2004.

(g) Data per financial statements as of October 31, 2004.

(h) Data per financial statements as of September 30, 2004.

(i) Data per consolidated financial statements as of December 31, 2003. It also includes capital increases in 2004.

	Thousands of Euros			
	Consolidation Goodwill	Reserves at Consolidated Companies	Negative Consolidation Differences	Accumulated Losses at Consolidated Companies
Investments in Group companies:				
Accounted for by the equity method-				
Campo de Inversiones, S.A., Sociedad Unipersonal	-	45	-	-
Investments:				
Accounted for by the equity method-				
Ayco Grupo Inmobiliario, S.A.	-	2,108	-	-
Banco Pastor, S.A.	8,526	3,877	-	-
Caja España Vida, Sociedad de Seguros y Reaseguros, S.A.	-	1,905	-	-
Ebro Puleva, S.A.	12,821	5,746	-	-
Fadesa Inmobiliaria, S.A	6,578	4,755	-	-
Gas Natural de Castilla y León, S.A	-	-	-	1,309
Grupo Norte Agrupación Empresarial de Servicios, S.L.	1,412	-	-	-
Lingotes Especiales, S.A.	111	555	-	-
Mejor Campo Abonos y Cereales, S.A.	-	62	-	-
Seteco, Servicios Técnicos de Coordinación, S.A.	-	-	7	8
Sociedad de Investigación y Explotación Minera de Castilla y León, S.A.	-	-	44	9
Televisión de Castilla y León, S.A.	-	495	-	-
Tubos de Castilla y León, S.A.	-	-	-	-
	29,448	19,548	51	1,326

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

The most significant events which occurred in 2004 in relation to the investments included in the scope of consolidation were as follows:

**Retecal, Sociedad Operadora de Telecomunicaciones de Castilla y León, S.A.,
Grupo Corporativo ONO, S.A. y Sodinteleco, S.L.**

As of December 31, 2003, the Caja owned 28.01% of the capital stock of Retecal Sociedad Operadora de Telecomunicaciones de Castilla y León, S.A. ("Retecal").

On February 9, 2004, Grupo Corporativo ONO, S.A. ("ONO") and certain shareholders of Retecal (including the Caja) entered into a share exchange agreement whereby ONO acquired all of these shareholders' shares in Retecal in exchange for shares in ONO. As a result of this agreement, the Caja acquired 3.84% of ONO's capital stock since it subscribed to the capital increase of this company and paid in the aforementioned percentage through the nonmonetary contribution of its 28.01% holding in the capital stock of Retecal.

Simultaneously, by virtue of the terms of the above-mentioned agreement, the former shareholders of Retecal which subscribed to the capital increase performed by ONO, created Sodinteleco, S.L., whose capital was paid for by the nonmonetary contribution of the shares of ONO which they owned as of that date.

Subsequently, Sodinteleco, S.L. increased capital by €400 thousand which was subscribed and paid by the Caja through the payment of €190 thousand and, as a result, the Caja's ownership interest in this company was 45.93%.

As a result of both transactions, Retecal Sociedad Operadora de Telecomunicaciones de Castilla y León, S.A. was excluded from consolidation and Sodinteleco, S.L. was included in consolidation.

On May 11, 2004, the Caja notified that tax authorities that it opted to apply the special regime on mergers, spin-offs, asset contributions and share exchanges to the transaction described above.

Banco Pastor, S.A.

In November 2004 the Group subscribed to the capital increase of Banco Pastor, S.A. and paid €10,775 thousand. Also, in 2004 the Group subscribed to shares of this entity on successive occasions until its ownership interest reached 5%.

Fadesa Inmobiliaria, S.A.

In 2004 the Group sold on the Stock Exchange a portion of its holding of 2.5% of the capital stock of Fadesa Inmobiliaria, S.A. and obtained gains of €20,531 thousand which are recorded under the "Gains on Group Transactions – Gains on Disposal of Investments Accounted for by the Equity Method" caption in the consolidated statement of income and expenses.

Minero Siderurgia de Ponferrada, S.A.

In 2004 the Group sold on the Stock Exchange all of its holding in the capital stock of Minero Siderurgia de Ponferrada, S.A. and obtained capital gains of €1,451 thousand which are recorded under the "Gains on Group Transactions – Gains on Disposal of Investments Accounted for by the Equity Method" caption in the consolidated statement of income and expenses.

3. Accounting principles and valuation methods

The accounting principles and valuation methods applied in preparing the 2004 consolidated financial statements 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

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.

b) Foreign currency transactions

The assets and liabilities denominated in foreign currencies and the unmatured forward foreign currency purchase and sale hedging transactions arranged were translated to euros at the official average 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 official year-end exchange rates in the forward foreign currency market.

The net exchange differences arising from the translation to euros of balances denominated in foreign currencies are recorded under the "Gains (Losses) on Financial Transactions" caption in the accompanying consolidated statement of income and expenses.

As of December 31, 2004, the equivalent euro value of the assets and liabilities denominated in foreign currencies was €69,534 thousand and €51,427 thousand, respectively.

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

The accounts receivable, which are basically reflected under the "Due from Credit Institutions", "Loans and Credits" and "Debentures and Other Fixed-Income Securities" captions on the asset side of the consolidated balance sheet, are 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 sheet.

Assets under financial lease contracts are included in the balance sheet at the principal amount of the lease payments outstanding, excluding interest expenses and VAT, plus the residual value on which the purchase option is exercised.

The credit loss allowance is intended to cover possible losses in the full recovery of credit risk transactions arranged by the Group in the course of its business activities and of the related accumulated interest receivable.

The credit loss allowance is increased by provisions recorded with a charge to surplus for each year and is reduced by writeoffs of debts deemed to be uncollectible or which have been nonperforming for longer than the period established by Bank of Spain regulations and, if applicable, by recoveries of amounts previously provisioned (see Notes 7 and 8).

As of December 31, 2004, the credit loss allowances were determined as follows:

1. Allowances for domestic and foreign risks, except country risk:
 - a. Specific allowance: individually, based on the expectations of recovery of the risk assets and, as a minimum, the amount resulting from applying the coefficients stipulated in Bank of Spain Circular 4/1991 and subsequent amendments. This allowance amounted to €44,230 thousand as of December 31, 2004.
 - b. General-purpose allowance: 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. This allowance amounted to €81,902 thousand as of December 31, 2004.
2. Country-risk allowance: recorded on the basis of the estimated classification of each country's degree of debt-servicing difficulty (as of December 31, 2004 and 2003, it was not necessary to record a country-risk allowance).
3. Allowance for the statistical coverage of credit losses: also, from July 1, 2000, the Group has been required to record a provision each quarter, with a charge to the consolidated statement of income and expenses, for the positive difference resulting from subtracting the net specific provisions for credit losses in the quarter from one-fourth of the statistical estimate of the overall latent 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 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. This allowance amounted to €102,321 thousand as of December 31, 2004.

The "Credit Loss Allowance" is presented as a reduction of the "Loans and Credits" and "Debentures and Other Fixed-Income Securities" captions in the consolidated balance sheet, except for the allowance for off-balance-sheet risks, which is presented in the balance of the "Provisions for Contingencies and Expenses – Other Provisions" caption in the consolidated balance sheet (see Notes 7, 8 and 18).

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

The securities composing the Group's fixed-income securities portfolio have been classified as follows:

1. The securities assigned to the trading portfolio, which consists of securities held for the purpose of operating with them 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 net differences disclosed as a result of valuation variations are recorded (ex-coupon) under the "Gains (Losses) on Financial Transactions" caption in the consolidated statement of income and expenses (see Note 26). No fixed-income securities had been assigned to the trading portfolio as of December 31, 2004 and 2003.
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. The resulting value is known as the "adjusted acquisition price".

Gains or losses arising on disposal 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. In 2004 the Group sold a portion of the securities included in this portfolio (see Note 5).

3. The securities assigned to the available-for-sale 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 present value, discounted at the market interest rates prevailing on that date. The resulting unrealized losses are recorded in a security price fluctuation allowance with a charge to accrual accounts. The unrealized losses on securities sold to third parties under repurchase agreement are only written down in respect of the portion proportional to the period from the projected repurchase date to the maturity date.

In the event of disposal, 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.

As of December 31, 2004, no securities were linked to obligations of the Caja. Also, as of December 31, 2004, fixed-income securities with a face value of €105,790 thousand and loans and credits with an outstanding exposure of €139,448 thousand were pledged at the Bank of Spain to obtain intraday financing.

e) Equity securities

1. The holdings in consolidable subsidiaries and in those companies whose business activity is related to that of the Caja and in those in which it has a minimum interest of 20% and management is shared with one or more shareholders and the holdings in nonconsolidable subsidiary and associated companies described in Note 2 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 are recorded as follows:
 - a. The difference arising at the date of first-time consolidation is recorded as "Consolidation Goodwill" or "Negative Consolidation Difference", as appropriate. The consolidation goodwill is amortized on a straight-line basis over a period not exceeding that for which the holding will contribute to the obtainment of revenues for the Group, up to a maximum of five or ten years according to the nature of the investment. A negative consolidation difference is treated as a provision and is credited to the consolidated statement of income and expenses only 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 the year.
2. The securities assigned to the trading portfolio, which consists of securities held for the purpose of operating with them 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 positive or negative differences arising from value variations are recorded at their net amount under the "Gains (Losses) on Financial Transactions" caption in the consolidated statement of income and expenses.
3. The securities assigned to the available-for-sale investment portfolio, which comprises securities that are not included in any of the other portfolios, are valued at the lower of cost, revalued where appropriate pursuant to the applicable enabling legislation, or market.

The following methods were used to determine the market value of equities included in the available-for-sale investment portfolio:

- a) Listed securities: they relate in full to investments of less than 3% in the capital stock of the issuer and their market value is determined by the lower of average market price in the last quarter or market price on the last trading day of the year.
- b) Unlisted securities: their market value is determined by the underlying book value of the holding per the latest available financial statements of the investees, adjusted by the amount of the unrealized gains existing at the time of acquisition and still existing at the date of subsequent valuation.

The unrealized losses resulting from comparing book values with the related market values are covered by recording provisions to a security price fluctuation allowance which is presented as a reduction of the balance of the "Common Stocks and Other Equity Securities" caption in the consolidated balance sheet (see Note 9).

f) Consolidation goodwill and negative consolidation difference

The "Consolidation Goodwill" caption in the consolidated balance sheet reflects the unamortized positive first-time consolidation differences which arose on the acquisition of shares of subsidiary and associated companies. Goodwill is amortized on a straight-line basis over a period not exceeding that during which it is estimated that these investments will contribute to the obtainment of income for the Group, up to a maximum limit of five or ten years according to the nature of the investment.

Notwithstanding the above, in 2003 the Group amortized early a portion of the goodwill arising on the acquisition of certain investees. Accordingly, in 2003 €29,233 thousand of the above-mentioned goodwill was amortized with a charge to the "Amortization of Consolidation Goodwill" caption in the consolidated statement of income and expenses. This extraordinary amortization which was taken in accordance with the Group's traditional criteria of prudence and, consequently, was not based on projected negative variations in the related investments, exceeded by approximately €20,082 thousand the amortization which would have been necessary had the schedules and methods established for the amortization of goodwill, as explained in the preceding paragraph, been used. Also the amortization for 2004 was €2,920 thousand lower than that it would have been had the above-mentioned extraordinary amortization not been recorded in 2003; the excess amount of accumulated amortization as of December 31, 2004, amounted to €15,941 thousand.

