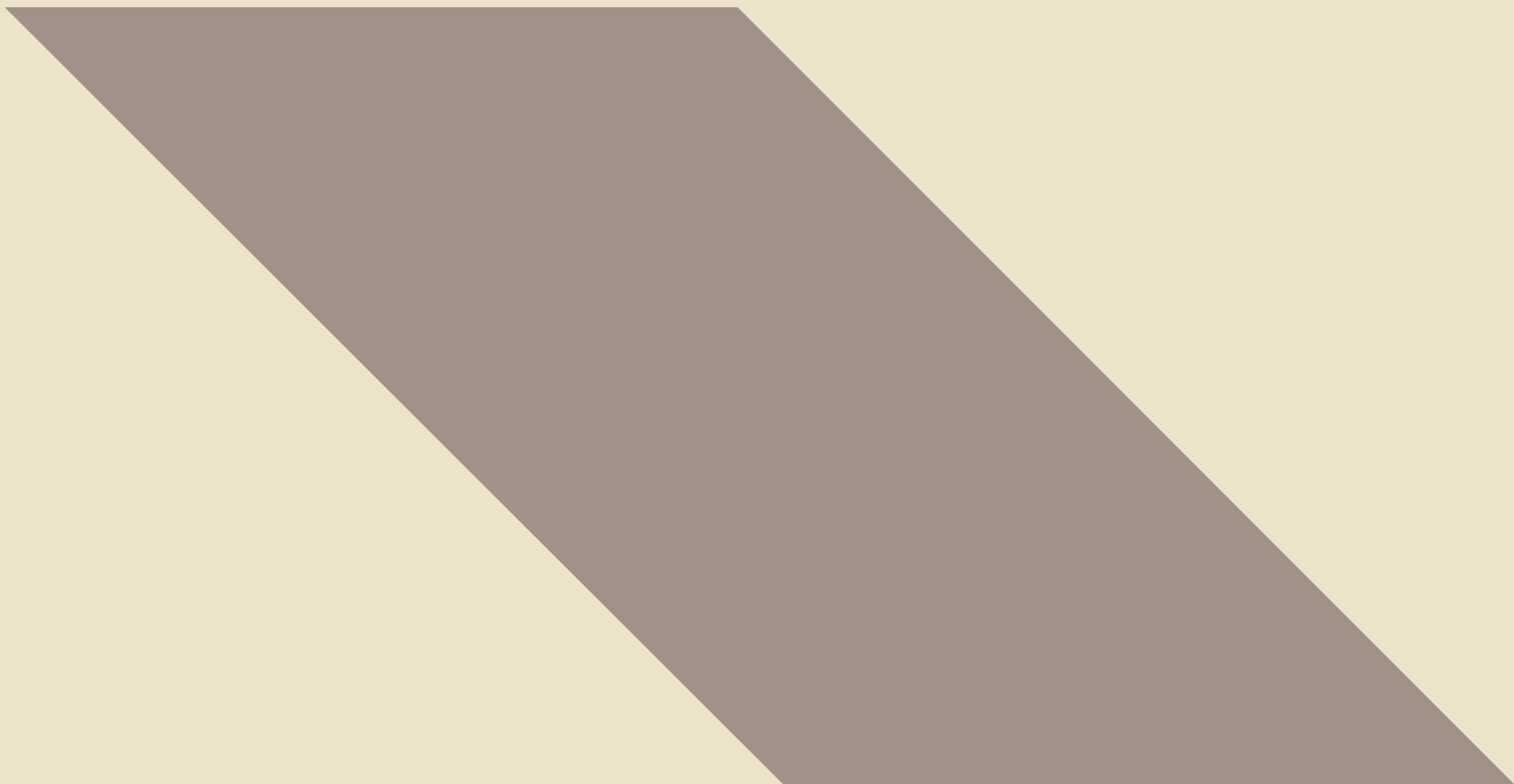


Federation Activities



Institutional activities

Audience with the President of the Basque Autonomous Government

On 3rd May 2010, an audience was held with the President of the Basque Autonomous Government Lehendakari, Mr. Patxi López, to present the main spheres of financial and social activity of the member Savings Banks.



Basque Economic and Social Council

The Technical General Secretary represents the ACBC-based Savings Banks and financial institutions on this consultative body and is also involved with the various organs and committees to compile reports on legislative projects and their own relevant reports.

Visit of the Baden-Württemberg Savings Banks

As a continuation of the collaboration agreement with the Regional Association of Baden-Württemberg Saving Banks, the Technical General Secretary attended the Congress of German Savings Banks which was held in Stuttgart on 5th and 6th May.