The balances included under the "Negative Consolidation Difference" caption in the consolidated balance sheet relate to the negative difference between the investment in some of the consolidated companies or companies accounted for by the equity method and their respective underlying book values per the available financial statements nearest to the purchase date.

g) Intangible assets

This caption in the consolidated balance sheet includes the unamortized costs incurred in the acquisition, installation and start-up of certain computer software developments, which will be used over several years and are amortized over three years, and the costs incurred in connection with the opening of new branches.

The amortization expense recorded in this connection with a charge to the surplus for 2004 amounted to €7,468 thousand, and this amount is recorded under the "Depreciation, Amortization and Writedown of Property and Equipment and Intangible Assets" caption in the consolidated statement of income and expenses (see Note 13).

h) Property and equipment

Property and equipment for own use are carried at cost revalued, where appropriate, pursuant to the enabling legislation, including Royal-Decree Law 7/1996 (see Note 21).

In the consolidated balance sheet property and equipment are stated net of the related accumulated depreciation and the allowances recorded to cover potential losses.

Period upkeep and maintenance expenses are expensed currently.

Depreciation is calculated by the straight-line method at annual rates based on the years of estimated useful life of the related assets. The depreciation expense recorded using this method is equivalent to that resulting from applying the following years of estimated useful life:

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

Property and equipment acquired through foreclosure are stated at the lower of their appraised value or the book value of the assets used to acquire them, increased by the registration, legal and tax expenses incurred and by the interest receivable.

The allowance for foreclosed assets is maintained at a level which is at least 25% of the lower of the loan principal or appraised value, plus 100% of the interest recovered, 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 are presented as a reduction of the balance of the "Property and Equipment - Other Property" account in the consolidated balance sheet (see Note 13) and the variations therein per books are charged or credited, as appropriate, to the "Extraordinary Loss" or "Extraordinary Income" captions in the consolidated statement of income and expenses (see Note 26).

i) Commitments to employees

1. Pension commitments

Under the collective labor agreement currently in force, the Labor Agreement on the Amendment and Instrumentation of the Employee Welfare System entered into with employees' labor representatives 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.

Pension commitments to serving employees and certain early retirees

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 occupational pension plan, called Fondempleo Caja España Plan de Pensiones. All the pension commitments to serving employees and certain early retirees, which through that date had been covered by insurance policies taken out with the insurance companies Intercaser, S.A. de Seguros y Reaseguros (now Skandia Vida; "Skandia") and Caser, Compañía de Seguros y Reaseguros, S.A. ("Caser"), were transferred to this plan.

In accordance with the aforementioned agreement, from 2000 onwards, the Caja must make annual individualized contributions to the pension plan for serving employees as follows:

- a. 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 employment.
- b. An additional personal contribution for each employee, consisting of a percentage (defined in the aforementioned agreement with the employees dated September 28, 2000) of their pensionable salary.

- c. An extraordinary contribution calculated on the basis of the ratio of net surplus to average total assets of the preceding year, up to a limit of 1% of pensionable salary.

Accordingly, in 2004 contributions of €10,940 thousand were made to the pension plan, of which €9,326 thousand were recorded with a charge to the “General Administrative Expenses – Personnel Expenses” caption in the consolidated statement of income and expenses (see Note 26). The remainder, €1,614 thousand, related to amounts transferred to the pension fund from the in-house pension allowance for the commitments accrued during the year to the early retirees included in the pension plan (see Note 18). As of December 31, 2004, the vested rights relating to pension commitments to serving employees covered by the aforementioned pension fund totaled €136,266 thousand.

Also, in 2002 the Caja externalized the in-house fund held by it for the pension plan contributions exceeding the current tax and legal limits by arranging an insurance policy with Caja España Vida, Compañía de Seguros y Reaseguros, S.A. The net level premium reserve recorded in this connection amounted to €1,244 thousand as of December 31, 2004.

Finally, since December 31, 2000, contingencies relating to permanent disability, surviving spouse or surviving child of the employees covered by the pension plan (for the portion exceeding the vested rights of the plan’s beneficiaries as of the date of materialization of the aforementioned contingencies) have been covered by an insurance policy arranged by the Fondoempleo Caja España Plan de Pensiones pension plan with Caja España Vida, Sociedad de Seguros y Reaseguros, S.A. The insurance premium paid by the Caja in this connection in 2004 amounted to €1,869 thousand which were recorded with a charge to the “General Administrative Expenses – Personnel Expenses” caption in the consolidated statement of income and expenses (see Note 26).

Pension commitments to retired employees and other early retirees

The commitments for past services to retired employees and for past and future services of the other early retirees are covered by insurance policies arranged with the aforementioned insurance companies. In 2000 these policies were adapted to Royal Decree 1588/1999, whereby the insurance entities took on the interest rate and actuarial risk of the insured group of employees.

The net level premium reserves relating to these policies amounted to €72,381 thousand as of December 31, 2004.

As of December 31, 2004, the pension commitments described above were determined by actuarial calculations performed by an independent expert. The main assumptions used in these calculations, which comply with legislation regulating this matter, were as follows:

	Pension Commitments to Retired Employees and Other Early Retirees	
	Cáser	Skandia
Mortality and life expectancy tables	PERM/F 2000 P	GR-95
Assumed annual interest rate	4.13%-5.78%	(*)
Annual pension revision rate	2%	2.91%

(*) 5.5% for initially guaranteed benefits through December 31, 2040, and 3.15% from that date.
3.15% for the additional benefits in 2001 and 2.89%, for the additional benefits in 2002.

Additionally, these policies cover the contingencies of permanent disability, death of spouse or death of parent of the aforementioned employees.

The premiums paid by the Caja in 2004 in relation to the CPI adjustment for 2003 and for a portion of 2004, in accordance with the stipulations of these policies, amounted to €2,084 thousand, which were recorded with a charge to the provision recorded for this purpose in 2003 (see Note 18). Accordingly, the Caja recorded a provision of €1,200 thousand with a charge to the “Extraordinary Loss” caption in the

consolidated statement of income and expenses for the estimated amount of this effect in 2004, and this amount is recorded under the “Provisions for Contingencies and Expenses – Pension Allowance” caption in the consolidated balance sheet as of December 31, 2004. The total amount of this provision as of December 31, 2004, was €2,058 thousand (see Notes 18 and 26).

2. Early retirements and Labor Force Regeneration Plan

Early retirements

In order to cover its obligations to early retirees through December 31, 2003, and through their legal retirement date, the Caja maintains a specific special allowance which, as of December 31, 2004, amounted to €23,744 thousand and was recorded under the “Provisions for Contingencies and Expenses – Pension Allowance” caption in the consolidated balance sheet (see Note 18).

These employees maintain their rights in connection with the Pension Plan mentioned in section 1 above until they reach retirement age.

Labor Force Regeneration Plan

In order to reduce the average age of the labor force and make the promotion and rotation of employees possible, on December 16, 2004, the Board of Directors of the Caja approved a “*Labor Force Regeneration Plan*” aimed at 280 individuals which included both early retirements and partial retirements. This Plan is voluntary and was subsequently ratified by the employees affected.

The employees who availed themselves of this Plan maintain their rights in connection with the Pension Plan mentioned in section 1 above until they reach retirement age.

In order to cover its obligations to the above-mentioned employees through retirement age, the Caja recorded a specific special allowance which, as of December 31, 2004, amounted to €80,000 thousand and was recorded under the “Provisions for Contingencies and Expenses – Pension Allowance” caption in the consolidated balance sheet (see Note 18).

As of December 31, 2004, the above-mentioned commitments were determined by actuarial calculations performed by an independent expert. The main assumptions used in these calculations, which comply with legislation regulating this matter, were as follows:

	Assumptions
Mortality and life expectancy tables	PERM/F 2000P
Assumed interest rate	4 %
Salary growth rate	3.25 %
Pension revaluation rate	3.25 %
Social security pension growth rate	3.25 %

The accrued actuarial liability disclosed by these calculations as of December 31, 2004, is as follows:

	Thousands of Euros
Early retirements	20,610
Labor Force Regeneration Plan	76,970
	97,580

j) Deposit Guarantee Fund

The contributions to the Savings Banks' Deposit Guarantee Fund under Royal Decree-Law 18/1982 and Bank of Spain Circular 1/1988 are expensed currently.

Ministry of Economy Order dated February 14, 2002, set the amount of the savings banks' contributions for 2003 at 0.4 per mille of computable liabilities. In 2004, as in 2003, the contribution remained at 0.4 per mille of computable liabilities. In 2004 a provision of €2,971 thousand was recorded in this connection with a charge to the "Other Operating Expenses" caption in the consolidated statement of income and expenses.

k) Severance costs

Under current labor legislation, employers are required to pay severance 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 Caja and its subsidiaries do not file consolidated corporate income tax returns. For each of the consolidated companies, 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 taxable income, net of tax relief and tax credits, excluding tax withholdings and prepayments.

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 relating to double taxation tax credits, tax relief and 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 may 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, are 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 sheet (see Note 14).

Transactions aimed at eliminating or reducing currency, interest rate or market risks in asset and liability positions or on other positions are treated as hedging transactions. The gains or losses arising on these hedging transactions are accrued symmetrically to the revenues or expenses arising from the hedged items and recorded under the "Other Assets" and "Other Liabilities" captions, respectively, in the consolidated balance sheet (see Note 14).

Nonhedging transactions (also called trading transactions) arranged on organized markets were carried at their market price and the variations in market price were recorded in full in the consolidated statement of income and expenses. Organized market means any market which has a deposit guarantee system updated daily and a clearing house. Consequently, in organized markets the credit risk of these transactions is minimized.

The gains or losses arising from trading transactions arranged in OTC markets are not recognized in the consolidated statement of income and expenses until they are effectively settled. However, the positions are valued at year-end and a provision is recorded with a charge to surplus for any potential net losses disclosed by these valuations for each type of risk. The types of risk considered for these purposes are interest rate, share price and currency risk. Accordingly, as of December 31, 2004, the Group had recorded a provision of €1,912 thousand recorded under the "Provisions for Contingencies and Expenses – Other Provisions" caption in the consolidated balance sheet to cover these potential losses (see Note 18).

As of December 31, 2004, the Group recorded as financial options in memorandum accounts the commitments assumed as a result of the guarantees to the unitholders of certain mutual funds that the net asset value of their units as of a certain date will not be lower than a fixed price. The Group records any necessary allowances for these commitments, although as of December 31, 2004, and taking into account the breakdown of the portfolios of the above-mentioned mutual funds and the foreseeable trend in their net asset values, it is not necessary to record any provision in this connection.

4. Distribution of the Parent Entity's surplus

The proposed allocation of the 2004 surplus that the Board of Directors of the Caja will submit for approval by the General Assembly is as follows:

	Thousands of Euros
Distribution to Community welfare projects reserve (Note 2)	25,000
Distribution to reserves	31,410
	56,410

5. Government debt securities

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

	Thousands of Euros	
	2004	2003
Available-for-sale portfolio-		
Treasury bills	368,947	372,003
Other listed debt securities traded under the book-entry system	134,403	141,780
Other listed securities	565	-
	503,915	513,783
Held-to-maturity investment portfolio-		
Other listed debt securities traded under the book-entry system	1,734,553	1,541,239
	1,734,553	1,541,239
Less- Security price fluctuation allowance	-	-
	2,238,468	2,055,022

As of December 31, 2004, the Group had sold under repurchase agreement an effective amount of €3,049,196 thousand of these securities, of those acquired under resale agreement from credit institutions (see Note 6) and of the securities included under the “Debentures and Other Fixed-Income Securities” caption (see Note 8) to credit institutions, public authorities, to other resident and nonresident sectors, and this amount is recorded under the “Due to Credit Institutions – Time or Notification Deposits” and “Customer Deposits” captions in the consolidated balance sheet (see Notes 6 and 16).

Comparison as of December 31, 2004, of the book values of the available-for-sale portfolio and the held-to-maturity investment portfolio and their related market values disclosed unrealized net gains of €8,453 thousand and €158,798 thousand, respectively.

The breakdown, by term to maturity and average interest rate, of the balances of this caption as of December 31, 2004, is as follows:

	Thousands of Euros					Average Interest Rate
	Up to 3 Months	3 Months to 1 Year	1 to 5 Years	Over 5 Years	Total	
Fixed-income portfolio-						
Treasury bills	49,838	226,937	92,172	-	368,947	2.37%
Other listed debt securities traded under the book-entry system	1,250	82	128,804	1,738,820	1,868,956	4.90%
Other listed securities	-	-	565	-	565	5.55%
Balances at December 31, 2004	51,088	227,019	221,541	1,738,821	2,238,468	

In 2004 the Group sold certain government debt securities which were classified under its held-to-maturity investment portfolio (see Note 3-d) and obtained €22,474 thousand of gains which are recorded under the “Extraordinary Income” caption in the consolidated statement of income and expenses (see Note 26). Under Rule 27 of Bank of Spain Circular 4/1991, the Group recorded the related surplus lock-in allowance with a charge to the “Extraordinary Losses” caption in the consolidated statement of income and expenses. Subsequently, after receiving authorization from the Executive Committee of the Bank of Spain pursuant to the provisions of Rule 2.9 of the above-mentioned Circular, on January 14, 2005, the Group released €15,474 thousand of the surplus lock-in allowance to meet its obligations to certain employees under the Labor Force Regeneration Plan approved by the Board of Directors of the Caja on December 16, 2004 (see Note 3-i). The portion of this income which has not been drawn down (€7,000 thousand) is part of the surplus lock-in allowance recorded under the “Other Liabilities” caption in the accompanying consolidated balance sheet (see Notes 14 and 26).

6. Due from/to credit institutions

The detail, by type and currency, of the balances of the “Due from Credit Institutions” and “Due to Credit Institutions” captions in the accompanying consolidated balance sheets is as follows:

	Thousands of Euros			
	Assets		Liabilities	
	2004	2003	2004	2003
By type:				
Demand deposits-				
Current accounts and notes sent for collection (net)	34	31	580	2,445
Other accounts	17,342	69,770	26,722	13,672
	17,376	69,801	27,302	16,117
Other (assets) or time or notification deposits (liabilities)-				
Time deposits	1,015,750	1,263,576	343,965	225,585
Assets acquired/ sold under resale/ repurchase agreement (Note 5)	618,955	449,554	842,113	803,513
	1,634,705	1,713,130	1,186,078	1,029,098
	1,652,081	1,782,931	1,213,380	1,045,215
By currency:				
In euros	1,628,041	1,759,188	1,194,110	990,537
In foreign currencies	24,040	23,743	19,270	54,678
	1,652,081	1,782,931	1,213,380	1,045,215

The detail, by term to maturity and average interest rate, of the balances of time deposits, assets acquired under resale agreement and assets sold under repurchase agreement as of December 31, 2004, is as follows:

	Thousands of Euros					Average Interest Rate
	Up to 3 Months	3 Months to 1 Year	1 to 5 Years	Over 5 Years	Total	
Balances at December 31, 2004:						
Assets-						
Time deposits	872,720	43,827	18,960	80,243	1,015,750	2.35%
Assets acquired under resale agreement	442,962	175,993	-	-	618,955	2.06%
	1,315,682	219,820	18,960	80,243	1,634,705	
Liabilities-						
Time deposits	188,591	6,966	116,683	31,725	343,965	2.03%
Assets sold under repurchase agreement	833,632	8,481	-	-	842,113	2.04%
	1,022,223	15,447	116,683	31,725	1,186,078	

7. Loans and credits

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

	Thousands of Euros	
	2004	2003
By type and borrower sector:		
Public authorities	350,045	326,068
Other resident borrowers-		
Commercial bills	327,520	296,147
Secured loans	6,508,062	5,006,471
Other term loans	1,983,416	1,920,222
Demand and other loans	208,811	190,113
Financial leases	89,405	69,747
Nonresident and other borrowers	24,358	28,537
Doubtful assets	73,469	66,872
	9,565,086	7,904,177
Less- Credit loss allowance and statistical coverage allowance (Note 3-c)	(218,770)	(172,575)
	9,346,316	7,731,602
By currency:		
In euros	9,338,163	7,707,815
In foreign currencies	8,153	23,787
	9,346,316	7,731,602

The breakdown, by term to maturity, of the balances of this caption in the consolidated balance sheet as of December 31, 2004, disregarding the "Credit Loss Allowance" account balance, is as follows:

	Thousands of Euros
Up to 3 months	604,052
3 months to 1 year	838,182
1 to 5 years	1,847,412
Over 5 years	6,146,465
Undefined	128,975
	9,565,086

The variations in 2004 in the "Credit Loss Allowance and Statistical Coverage Allowance" account were as follows:

	Thousands of Euros
Balance at December 31, 2003	172,575
Net provision charged to surplus for the year (Note 26)	53,931
Less- Allowances released with credit to surplus for the year (Note 26)	(4,531)
Less- Allowances used	(2,583)
Less- Transfer to the allowance for foreclosed assets (Note 13)	(604)
Other items	(18)
Balance at December 31, 2004	218,770

8. Debentures and other fixed-income securities

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

	Thousands of Euros	
	2004	2003
By currency:		
In euros	340,217	465,735
In foreign currencies	34,174	36,115
	374,391	501,850
By listing status:		
Listed securities	374,391	501,850
	374,391	501,850
By type:		
Public-sector securities	46,416	54,132
Bonds and debentures	327,975	447,718
	374,391	501,850
By portfolio classification:		
Available-for-sale portfolio	345,951	472,456
Held-to-maturity investment portfolio	28,440	29,394
	374,391	501,850
By issuer sector:		
Spanish public authorities	30,985	38,176
Nonresident public authorities	15,431	15,956
Credit institutions	12,023	12,096
Other resident sectors	138,260	204,916
Other nonresident sectors	177,692	230,706
	374,391	501,850
Less- Credit loss allowance and statistical coverage allowance	(3,292)	(4,673)
	371,099	497,177

The weighted average nominal interest rate on fixed-income securities on hand as of December 31, 2004, was approximately 4.536%.

The breakdown, by term to maturity, of the balance of this caption in the consolidated balance sheet as of December 31, 2004, disregarding the "Credit Loss and Statistical Coverage Allowance" account balance, is as follows:

	Thousands of Euros
Up to 3 months	1,001
3 months to 1 year	69,509
1 to 5 years	129,060
Over 5 years and undefined	174,821
	374,391

As of December 31, 2004, the Group had sold an effective amount of €31,964 thousand of these securities under resale agreement (see Note 5).

The variations in 2004 in this securities portfolio, disregarding the "Credit Loss and Statistical Coverage Allowance" were as follows:

	Thousands of Euros
Balance at December 31, 2003	501,850
Acquisitions	186,931
Sales and redemptions	(311,660)
Adjustments, transfers and other	(2,730)
Balance at December 31, 2004	374,391

The variations in 2004 in the "Credit Loss and Statistical Coverage Allowance", were as follows:

	Thousands of Euros
Balance at December 31, 2003	4,673
Allowances released with credit to surplus for the year (Note 26)	(1,381)
Balance at December 31, 2004	3,292

Comparison as of December 31, 2004, of the book values of the fixed-income available-for-sale portfolio and the held-to-maturity investment portfolio and their related market values disclosed unrealized net gains of €13,338 thousand and €1,385 thousand, respectively.

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 securities mutual funds.

The detail of the balances of this caption in the consolidated balance sheets, by listing status, currency and classification and valuation method, is as follows:

	Thousands of Euros	
	2004	2003
By listing status:		
Listed shares	209,250	184,487
Unlisted shares	68,625	40,775
Securities mutual funds sponsored by the Group	5,106	22,816
	282,981	248,078
Less- Security price fluctuation allowance	(36,821)	(55,944)
	246,160	192,134
By currency:		
In euros	244,341	184,829
In foreign currencies	1,819	7,305
	246,160	192,134
By classification and valuation method:		
Available-for-sale portfolio	246,160	192,134
	246,160	192,134

As of December 31, 2004, the balance of this caption in the consolidated balance sheet included €28,176 thousand of securities of credit institutions, net of their related security price fluctuation allowances.

Comparison as of December 31, 2004, of the book values and market values, of the securities included in this caption in the accompanying consolidated balance sheet, calculated as explained in Note 3-e disclosed unrealized gains of €44,119 thousand.

The variations in this portfolio in 2004, disregarding the "Security Price Fluctuation Allowance", were as follows:

	Thousands of Euros
Balance at December 31, 2003	248,078
Acquisitions	126,295
Sales	(110,833)
Nonmonetary contributions	22,722
Transfers	(2,830)
Adjustments, writedowns and other	(451)
Balance at December 31, 2004	282,981

The variations in the security price fluctuation allowance in 2004 were as follows:

	Thousands of Euros
Balance at December 31, 2003	55,944
Net provision charged to surplus for the year (Note 26)	2,816
Less- allowances available (Note 26)	(11,168)
Amounts used and other variations	(10,771)
Balance at December 31, 2004	36,821

Xfera Móviles, S.A.

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 for the acquisition of an ownership interest 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 business plan existing at that time, and certain restrictions were established on the transfer of shares. The Caja was finally allocated a 1.66% holding in Xfera Móviles, S.A., with a cost per books of €9,199 thousand as of December 31, 2004, after subscribing to several capital increases.

Since 2001 all the shares of Xfera Móviles, S.A. have been pledged as security for fulfillment of a contract entered into by the company with several technology suppliers. This guarantee will be extended to any future shares the Caja may acquire as a result of the planned capital increases.

Due to the delay in the development of UMTS technology, in October 2002 Xfera Móviles, S.A. temporarily discontinued its operations.

As of December 31, 2004, the Group had recorded an allowance of €9,199 thousand to cover any losses that might arise from this investment, and this amount is recorded under the "Provisions for Contingencies and Expenses – Other Provisions" and "Common Stocks and Other Equity Securities" captions in the consolidated balance sheet as of December 31, 2003, for €8,781 thousand and €418 thousand, respectively (see Note 18).

10. Investments in non-Group companies

This caption in the consolidated balance sheets reflects the ownership interests in the capital of companies which, although not forming part of the Group of which the Caja is the Parent Company, do have a lasting relationship with it and are intended to contribute to its activity, pursuant to Bank of Spain Circular 4/1991. Although these companies are not managed solely by the Caja, the holdings in them are generally less than 50% but more than 20% in the case of unlisted companies (more than 3% for listed companies) and a significant influence is exercised over them; accordingly, they are deemed to be associated companies.