Sponsorships

Euskal Herria Youth Orchestra

Since it was set up in 1996, the Basque Youth Orchestra (EGO) has been supported and sponsored by the Basque Savings Banks and serves as an orchestral training ground for young Basque musicians.

Over the years, the orchestra has managed to create a solid structure to allow young instrumentalists to develop artistically and to act as an access bridge to the professional world. To achieve this objective, there is a collaboration agreement between the Youth Orchestra and Euskadi Symphonic Orchestra which through the means of entrance grants enables young musicians to gain professional experience of the EGO.

Since it was set up, more than 600 individuals have been involved. In 2010, more young people joined following the auditions which are held each Spring and attended by over 200 hopefuls.

In addition to preparing the repertoire for the Summer Concert, they also recorded the sound track for the documentary film "La Chanson de Roland" and they performed the work "Gernika" in combination with the Aukeran contemporary dance company.

Auñamendi-Eusko Entziklopedia

The project has been promoted by Eusko Ikaskuntza since 1996, and sponsored by the Basque Government and the Basque Savings Banks. The aim of this project, starting with the online digitalised Auñamendi database, is to combine other Federation databases (list of titles, Euskonews magazine, multimedia gallery, etc.) and other databases (Aranzadi, Eresbil, etc.) in order to enhance the content of the digitalised resources about Basque culture.

By the end of 2010, the number of articles or contributions had reached 150,000. The digital version receives more than 40,000 visits each month.

This multi-lingual, comprehensive project covers a wide range of areas of knowledge and is open to educational and scientific communities and users alike.



Jakiunde

Jakiunde, the Academy of Sciences, Arts and Humanities, was founded on 25th October 2007, and since 2010 has been funded by the Basque Savings Banks.

The Academy's mission is to promote and disseminate the Sciences, Arts and Humanities, placing special emphasis on quality and the search for excellence, and providing a top-level forum for reflection, analysis, diagnosis and assessment of the major challenges for the scientific, artistic and literary community and society in general. It currently has 38 members and 7 ex-officio members which include the Vice-Chancellors of the Universities in Jakiunde's geographical sphere of action and home to the Basque language and culture.



Eusko-Ganberak Corporate Outlook

The Basque Savings Banks continued to collaborate with the Basque Chambers of Commerce-Eusko Ganberak on the annual survey which is conducted on a regional level in the European Union. More than 67,500 companies took part in this sample from 95 regions in 25 countries, and Basque was represented by more than 1,200 companies.

This work enabled Basque companies to discover their position in relation to various business variables in the European Union.

The report also included a comparative analysis of the Basque Country with other regions which because of their excellent competitive position constituted a good point of reference for an increasingly globalized economy.



Ekopass Association

For the fourth consecutive year and under the Ekopass Association adherence agreement to combat climate change, the Basque Savings Banks have measured CO2 emissions generated as a result of daily transport, electricity consumption and other consumables.

Financial Collaboration Agreements

The 2010 financial year was marked by the convulsive movements of the economy in general and of the financial sector in particular, with a pronounced restriction in liquidity which was reflected in each and every economic sector.

This scenario was also visible in the Basque economy and as a result, the Basque Administration maintained its more important specific lines of support to the productive sectors.

In addition to traditional support lines, the Collaboration Agreements in force in 2010 therefore included a joint support programme for the most affected sectors with a credit line of 500 million €.

The Basque Administration continued to require funding in order to fulfil its economic and social objectives and therefore resorted to indebtedness by means of various market formulas.

In terms of financial agreements, the Basque Savings Banks continued to boast the highest overall participation rates in the agreements and collaboration between the Basque Government and financial institutions throughout 2010.

In this current climate of low economic growth and falling productive activity in general, it is worth mentioning the important drop in the volume of loans granted which were 57% lower than in 2009.

In 2010, funds allocated to the financial collaboration agreements by the three Basque Savings Banks totalled approximately 222.3 million €, with total funds channelled by all the financial institutions amounting to 550.6 million €, with an approximate participation rate, therefore, of 50.4%.

Housing

The volume of financing granted during the 2010 financial year by all financial institutions amounted to 328.4 million €, with the Basque Savings Banks supplying most resources with a rate of 46.7%.

There was a severe drop in interest rates during 2011, and this was subsequently reflected in the Housing Agreement.

During 2010, the interest rate applicable to the Housing Agreements signed in previous years followed a similar path to the rates applicable in the rest of Spain.