The detail, by currency and listing status, of the balances of this caption in the consolidated balance sheets as of December 31, 2004 and 2003, is as follows:

	Thousands of Euros	
	2004	2003
By currency:		
In euros	150,017	148,205
	150,017	148,205
By listing status:		
Listed	117,623	89,885
Unlisted	32,394	58,320
	150,017	148,205

The combined value of the listed securities included under the "Investments in Non-Group Companies" in the consolidated balance sheet as of December 31, 2004, per the lower of average market price in the last quarter or market price on the last trading day of the year, amounted to €214,360 thousand.

The detail, by company, of the balance of these captions in the consolidated balances sheets as of December 31, 2004 and 2003, is as follows:

	Thousands of Euros	
	2004	2003
Investments in non-Group companies -		
<i>Accounted for by the equity method</i>		
Ayco Grupo Inmobiliario, S.A.	5,954	5,022
Banco Pastor, S.A.	45,266	32,391
Caja España Vida, Sociedad de Seguros y Reaseguros, S.A.	18,992	16,429
Ebro Puleva, S.A.	52,692	49,410
Fadesa Inmobiliaria, S.A.	10,871	14,195
Gas Natural de Castilla y León, S.A.	9,371	9,343
Grupo Norte Agrupación Empresarial de Servicios, S.L.	1,534	-
Minero Siderurgia de Ponferrada, S.A.	-	363
Lingotes Especiales, S.A.	2,840	2,699
Mejor Campo Abonos y Cereales, S.A.	28	78
Sociedad de Investigación y Explotación Minera de Castilla y León, S.A.	185	112
Retecal Interactiva, S.A.	-	16
Retecal, Sociedad Operadora de Telecomunicaciones de Castilla y León, S.A.	-	16,560
Seteco, Servicios Técnicos de Coordinación, S.A.	15	15
Televisión de Castilla y León, S.A.	1,424	974
Tubos de Castilla y León, S.A.	845	598
	150,017	148,205

The detail of the income or loss contributed in 2004 by the companies valued by the equity method which were recorded under the "Net Income (Loss) From Companies Accounted for by the Equity Method" caption in the accompanying consolidated statement of income and expenses is as follows:

	Thousands of Euros
Ayco Grupo Inmobiliario, S.A.	59
Banco Pastor, S.A.	2,588
Caja España Vida, Sociedad de Seguros y Reaseguros, S.A.	2,563
Campo de Inversiones, S.A. (*)	133
Ebro Puleva, S.A.	5,835
Fadesa Inmobiliaria, S.A.	3,311
Gas Natural de Castilla y León, S.A.	1,177
Lingotes Especiales, S.A.	404
Mejor Campo Abonos y Cereales, S.A.	(51)
Seteco, Servicios Técnicos de Coordinación, S.A.	12
Sociedad de Investigación y Explotación Minera de Castilla y León, S.A.	75
Televisión de Castilla y León, S.A.	(162)
Tubos de Castilla y León, S.A.	(350)
	15,594

(*) This company is included in the "Investments in Group Companies" caption.

The variations in 2004 in the balance of this caption in the consolidated balance sheet were as follows:

	Thousands of Euros
Balance at December 31, 2003	148,205
Acquisitions, capital increases, inclusions in consolidation and effect of accounting by the equity method	25,561
Companies excluded from consolidation (*)	(23,749)
Balance at December 31, 2004	150,017

(*) Companies excluded from consolidation includes sales and exchanges of investments in which the holding becomes consolidated by the proportional integration method.

11. Investments in Group companies

This caption in the consolidated balance sheets reflects the investments in subsidiaries which are not consolidable because their business activities are not directly related with those of the Group. The capital stock of the only investee included in this caption of the consolidated balance sheet as of December 31, 2004, is denominated in euros and is not listed.

The only variation in 2004 in the balance of this caption in the consolidated balance sheet relates to the effect of accounting by the equity method.

12. Consolidation goodwill and negative consolidation difference

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

	Thousands of Euros	
	2004	2003
Fully or proportionally consolidated companies:		
Caja España Fondos, S.A., S.G.I.I.C., Sociedad Unipersonal Cerro del Baile, S.A.	91	122
	201	224
	292	346
Companies accounted for by the equity method:		
Ayco Grupo Inmobiliario, S.A.	-	115
Banco Pastor, S.A.	8,526	9,128
Ebro Puleva, S.A.	12,821	17,445
Fadesa Inmobiliaria, S.A.	6,578	13,804
Grupo Norte Agrupación Empresarial de Servicios, S.L.	1,412	-
Lingotes Especiales, S.A.	111	129
	29,448	40,621
	29,740	40,967

The variations in 2004 in the balance of the "Consolidation Goodwill" caption in the consolidated balance sheet were as follows:

	Thousands of Euros
Balance at December 31, 2003	40,967
Additions	2,351
Retirements	(6,275)
Period amortization	(7,303)
Balance at December 31, 2004	29,740

The detail, by company, of the balances of the "Negative Consolidation Difference" caption in the consolidated balance sheets, in which there were no variations in 2004, is as follows:

	Thousands of Euros
Fully or proportionally consolidated companies:	
Invergestión, Sociedad de Inversiones y Gestión, S.A., Sociedad Unipersonal	631
Sespaña, Sociedad de Agencia de Seguros de Caja España de Inversiones, S.A.	370
	<u>1,001</u>
Companies accounted for by the equity method:	
Seteco, Servicios Técnicos de Coordinación, S.A.	7
Sociedad de Investigación y Explotación Minera de Castilla y León, S.A.	44
	<u>51</u>
	1,052

13. Property and equipment

The variations in 2004 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:

	Thousands of Euros					
	Own Use by the Caja			Assigned to Community Welfare Projects (Note 14)		Total
	Land and Buildings for Own Use	Other Property	Furniture, Fixtures and Other	Other Property	Furniture, Fixtures and Other	
Revalued cost:						
Balances at December 31, 2003	205,625	66,686	216,867	32,127	12,529	533,834
Additions	2,486	22,153	15,355	929	153	41,076
Retirements or reductions	(7,027)	(31,581)	(14,802)	(709)	(99)	(54,218)
Balances at December 31, 2004	201,084	57,258	217,420	32,347	12,583	520,692
Accumulated depreciation:						
Balances at December 31, 2003	(46,870)	(2,961)	(172,179)	(9,459)	(9,705)	(241,174)
Provisions	(3,112)	(238)	(13,682)	(570)	(459)	(18,061)
Retirements or reductions	1,373	456	5,839	-	-	7,668
Other variations	-	-	-	44	97	141
Balances at December 31, 2004	(48,609)	(2,743)	(180,022)	(9,985)	(10,067)	(251,426)
Allowances for decline in value and for foreclosed assets:						
Balances at December 31, 2003	-	(12,907)	-	-	-	(12,097)
Net provision to allowance for foreclosed assets (Note 26)	-	914	-	-	-	914
Transfer from credit loss allowance (Note 7)	-	(604)	-	-	-	(604)
Other variations	-	219	-	-	-	219
Balances at December 31, 2004	-	(12,378)	-	-	-	(12,378)
Net property and equipment as of December 31, 2004	152,475	42,137	37,398	22,362	2,516	256,888

€1,029 thousand of the "Additions" to accumulated depreciation in the foregoing table relate to the 2004 depreciation expense for the property and equipment assigned to Community Welfare Projects, and this amount is recorded in the related maintenance expenses account (see Note 14). The remainder, together with €7,468 thousand relating to the amortization of intangible assets (see Note 3-g), constitute the "Depreciation, Amortization and Writedown of Property and Equipment and Intangible Assets" caption in the 2004 consolidated statement of income and expenses.

The "Other Property" account in the column of assets for own use by the Group included €42,137 thousand as of December 31, 2004 (€50,818 thousand as of December 31, 2003) 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 of unpaid loans, and of the properties 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 consolidated balance sheets as of December 31, 2004 and 2003, is as follows:

	Thousands of Euros	
	2004	2003
Checks drawn on credit institutions	18,561	22,460
Transactions in transit	29,141	25,013
Tax receivables:		
Deferred tax assets (Note 24)	143,303	122,521
Other tax receivables	3,790	4,191
Options purchased (Note 3-m)	9,234	10,548
Items to be adjusted for futures hedging transactions (Note 3-m)	50,993	46,138
Other items	23,931	23,806
	278,953	254,677

Other liabilities

The detail of the balances of this caption in the consolidated balance sheets as of December 31, 2004 and 2003, is as follows:

	Thousands of Euros	
	2004	2003
Transactions in transit	2,917	3,200
Payment obligations	4,357	6,388
Options written (Note 3-m)	9,037	9,627
Items to be adjusted for futures hedging transactions (Note 3-m)	37,527	36,557
Tax collection accounts	74,689	66,977
Taxes payable:		
Deferred tax liabilities (Note 24)	1,222	1,636
Corporate income tax payable (Note 24)	29,288	1,558
Other taxes payable	3,052	255
Surplus lock-in allowance (*)	7,094	84
Other items	9,479	6,888
	178,662	133,170
Community welfare projects reserve	70,576	76,782
	249,238	209,952

(*) This amount includes €7,000 thousand relating to the surplus lock-in allowance recorded in 2004 for the sale of certain securities in the held-to-maturity investment portfolio (see Note 5).

The variations in 2004 in the "Surplus Lock-in allowance" account were as follows:

	Thousands of Euros
Balance at December 31, 2003	84
Net provision charged to surplus for the year (Note 26)	7,066
Less- Funds recovered with a credit to surplus for the year (Note 26)	(56)
Balance at December 31, 2004	7,094

Community welfare projects reserve

Savings banks' Community Welfare Projects are governed by the regulations contained in Royal Decree 2290/1977 and in Law 13/1985 which stipulate, inter alia, that the savings banks shall appropriate all the annual surplus, net of the amounts appropriated to general reserves and to the provision for corporate income tax, to finance individual or joint community welfare projects.

The balances of the "Community Welfare Projects Reserve" as of December 31, 2004 and 2003, are recorded under the "Other Liabilities" caption in the consolidated balance sheets at those dates, the detail being as follows:

	Thousands of Euros	
	2004	2003
Unused provisions	35,340	39,087
Other liabilities of the Community Welfare Projects	8,409	9,820
Provisions invested in property (Note 13)	22,362	22,668
Provisions invested in tangible fixed assets other than property (Note 13)	2,516	2,824
Other	1,949	2,383
	70,576	76,782

The variations in this balance in 2004 were as follows:

	Thousands of Euros
Balance at December 31, 2003	76,782
Allocation of 2003 surplus	15,000
2004 maintenance expenses	(20,213)
Other items	(993)
Balance at December 31, 2004	70,576

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 (see Note 3-h). The maintenance expenses of Community Welfare Projects for 2004 included €1,029 thousand relating to depreciation of fixed assets assigned to these projects (see Note 13).

15. Accrual accounts

The detail of the balances of the "Accrual Accounts" captions in the consolidated balance sheets as of December 31, 2004 and 2003, is as follows:

	Thousands of Euros	
	2004	2003
Asset accrual accounts-		
Unmatured accrued revenues:		
Credit institutions	2,791	1,083
Loans and credits	25,101	21,918
Securities portfolio	45,871	45,380
	73,763	68,381
Other accruals	10,932	5,119
	84,695	73,500
Liability accrual accounts-		
Unmatured accrued costs:		
Credit institutions	2,429	5,117
Deposits	54,605	38,420
	57,034	43,537
Unearned revenues from investments taken at a discount	4,503	3,770
Unmatured accrued expenses	35,594	39,664
Other accruals	1,616	4,619
Less- Unmatured accrued revenues from investments taken at a discount	(2,156)	(1,902)
	96,591	89,688

16. Customer deposits

The detail of the balances of this caption in the consolidated balance sheets as of December 31, 2004 and 2003, by type, depositor sector and currency, is as follows:

	Thousands of Euros	
	2004	2003
By type and depositor sector:		
Public authorities	444,966	452,926
Other resident sectors-		
Demand deposits	1,498,031	1,396,412
Savings accounts	2,924,506	2,725,380
Time deposits	4,364,019	3,814,564
Assets sold under repurchase agreement (Note 5)	2,092,583	1,679,124
	10,879,139	9,615,480
Nonresidents	97,206	96,936
	11,421,311	10,165,342
By currency:		
In euros	11,392,436	10,144,717
In foreign currencies	28,875	20,625
	11,421,311	10,165,342

The balances of the “Public Authorities” and “Nonresidents” accounts as of December 31, 2004, include €114,272 thousand and €228 thousand, respectively relating to assets sold under repurchase agreement (see Note 5).

Also, the balance of the “Other Resident Sectors – Time Deposits” account as of December 31, 2004, includes €1,195,400 thousand relating to mortgage and institutional territorial bond issues (see Note 17).

The detail, by term to maturity, of the balances of this caption in the consolidated balance sheet as of December 31, 2004, is as follows:

	Thousands of Euros
Demand deposits	1,842,215
Up to 3 months	6,053,212
3 months to 1 year	1,690,230
1 to 5 years	831,963
Over 5 years (*)	996,347
Undefined	7,344
	11,421,311

(*) This balance includes €995,400 thousand relating to mortgage and institutional territorial bond issues maturing at over five years (see Note 17).

17. Marketable debt securities

The balances of this caption in the consolidated balance sheets as of December 31, 2004 and 2003, relate in full to mortgage bonds, cash bonds and promissory notes issued by Caja España, the main features of which are as follows:

Security	Year of Issue	Maturity Date	Face Value (Thousands of Euros)		Annual Interest Rate	Interest Payment
			2004	2003		
Cash bonds	1999	04/30/04	-	34,859	3.72%	Maturity
Cash bonds	2004	08/18/09	120,000	-	(***)	Half-yearly
Mortgage bonds	1999/2000	02/22/05	150,000	150,000	4.25%	Half-yearly
Mortgage bonds	2000	04/19/05	44,475	44,475	4.25%	Half-yearly
Mortgage bonds	2001	06/20/04	-	90,152	4.00%	Half-yearly
Mortgage bonds	2002/2003	01/17/06	60,001	60,002	(**)	Half-yearly
Promissory notes	2001/2003	Several	-	113,700	Several	Several
Promissory notes	2004	01/20/05	15,000	-	2.256%	Maturity
Promissory notes	2004	03/16/05	40,000	-	2.255%	Maturity
Promissory notes	2004	05/17/05	50,000	-	2.277%	Maturity
			479,476	493,188		
Mortgage bonds (*)	2001	04/18/11	300,400	300,400	5.26%	Annual
Mortgage bonds (*)	2003	11/22/13	200,000	200,000	4.51%	Annual
Mortgage bonds (*)	2003	12/02/13	32,258	32,258	4.51%	Annual
Mortgage bonds (*)	2003	12/02/18	67,742	67,742	4.76%	Annual
Territorial bonds (*)	2003	10/22/08	100,000	100,000	3.76%	Annual
Mortgage bonds (*)	2004	06/12/09	100,000	-	3.634%	Annual
Mortgage bonds (*)	2004	06/21/11	200,000	-	4.0077%	Annual
Mortgage bonds (*)	2004	11/16/14	142,683	-	4.0065%	Annual
Mortgage bonds (*)	2004	11/16/19	52,317	-	4.2565%	Annual
			1,195,400	700,400		

(*) In accordance with Bank of Spain regulations, as of December 31, 2004 and 2003, these mortgage and institutional territorial bond (“cédula territorial”) issues were recorded under the “Customer Deposits – Other Resident Sectors – Time Deposits” caption on the liability side of the consolidated balance sheet (see Note 16).

(**) The nominal interest rate is 3% from the disbursement date to January 17, 2004; 3.10% from January 17, 2004 to January 17, 2005; and 3.20% from January 17, 2005 to the maturity date.

(***) The nominal interest rate is 2.75% from the disbursement date to August 18, 2005, 3% from August 18, 2005 to August 18, 2006, 3.25% from August 18, 2006 to August 18, 2007, 3.5% from August 18, 2007 to August 18, 2008 and 4% from that date to the maturity date.

By virtue of the General Assembly’s authorization, on April 29, 2004, the Board of Directors of the Caja resolved to issue cash bonds of up to €120,000 thousand in securities with a face value of €1,000 each represented by book entries. The most significant terms and conditions of the issue were detailed in the foregoing table.

The promissory notes outstanding at year-end are included in the Third Caja España Promissory Note Issue Program, authorized by the Board of Directors of the Caja on July 10, 2003. As part of this promissory note issue program, it will be possible to issue securities with a maximum outstanding face amount, at any given time, of €300,000 thousand, extendable to €600,000 thousand. The notes will have maturities of between 1 and 18 months and will earn interest at a rate that will be set based on market conditions on the issue date. The Caja launched several promissory note issues in 2004 and the outstanding face value balance as of December 31, 2004, was €105,000 thousand. The most significant terms and conditions of the issue were detailed in the foregoing table.

Subsequently, on December 2, 2004, the Board of Directors of the Caja authorized the “Fourth Caja España Promissory Notes Issue Program” with a maximum outstanding face balance of €300,000 thousand, extendable to €600,000 thousand and with maturities of between 3 working days and 18 months.

The detail of the mortgage bond issues performed in 2004 is as follows:

- a. On May 12, 2004, the Board of Directors of the Caja approved the issue of a Single Overall Mortgage Bond amounting to €100,000 thousand. This bond was issued together with eight other savings banks and one Bank for up to €1,500,000 thousand. All the bonds issued have the same characteristics and were ceded for subsequent securitization in the “Cédulas TDA-4, F.T.A” fund, the main features of which are as follows:

Name of the fund:	Cédulas TDA – 4, F.T.A.
Management company:	Titulización de Activos S.G.F.T.A., S.A.
Ceding entity:	Caja de Ahorros y Monte de Piedad de Madrid, Sociedad Española de Banca de Negocios Probanca, S.A y Caja Madrid Bolsa S.V., S.A
Collateral or guarantee:	Subordinated loan for appropriation to the Fund’s Reserve (total: €41,325 thousand)
Bond Price:	Issued at 99.252% of face value.
Bond rating:	Aaa (<i>Moody’s</i>) and AAA (<i>Fitch</i>).
Listing:	Mercado A.I.A.F. Renta Fija S.A.
Repayment:	One single payment on maturity
Maturity:	June 12, 2009
Unit face value:	€100,000
Number of securities:	15,000 securities
Payment of interest:	June 14 each year
Fixed interest rate:	3.625%

- b. On May 12, 2004, the Board of Directors of the Caja approved the issue of a single overall mortgage Bond amounting to €200,000 thousand. This bond was issued together with 11 other savings banks for up to €1,750,000 thousand. All the bonds issued have the same characteristics and were ceded for subsequent securitization in the “AyT Cédulas Cajas VII, F.T.A” fund, the main features of which are as follows:

Name of the Fund:	AyT Cédulas Cajas VII, F.T.A.
Management company:	Ahorro y Titulización, S.G.F.T.A., S.A.
Ceding entity:	Ahorro Corporación Financiera, S.V.B., S.A.
Improved credit worthiness:	Subordinated loan for appropriation to the Fund’s Reserve (total: €54,040 thousand)
Bond Price:	Issued at par (full face value)
Bond rating:	Aaa (<i>Moody’s</i>) y AAA (<i>Fitch Ibc</i> a)
Listing:	Mercado A.I.A.F. Renta Fija S.A.
Repayment:	One single payment on maturity
Maturity:	June 21, 2011
Unit face value:	€100,000
Number of securities:	17,500 securities
Payment of interest:	June 21 of each year
Fixed interest rate:	4%

- c. On October 7, 2004, the Board of Directors of the Caja approved the issue of two Single Mortgage Bonds totaling €195,000 thousand, divided into two tranches €142,683 thousand and €52,317 thousand each. These bonds were issued together with 24 Spanish savings banks for up to €4,100,000 thousand divided into two tranches of €3,000,000 (*Tranche A*) and €1,100,000 (*Tranche B*), respectively. All the bonds issued have the same characteristics and were ceded for subsequent securitization in the “AyT Cédulas Cajas VIII, F.T.A” fund, the main features of which are as follows:

Name of the Fund:	A y T Cédulas Cajas VIII, F.T.A.
Management company:	Ahorro y Titulización, S.G.F.T.A., S.A.
Ceding entity:	Ahorro Corporación Financiera, S.V.B., S.A.
Collateral or guarantee:	Subordinated loan A (€78,000 thousand) Subordinated loan B (€28,600 thousand) For appropriation to the Fund's Reserve Issued at par (full face value)
Bond Price:	Aaa (<i>Moody's</i>), AAA (<i>Standard and Poor's</i>) and AAA
Bond rating:	(Fitch) Mercado A.I.A.F. Renta Fija S.A.
Market price:	One single payment on maturity.
Repayment:	November 18, 2014.
Maturity of tranche A:	November 18, 2019.
Maturity of tranche B:	€100,000
Unit face value:	41,000 securities (Tranche A: 30,000 and Tranche B:
Number of securities:	11,000)
Payment of interest:	November 18 each year
Fixed interest rate of tranche A:	4%
Fixed interest rate of tranche B:	4.25%

In accordance with Article 59 of Royal Decree 685/1982 amended by Royal Decree 1289/1991, the total volume of unmatured mortgage bonds issued cannot exceed 90% of the unamortized principal of all the mortgage loans of an entity qualifying for coverage purposes. As of December 31, 2004, the total amount of the unmatured mortgage bonds issued represented 47.75% of the unamortized principal of all the Caja's mortgage loans.

As of December 31, 2004, the Caja did not own any of the mortgage or cash bonds issued by it.

The total interest accrued in 2004 on issues of mortgage bonds, cash bonds and outstanding promissory notes in 2004 amounted to €56,712 thousand and this amount is recorded, pursuant to current accounting legislation, under the "Interest Expense – Debentures and Other Marketable Debt Securities" and "Interest Expense - Deposits" captions in the 2004 consolidated statement of income and expenses, for €15,884 thousand and €40,828 thousand, respectively (see Note 26).

18. Provisions for contingencies and expenses

Pension allowance

The detail of the "Provisions for Contingencies and Expenses – Pension Allowance" caption in the consolidated balance sheet, and of the variations therein in 2004, is as follows:

	Thousands of Euros			
	Allowance for Other Commitments to Employees	Allowance for the Labor Force Regeneration Plan	Other Allowances	Total
Balances at December 31, 2003	30,741	-	5,556	36,297
Net provision charged to extraordinary income (Notes 3-i and 26)	1,200	80,000	1,200	82,400
Financial cost allocable to the allowance (Note 26)	1,106	-	-	1,106
Allowance used (Note 3-i)	-	-	(2,084)	(2,084)
Salary payments to early retirees	(7,689)	-	-	(7,689)
Contributions to external pension plan for early retirees (Note 3-i)	(1,614)	-	-	(1,614)
Balances at December 31, 2004	23,744	80,000	4,672	108,416

As of December 31, 2004, the balance of the "Other Allowances" caption includes an allowance of €2,524 thousand to cover the Group's long-service bonus commitments to its employees, €2,058 thousand relating to the provision for the effect of CPI adjustment on the insurance policies listed in Note 3-i, and €90 thousand relating to other items.

Provision for taxes and other provisions

The variations in these provisions in 2004 were as follows:

	Thousands of Euros				
	Provision for Taxes	Other Provisions and Allowances			Total
		Provision for Futures Transactions (Note 3-m)	Other Specific Special-Purpose Allowances	Credit Loss Allowance for Contingent Liabilities (Note 3-c)	
Balances at December 31, 2003	778	-	136,614	5,668	142,282
Net provision charged to extraordinary income (Note 26)	-	-	3,501	-	3,501
Release of available allowances (Note 26)	-	-	(47,552)	-	(47,552)
Provision charged to surplus for the year (Note 26)	59	1,912	-	842	2,754
Allowance released with a credit to surplus for the year (Note 26)	-	-	-	(119)	(119)
Other variations	-	-	3,149	-	3,149
Balances at December 31, 2004	837	1,912	95,712	6,391	104,015

The balance of the "Other Provisions – Other Specific Special-Purpose Allowances" caption includes mainly the allowances recorded by the Group to cover certain risks incurred as a result of its activity and potential losses at certain investees (see Note 9), and the allowances recorded as of December 31, 2004, following the sale of 50% of Caja España Vida, Sociedad de Seguros y Reaseguros, S.A.

In December 2001 the Group's parent entity, Caja España, entered into a strategic agreement with the U.K. CGNU group through its subsidiaries Commercial Union International Holding Limited and CGU International Insurance PLC to jointly develop mainly the life insurance and pension fund business. Within the framework of this strategic agreement, Invergestión, Sociedad de Inversiones y Gestión, S.A., Sociedad Unipersonal, a wholly-owned subsidiary of the Caja, sold to the aforementioned group 50% of its holding in Caja España Vida, Sociedad de Seguros y Reaseguros, S.A., giving rise to a gain of €129,308 thousand.

Simultaneously, an allowance of €62,307 thousand (with the related deferred tax asset of €21,808 thousand) was recorded to cover the possible effects of certain clauses in the sale contract relating to the generation of minimum business volume at Caja España Vida, Sociedad de Seguros y Reaseguros, S.A., and another allowance of €67,662 thousand (with the related deferred tax asset of €23,682 thousand) was recorded to cover risks not specifically identified. This allowance which, together with that mentioned earlier, was recorded under the "Provisions for Contingencies and Expenses" caption in the consolidated balance sheet, was booked in application of the principle of maximum prudence in accounting.

In previous years various adjustments were made to the first of the allowances with the result that its balance as of December 31, 2004, was €71,218 thousand (with the related deferred tax asset of €24,926 thousand).

The second allowance, the balance of which amounted to €47,552 thousand as of December 31, 2003, was released in full in 2004 with a credit to the "Extraordinary Income" caption in the consolidated statement of income and expenses (see Note 26).

As part of the shareholders' agreement entered into as a result of the aforementioned strategic agreement, the Group has an option to repurchase the holding that was sold at the higher of 110% of the capitalization calculated at 8% compound interest on the price received or at market price at any time for an unlimited period. However, management of the Caja does not intend to exercise this option.

19. Subordinated debt

The detail of the balances of this caption in the consolidated balance sheets as of December 31, 2004 and 2003, is as follows:

	Thousands of Euros	
	2004	2003
Registered debenture issued to the Deposit Guarantee Fund	6,611	6,611
Subordinated debentures	249,972	249,972
	256,583	256,583

Registered debenture

The registered debenture of €6,611 thousand was subscribed by the Savings Banks' Deposit Guarantee Fund. This debenture 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.

Subordinated debentures

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

	Year of Issue	Maturity Date	Face Value (Thousands of Euros)		Annual Interest Rate	Interest Payment
			2004	2003		
Subordinated debentures	1996	12/31/06	30,050	30,050	2.125% (*)	Half-yearly
Subordinated debentures	1997	12/31/07	60,101	60,101	2.125% (*)	Half-yearly
Subordinated debentures	2000	06/27/15	59,820	59,820	5.75%	Half-yearly
Subordinated debentures	2003	12/29/18	100,001	100,001	3.75%	Half-yearly
			249,972	249,972		

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

The cost of the subordinated financing charged to surplus in 2004 and 2003 totaled €8,744 thousand and €6,487 thousand, respectively (see Note 26).

20. Minority interests

The variations in 2004 in the balance of the "Minority Interests" caption in the consolidated balance sheet were as follows:

	Thousands of Euros
Balance at December 31, 2003	161,074
Allocation of prior year's net surplus	7,699
Dividends paid to minority shareholders	(7,700)
Other variations	50,722
Balance at December 31, 2004	211,795

In 1999 and 2001 Caja España de Inversiones, Sociedad de Participaciones Preferentes, S.A., Sociedad Unipersonal (formerly, Caja España de Inversiones Finance Limited), a wholly-owned subsidiary of the Caja, issued preferred stock amounting to €100,000 thousand and €60,000 thousand, respectively, with no maturity date (although they may be fully or partially redeemed 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 disbursement date) and with a fixed interest rate of 5% and 4.5%, respectively, during the first five years and a floating rate tied to Euribor thereafter. The Caja guarantees payment of all the amounts arising from the issues which is subordinated to all its other obligations.

On October 11, 2004, following authorization from the Bank of Spain dated August 10, 2004, the Caja redeemed the Series A preferred stock early and in full for €100,000 thousand.

Subsequently, on July 22, 2004, the Board of Directors of Caja España de Inversiones, Sociedad de Participaciones Preferentes, S.A., Sociedad Unipersonal, resolved to issue and circulate Series C preferred stock for a maximum amount of €150,000 thousand. This issue is guaranteed by the Caja's universal net worth.

The face value of these shares is €1,000 and the interest rate will be 3% from November 11, 2004, to November 10, 2005, 3.25% from November 11, 2005 to November 10, 2006, 3.5% from November 11, 2006 to November 10, 2007, 4.25% from November 11, 2007 to November 10, 2008 and 5.15% from November 11, 2008 to November 10, 2009. After that date the shares will earn interest at the 3-month Euribor plus 0.10%. Interest is paid quarterly in arrears. The shares may be redeemed early after obtaining authorization from the Bank of Spain, provided that five years have elapsed from the disbursement date, i.e. from November 11, 2004.

On November 4, 2004, the complete prospectus was verified and registered at the Official Registry of the Spanish National Securities Market Commission (CNMV). It was executed in a public deed on November 9, 2004, and registered at the Mercantile Registry on December 15, 2004.

As of December 31, 2004, the issue had been subscribed in full and was deposited at the Spanish Confederation of Savings Banks. These debentures are currently listed on the Spanish AIAF Fixed-Income Market.

The returns to the holders of the preferred stock issued by the Group, which amounted to €7,143 thousand in 2004, were recorded under the “Consolidated Surplus for the Year – Surplus Attributed to Minority Interests” caption in the consolidated statement of income and expenses.

21. Reserves, revaluation reserves, reserves at consolidated companies and accumulated losses at consolidated companies

The variations in 2004 in the balances of these captions in the consolidated balance sheets were as follows:

	Thousands of Euros			
	Balances at December 31, 2003	Distribution of 2003 Surplus	Other Variations	Balances at December 31, 2004
Revaluation reserve, Royal Decree-Law 7/1996 (Note 2)	27,650	-	-	27,650
Reserves, reserves at consolidated companies and losses at consolidated companies (Note 2)	612,604	43,894	77	656,575
	640,254	43,894	77	684,225

Note 2 includes an individual list of the reserves at consolidated companies and of accumulated losses at consolidated companies.

Equity

In accordance with current regulations, the Group is required to maintain minimum equity based on its risks and commitments determined pursuant to such regulations. Also, Bank of Spain Circular 5/1993 establishes that net property and equipment and the total risk exposure of consolidable groups of credit institutions to any one person or economic group cannot exceed 70% and 25%, respectively, of computable equity.

As of December 31, 2004, the computable net equity of the Group exceeded the minimum amount required by current legislation. The portion of the surplus for the year that will be allocated to reserves was considered in calculating such excess.

Revaluation reserve, Royal Decree-Law 7/1996

In 1996 the Group revalued its property and equipment pursuant to Royal Decree-Law 7/1996. The resulting gross surplus of €28,560 thousand was credited to the “Revaluation Reserves” caption in the consolidated balance sheet.

The tax inspection of the asset revaluation pursuant to Royal Decree-Law 7/1996 was completed in 1999 and, therefore, the balance of the “Revaluation Reserve, Royal Decree-Law 7/1996” account 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 if the revalued assets have been transferred or retired from the accounting records. If this balance were used in a manner other than as provided for in Royal Decree-Law 7/1996, it would be subject to tax.

22. Memorandum accounts

As of December 31, 2004 and 2003, the main transactions, commitments and contingencies arising in the normal course of the Group's operations, were as follows:

	Thousands of Euros	
	2004	2003
Contingent liabilities:		
Guarantees and other sureties provided	441,849	405,364
Other contingent liabilities	24,570	10,805
Commitments:		
Balances drawable by third parties	1,926,366	1,514,911
Other commitments	130,112	132,816
	2,522,897	2,063,896

23. Derivatives

The detail of derivatives transactions as of December 31, 2004 and 2003, is as follows:

	Thousands of Euros	
	2004	2003
HEDGING TRANSACTIONS:		
Unmatured foreign currency purchases and sales-		
Foreign currency purchases at up to two working days	172	-
Foreign currency sales at up to two working days	170	-
Forward foreign currency purchases	6,907	6,752
Forward foreign currency sales	25,203	25,707
Unmatured financial asset purchases and sales-		
Purchases	4,828	-
Sales	-	67,999
Options-		
On securities-		
Purchased	165,064	119,042
Sold	544,457	525,507
On interest rates-		
Sold	46,866	48,916
Other interest rate transactions-		
Interest rate swaps (IRSs)	1,512,142	1,131,191
Other	27,609	26,844
TRADING TRANSACTIONS:		
Interest rate swaps (IRSs)	36,806	36,806

No significant gains or losses arose in 2004 and 2003 from Group transactions involving derivatives.

24. Tax matters

The balance of the "Other Liabilities" caption in the consolidated balance sheet as of December 31, 2004, includes the liability for the various taxes applicable to the Group, which include corporate income tax amounting to €29,288 thousand (see Note 14).

The reconciliation of the consolidated 2004 surplus per books to the consolidated taxable income for corporate income tax purposes is as follows:

	Thousands of Euros
Surplus for the year before corporate income tax	115,469
Permanent differences	(6,262)
Timing differences	40,295
Taxable income	149,502

The main permanent differences arising from the recognition of expenses and revenues for accounting purposes relate to the provision recorded for Community Welfare Projects (see Note 4) and the provisions to the general-purpose credit loss allowance and to the security price fluctuation allowances at certain investees.

The expense for corporate income tax in 2004 was calculated as follows:

	Thousands of Euros
Corporate income tax payable at 35%	52,326
Tax effect arising from timing differences	(14,103)
Tax credits and other	(3,395)
Adjustments arising from prior years	2,754
Corporate income tax expense	37,582

The Group availed itself of the tax benefits provided by current corporate income tax regulations and took €2,549 thousand of reinvestment tax credits from its corporate income tax payable in 2004. After this, the Group's reinvestment commitments as of December 31, 2004, amounted to €42,864 thousand.

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, 2004 and 2003:

	Thousands of Euros	
	2004	2003
Deferred tax assets (Note 14):		
Provisions to pension allowance	58,206	35,281
Provisions to credit loss allowance (*)	35,938	27,301
Provisions for contingencies and expenses	38,958	55,177
Other items	10,201	4,762
	143,303	122,521
Deferred tax liabilities (Note 14)	1,222	1,636

(*) These amounts relate basically to provisions to the allowance for the statistical coverage of credit losses.

The consolidated companies have the last four years open for review by the tax inspection authorities for the main taxes applicable to them. The varying interpretations that can be made of the tax regulations applicable to the consolidated entities' operations give rise to certain contingent tax liabilities for the open years that cannot be objectively quantified. However, management of the Caja considers that the likelihood of these contingencies becoming actual liabilities is remote and that, in any case, the resulting tax charge, if any, would not materially affect the 2004 consolidated financial statements.

25. Transactions with nonconsolidated subsidiaries and associated companies

The detail of the Group's major balances and transactions at 2004 and 2003 year-end with nonconsolidated subsidiaries and with associated companies is as follows:

Nonconsolidated subsidiaries

	Thousands of Euros	
	2004	2003
Customer deposits	745	485
Interest expense	7	6

Associated companies

	Thousands of Euros	
	2004	2003
Loans and credits	60,809	92,328
Customer deposits	50,528	66,475
Interest income	2,290	5,112
Interest expense	1,353	2,013
Contingent liabilities and commitments	60,819	101,885

26. Consolidated statements of income and expenses

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

	Thousands of Euros	
	2004	2003
Interest income:		
Bank of Spain	2,685	3,147
Due from credit institutions	30,095	30,913
Fixed-income securities	120,430	123,500
Loans and credits	326,466	325,448
Other revenues	1,940	2,016
	481,616	485,024
Fees collected:		
Contingent liabilities	5,404	4,887
Collection and payment services	40,339	36,485
Securities services	5,134	4,622
Marketing of nonbanking financial products	28,294	24,479
Other fees	2,546	2,080
	81,717	72,553
Interest expense:		
Bank of Spain	1,432	1,175
Due to credit institutions	21,428	25,304
Deposits (Note 17)	168,723	159,302
Debentures and other marketable debt securities (Note 17)	15,884	19,483
Subordinated debt (Note 19)	8,744	6,487
Correction of the cost of debentures and other marketable securities and subordinated debt	(4,654)	(13,272)
Correction of the cost by hedging transactions - Deposits	(20,168)	40
Interest allocable to the pension allowance (Note 18)	1,106	1,363
Other interest	-	2,981
	192,495	202,863
Gains (losses) on financial transactions:		
Provisions to the security price fluctuation allowance- Common stocks and other equity securities (Note 9)	(2,816)	-
Releases from the security price fluctuation allowance- Common stocks and other equity securities (Note 9)	11,168	13,152
Fixed-income securities - Available-for-sale portfolio	5,041	16,642
Fixed-income securities - Trading portfolio	57	(278)
Equity securities - Available-for-sale portfolio	6,929	4,526
Equity securities - Trading portfolio	(78)	(29)
Futures transactions	(3,661)	624
Other gains	336	1,864
	16,976	36,501

Fees collected from marketing nonbanking financial products relate basically to funds obtained through mutual and pension funds.

General Administrative Expenses – Personnel expenses

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

	Thousands of Euros	
	2004	2003
Wages and salaries of serving employees	118,503	117,176
Employee welfare expenses	27,502	26,208
Contributions to the external pension fund (Note 3-i)	11,195	11,590
Other expenses	3,460	3,966
	160,660	158,940

The average number of employees at the Group in 2004 and 2003, by professional category, was as follows:

	Average Number of Employees	
	2004	2003
Management team	9	9
Supervisors	908	806
Clerical staff	1,845	1,949
Messengers and other	23	30
	2,785	2,794

Writeoffs and Credit Loss Provisions

The detail of the balance of this caption in the accompanying consolidated statements of income and expenses for 2004 and 2003 is as follows:

	Thousands of Euros	
	2004	2003
Net provision to credit loss and statistical coverage allowances, with a charge to surplus for the year-		
Loans and credits (Note 7)	53,931	39,338
Debentures and other fixed-income securities	-	1,162
Less- Prior years' allowances released-		
Loans and credits (Note 7)	(4,531)	-
Debentures and other fixed-income securities (Note 8)	(1,381)	-
Net provision to the credit loss allowance for contingent liabilities, with a charge to surplus for the year (Note 18)	842	744
Less- Credit loss allowances for contingent liabilities, released credited to surplus for the year (Note 18)	(119)	-
Bad debts written off	878	1,570
Less- Recovery of written-off assets	(2,620)	(3,235)
	47,000	39,579

Extraordinary income and loss

The detail of the balances of the "Extraordinary Loss" and "Extraordinary Income" captions in 2004 and 2003 is as follows:

	Thousands of Euros	
	2004	2003
Extraordinary loss:		
Fixed asset disposals	537	187
Net period provision for contingencies and expenses (Note 18)-		
Pension allowance	82,400	4,697
Other provisions	3,501	9,000
Net provision to surplus lock-in allowances (Note 14)-		
Provision charged to period surplus	22,540	-
Less- Allowances released	(15,474)	-
	7,066	-
Surplus lock-in allowances released (Note 14)	(56)	-
Intangible asset writedowns	-	332
Prior years' extraordinary loss	1,005	1,901
Other items	2,105	3,259
	96,558	19,376
Extraordinary income:		
Fixed asset disposals	11,579	1,487
Release of the allowance for foreclosed assets (Note 13)	914	1,792
Net release of other specific allowances (Note 18)	47,552	20,142
Extraordinary income on the sale of held-to-maturity investment portfolio (Note 5)	22,474	-
Prior years' extraordinary income	6,960	3,758
Net release of surplus lock-in allowance	-	189
Other items	2,051	4,073
	91,530	31,441

Other information

The balance of the "General Administrative Expenses – Other Administrative Expenses" caption in the 2004 consolidated statement of income and expenses, which amounted to €68,686 thousand, includes €153 thousand relating to the fees for the 2004 audit by the principal auditor, and by other companies associated to it, of the financial statements of the various entities composing the Caja España de Inversiones, Caja de Ahorros y Monte de Piedad and Subsidiaries Group. Additionally, other service lines of the Caja's audit firm provided services relating to review projects totaling €134 thousand and other services totaling €180 thousand, and these amounts are recorded under the aforementioned caption in the 2004 consolidated statement of income and expenses.

27. Other information

Compensation and other benefits to the Board of Directors and the Control Committee

In 2004 the members of the Board of Directors and the Control Committee at both the Caja and at the Group and associated companies earned €1,066 thousand of attendance fees, salaries and remuneration of all kinds.

The loans and credits granted to the members of the Caja's Board of Directors as of December 31, 2004, amounted to €759 thousand (loan and credit balances drawn down), at an average annual interest rate of 2.52%.

As of December 31, 2004, the vested rights arising from the Caja's pension or life insurance commitments to its former and current Board members amounted to €1,993 thousand. These commitments were externalized as described in Note 3-i.

Transition to International Financial Reporting Standards

Under Final Provision Eleven of Law 62/2003, credit institutions which have issued fixed-income securities admitted to trading on a regulated market of any EU Member State must prepare their consolidated financial statements for the years beginning on or after January 1, 2005, in conformity with the International Financial Reporting Standards (IFRSs) as approved by the legislation of the European Commission. Therefore, the Group is required to prepare its consolidated financial statements for the year ending December 31, 2005, in conformity with the IFRSs ratified by the European Union at that date.

Under IFRS 1, First-Time Adoption of International Financial Reporting Standards, the Group's consolidated financial statements for 2005 must necessarily include, for comparison purposes, a consolidated balance sheet as of December 31, 2004, and a consolidated statement of income and expenses for the year then ended prepared in accordance with the methods established by the IFRSs in force as of December 31, 2005.

In order to adapt the accounting system of Spanish credit institutions to the new standards, the Bank of Spain issued Circular 4/2004 on Public and Restricted Financial Reporting Standards and Model Financial Statements. However, although the Group is implementing a plan for transition to IFRSs which includes, inter alia, an analysis of the accounting method differences, the selection of the accounting methods to be applied when alternative treatments are permitted and an assessment of the changes in reporting procedures and systems, sufficient information is not yet available to enable the Group to estimate with reasonable objectivity the extent to which the consolidated balance sheet and consolidated statement of income and expenses for 2004 which are part of these consolidated financial statements will differ from those to be prepared in the future in accordance with the accounting methods contained in the IFRSs in force as of December 31, 2005.

Customer Care Service Annual Report

Under Law 44/2002 on Financial System Reform Measures and Law 35/2003 on Collective Investment Institutions, all credit institutions and insurance, management and investment services companies are required to set up a Customer Care Service or Department and, if appropriate, a consumer ombudsman.

Also, Royal Decree 303/2004 approving the regulations for consumer ombudsmen in the financial services industry, requires the establishment of the mechanisms necessary to ensure the telematic communication with the customer care services or departments of credit institutions, insurance entities and investment services companies and, if appropriate, consumer ombudsmen.

Pursuant to Ministry of Economy Order ECO/734/2004 on customer care and consumer ombudsmen departments and services at financial institutions, each entity or Group is required to approve the regulations governing the operations of the Customer Care Department and, if appropriate, of consumer ombudsmen, and the relationships between them.

In accordance with the foregoing provisions, Caja España de Inversiones, Caja de Ahorros y Monte de Piedad (the Group's Parent Entity), approved the regulations governing the operations of the Customer Care Department or Service and of customer ombudsmen for the purpose of improving relationships with its customers, trying to maintain their confidence by making available an instrument that enables them to solve, in a simple manner, any possible conflicts which might arise and to provide an appropriate level of protection.

As stipulated by Article 17 of the aforementioned Order, the Head of this Service must submit the related Annual Report to the Board of Directors of Caja España de Inversiones, Caja de Ahorros y Monte de Piedad by March 31, 2005.

28. Statements of changes in financial position

Following are the Group's consolidated statements of changes in financial position for 2004 and 2003:

APPLICATION OF FUNDS	Thousands of Euros		SOURCE OF FUNDS	Thousands of Euros	
	2004	2003 (*)		2004	2003 (*)
Lending less financing at Bank of Spain and credit and savings institutions (net variation)	-	280.782	Surplus for the year after taxes-	77.887	66.593
Loans and credits (net increase)	1.660.909	766.095	Net provisions for asset depreciation and to general-purpose allowances	87.912	21.391
Fixed-income securities (net increase)	58.717	-	Depreciation and amortization	24.500	25.125
Short-term equity securities (net increase)	15.011	6.417	Amortization of consolidation goodwill	7.303	34.330
Debt securities (net decrease)	13.712	215.152	Direct writedown of assets	878	1.570
Acquisition of long-term investments-			Net gain (loss) on disposals of fixed assets and portfolio	(33.516)	(1.300)
Purchase of investments in non-Group companies	1.812	25.036	Gain (loss) on disposals of investments accounted for by the equity method	(21.982)	-
Purchase of property and equipment and intangible assets	51.371	45.830	Net income (loss) from companies accounted for by the equity method	(15.594)	(9.794)
Other asset items less liability items (net variation)	43.105	-		127.388	137.915
			Fixed-income securities (net decrease)	-	224.781
			Deposits (net increase)	760.969	741.961
			Minority interests (net variation)	50.721	1.141
			Subordinated debt issued	-	100.001
			Debt securities (net increase)	495.000	126.155
			Sales of long-term investments-		
			Sale of investments in non-Group companies	51.436	-
			Sales of property and equipment	57.592	-
			Lending less financing at Bank of Spain and credit and savings institutions (net variation)	301.531	-
			Other asset items less liability items (net variation)	-	7.358
TOTAL FUNDS APPLIED	1.844.637	1.339.312	TOTAL FUNDS OBTAINED	1.844.637	1.339.312

(*) Presented for comparison purposes only.

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.

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 SUBSIDIARIES

Consolidated Management Report For the Year Ended December 31, 2004

Economic and financial environment

2004 was marked by a moderate slowdown of the world economy, although within an environment of intense economic activity, backed by the strength of the U.S. economy.

The eurozone continues to recover gradually, having grown at a rate of around 2% in 2004 as a whole. The appreciation of the euro is stifling the growth of foreign demand and there are no clear signs of a domestic upswing, all of which helps to keep inflation under control. The European Central Bank maintained its interest rate at 2%, while it waits for a clear consolidation of the recovery of the eurozone.

The Spanish economy grew by around 2.7% in 2004. The hike in oil prices gave rise to a slowdown in the rate of growth in the Spanish economy throughout the year. Domestic demand is still relatively strong, whereas the foreign trade sector continues to act as a brake and the balance of trade continues to deteriorate. The CPI grew by 3.2% in 2004, following a rise in inflation basically as a result of higher energy prices, leading to a wider gap with respect to inflation in the eurozone.

Growth in Castilla y León was higher than that of the Spanish economy as a whole and the region's GDP rose by an estimated 2.9% in 2004.

Equity and capital ratio

The Group's computable equity at 2004 year-end amounted to €1,119,422 thousand, which exceeded by far the current minimum capital requirements stipulated by Bank of Spain regulations.

In 2004 computable equity increased by €87,852 thousand as a result of the capitalized portion of the surplus obtained in the year and the issue of preferred shares.

The capital ratio (computable equity as a percentage of risk-weighted net assets) was 11.84%, well above the minimum ratio of 8% specified by the Bank of Spain.

In 2004 the Entity's ratings were reviewed and it was awarded long-term ratings of A2 by Moody's and A- by Fitch.

Business volume and performance

As of December 31, 2004, the business volume, measured as the net assets in the consolidated public balance sheet, amounted to €14,906,450 thousand, up 12.0% on 2003.

Customer savings managed by the Caja España Group at 2004 year-end totaled €15,133,360 thousand, a year-on-year increase of 11.9%.

On-balance-sheet customer funds, i.e. deposits, marketable debt securities and subordinated debt, grew by 11.4% in 2004 to €12,157,370 thousand at year-end.

Off-balance-sheet funds increased by 14.2% to €2,975,990 thousand and were invested mainly in mutual funds, pension funds and endowment insurance. Pension funds performed very well in 2004 and increased by 21.8% in the year. Mutual funds rose by 12.0% in the year, due to the recovery of the stock markets.

Funds borrowed from credit institutions amounted to €1,213,380 thousand, up 16.1% on 2003. The lending by the Caja to other credit institutions in the interbank market amounted to €1,652,081 thousand, a year-on-year fall of 7.3%. The Caja España Group had a net interbank lending position of €438,701 thousand.

The total securities portfolio had a net balance of €3,006,216 thousand at 2004 year-end, representing an increase of €113,305 thousand (3.9%) year-on-year. The main item was government debt securities, which amounted to €2,238,468 thousand at year-end.

Loans and credits, net of the credit loss allowance, amounted to €9,346,316 thousand, up €1,614,714 thousand (20.9%) on December 2003. The main lending item was mortgage loans, the balance of which was €6,538,008 thousand at 2004 year-end.

Caja España's risk control policy enabled it to expand lending while steadily improving loan quality ratios. The ratio of nonperforming loans to total risk exposure was 0.76%, and the credit loss allowances amply exceeded the volume of doubtful and nonperforming loans, with a coverage ratio of 298.1%.

2004 earnings

The Caja España Group obtained surplus before taxes of €115,469 thousand in 2004, up 37.0% on 2003.

The net interest income of €304,727 thousand was 4.0% higher than in 2003. This was due to the increase in the Group's business volume (net loans and credits rose by 20.9% and on-balance-sheet customer funds grew by 11.4%).

In 2003 net service fees increased by 14.7% to €74,265 thousand, and the net gains on financial transactions amounted to €16,976 thousand, as compared with €36,501 thousand in 2003. This prompted gross operating income to rise by 0.4% to €395,968 thousand at 2004 year-end.

Operating costs, personnel expenses and general expenses rose by 1.3%. On an individual basis, personnel expenses showed year-on-year growth of 1.1%, whereas general expenses rose by 1.8%. These variations in costs plus a reduction of 2.5% in depreciation and amortization resulted in net operating income of €141,753 thousand, up 0.5% on 2003.

The Group contributed income of €24,698 thousand, as compared with losses of €30,046 thousand in 2003. The most significant item of 2004 income relates to gain of €20,531 thousand obtained on the sale of Fadesa shares, plus the €1,451 thousand relating to the sale of the MSP.

Nonperforming loans fell substantially in the year to 0.76% as of December. However, credit loss writedowns amounted to €47,000 thousand.

The net extraordinary loss amounted to €5,028 thousand, as compared with the net extraordinary income of €12,065 thousand obtained in 2003, and this figure is the result of netting off the extraordinary loss of €96,558 thousand incurred against the extraordinary income obtained, which amounted to €91,530 thousand. The losses relate mainly to an allowance of €82,400 thousand for early retirements carried out during the year, a surplus lock-in allowance of €7,000 thousand recorded in conformity with Bank of Spain regulations for the sale of government debt securities and the recording of a provision of €7,530 thousand required by a court decision. The extraordinary income includes most notably €47,551 thousand relating to the release of an Invergestión allowance and €22,474 thousand obtained on the sale of government debt securities.

The surplus after taxes amounted to €77,887 thousand, up 17.0% on 2003. Return on average total assets (ROA) was 0.55% and return on equity (ROE) was 11.56%.

Of the €77,887 thousand of consolidated surplus after taxes, €7,195 thousand were attributable to minority interests and the remaining €70,692 thousand to Caja España Group companies.

Commercial network

At 2004 year-end Caja España had a commercial network of 543 operating branches, 5 more than in 2003. Their geographical distribution by autonomous community was as follows: 378 in Castilla y León, 79 in Madrid, 28 in Galicia, 18 in Aragón, 11 in Asturias, 9 in Castilla-La Mancha, 5 in Navarra, 5 in Extremadura, 4 in Cantabria, 4 in Andalucía and 2 in La Rioja.

The branch network is supplemented by the new distribution channels, which also grew considerably in 2004. The "Línea@España" service, with 215,881 users, grew by 4.6% in the year. Noteworthy was the expansion of the ATM network by 44 machines to a total of 635 at 2004 year-end.

Caja España's payment system at commercial establishments consists of 9,495 operating dataphones. To enable its customers to use this system, the Entity had 628,334 cards outstanding, which represented an increase of 5.3% with respect to 2003.

Human resources

The Labor Force Regeneration Plan was implemented in the last quarter of 2004, through two actions: early retirements and partial retirements with employee phase-out contracts, affecting a total of 280 employees. New hirings were also made, bringing the headcount as of December 31, 2004, to 2,833 employees, up from 2,761 in 2003. The Plan's aims are threefold: to adjust the distribution of the labor force to the new business strategies, to promote the specialization program targeting strategic segments and to carry out an ambitious office network expansion.

Social dividend

Since Caja España is a savings bank aware of its responsibility to the community in which it operates, it not only provides financial services but also, through its community welfare projects, renders other services relating to culture, teaching, care, health and research. €20,862 thousand were used to finance 3,892 activities in this connection in 2004 and €25,000 thousand have been earmarked for 2005.

Future strategies and objectives

The objectives plan for 2005 sets forth the strategies that the Caja will follow in 2005, which are basically as follows:

Growth and Expansion:

- To strengthen the Caja's leading position in our traditional market area by intensifying customer management as a strategic growth route and by rationalizing the network in rural environments, focusing on alternative targets.
- To expand the network throughout Spain in order to provide appropriate service to our customers. Our target is to operate in all the Autonomous Communities, except for the Islands, with branches in all provincial capitals and large population centers. In 2008 The Caja will foreseeably have 100 more branches than at 2004 year-end.

Business:

- To ensure quality customized service.
- To make progress in the specialized management of the business: companies and high income segments.
- To continue our firm support of nonbank financial products (life insurance, mutual funds, pension funds, the purchase and sale of securities).
- To maintain mortgage loans as our star product and promote personal loans as a way to contribute margin.
- To promote business with companies as a profitable way of achieving growth.
- To promote sales of services by seeking new market segments, specifically focusing on immigration.
- To encourage and stabilize the contribution of financial transactions to the Caja's margin.
- To increase the supply of specialized products and services for customers and private banking.
- To contribute technologically to the development of the business by continuing to support new payment channels and means.

Risks:

- To develop a new risk management model in line with the Basel II adaptation process.
- To promote a unique risk culture.
- To improve the flexibility of the retail loan circuit and to ensure loan quality in all cases.
- To continue to acquire ownership interests in companies with growth potential and appropriate policies regarding profitability and professionalism.

Internal Management:

- To improve efficiency, control costs and rationalize investments and fixed assets.
- To focus the organization on internal and external customers.
- To implement an integral management system for all human resources actions and policies.
- To adapt internal agreements relating to compensation to the new labor agreement and to adjust the compensation system.
- To develop a training plan in line with the Caja's strategy.
- To actively manage human resources in order to encourage commercial activity.
- To boost internal and external service quality.
- To adjust the Caja's structure and regulation to the new regulatory requirements.
- To deploy the Corporate Social Responsibility Plan and prepare the sustainability report.

- To unify and boost the strategy to improve the Caja's image, communications and public relations.
- To adapt the accounting system of the Caja and its Group to IASs.

Community Welfare Projects:

- To bring the actions of the community welfare projects into line with the social needs in the Caja's market area.
- To promote activities targeting groups that are strongly involved in economic and social development: i.e. entrepreneurs and young people.
- To optimize the management model.
- To increase society's awareness of the Caja's community welfare project initiatives.

Through these strategies, Caja España aims to increase customer funds under management by 12.30% and lending by 16.90% in order to obtain a surplus before taxes of over €105 million. Also, as a customer bonding initiative, the Caja will attempt to increase the number of product families sold from 4.57 to 5.00 per customer, and to attract 110,000 new customers.