The Housing Agreement which was signed in 2009 was extended in 2010 and financial aid matched that of the previous financial year, i.e. non-refundable subsidies for promoting social housing, renovations, etc. and interest rate subsidies for rent support.

Legislation was updated with Decree 628/2009 of 22nd December, which came into



effect in 2010. This Decree covered the introduction of an important series of new

measures aimed at price-controlled housing and regional government-owned rented housing, housing repurchase possibility in the case of non-payment, interest rate modification, etc...

Productive Investment Agreements AFI

In 2010, the traditional financial instruments or Productive Investment Agreements (e.g. the AFI programme for Industry, Commerce and Tourism) remained in force although the level of financed investment was considerably lower (-39%). The SPRI Basque Development Agency continued to manage these lines.

Financial investment incentives were geared towards SMEs in any of the three sectors (industry, commerce or tourism) which comply with the legally-established requirements such as minimum investment of 100,000€ in the case of the industrial sector and 30,000€ in either of the other two sectors.

The financial conditions applied during 2010 were the Euribor plus a margin of 1.5% regardless of the term chosen with a maximum applicable commission of 0.40%.

Previous financial year subsidies remained with general interest subsidisation standing at 1.5 percentage points.

The volume of funds channelled by the three Basque Savings Banks into the AFI financial investment incentive programme totalled 20.5 million €.

BBK, Kutxa and Caja Vital Kutxa collaborated with other financial institutions on an agreement to improve AFI teleprocessing.

Lines of adaptation to the financial structure

Financial Adaptation Agreement for SMEs and Self-employed Workers: The additional ninth regulation of Law 19/2008 of 30th December for the 2009 Basque Government Budgets authorised the Government to approve a specific support programme for the financing of Basque companies. One of these consisted of a pluriannual financing line for individual entrepreneurs, self-employed workers and SMEs totalling 500 million euros for their working capital needs, revocation or adaptation of short-term debt to medium and long term, etc. This line was also in force throughout 2010.

Financing was available for financial structure adaptation projects when the presented financing structure was inadequate for future development. Formalized loan and credit operations were guaranteed by an MGC (Mutual Guarantee Company).

The financial conditions applicable to the applicant were the Euribor plus a margin of 1.5%.

The volume of funds allocated by the institutions to these lines in 2010 amounted to 115.2 million €, with financing granted by the three Basque Savings Banks of 30.3 million € (26.3%).

Other collaboration agreements

Gazte Txartela Programme

The Order of 21st February 2007 regulated which institutions were legally permitted to issue Gazte Txartela cards during the 2007-2010 period, and five financial institutions (including the Basque Savings Banks) were authorised to do so. By the end of 2010, approximately 63,000 Gazte Txartelas cards had been issued.

The issuing institutions were responsible for receiving card fees paid by the young cardholders, providing technical card support and issuing the Gazte Txartelas cards, in addition to providing accident insurance for cardholders.

The temporary consortium (UTE) of the Basque Savings Banks was awarded the tender floated at the end of 2010 to select a collaborating institution. For a period of 4 years commencing on 1st March 2011, the three Basque Savings Banks (Bilbao Bizkaia Kutxa, Gipuzkoa Donostia Kutxa and Caja Vital Kutxa) will therefore be the only institutions entitled to issue the Gazte Txartela card.



Basque Housing Service - Etxebide

Etxebide, the Basque Social Housing Allocation Service, is one of the institutions comprising the Basque Public Housing Service Network in conjunction with Bizilagun, public housing corporations, council housing services, and the Basque Government's Department of Housing, Transport and Public Works.

By the end of 2010, 76,000 applications had been received. The Basque Savings Banks have collaborated with Etxebide since the start by offering advice to interested parties and by processing applications.

FINANCIAL COLLABORATION AGREEMENTS

FINANCIAL COLLABORATION	LEGAL FRAMEWORK	GLOBAL FINANCING		SAVINGS BANK			CREDIT CHARACTERISTICS	
		VOLUME AGREEMENT	FINANCING REQUESTED	AMOUNT GRANTED	% OF TOTAL	TERM (years)	INTEREST RATES (%)	MAXIMUM AMOUNT
HOUSING	- Agreement signed: 31/12/2009 - Decree 628/2009 of 22nd December - Hearing 3-2010 - Development Orders	Does not exist	328,4	153,3	46,7	20/30 years	Euribor +0.25 1.25% (home purchase)	80/100% sale price
INDUSTRY	- Agreement signed 19th July 2000 - Notification of SPRI aid 03/02/10	120,20	48,3	12	24,9	7	- ICO: according to agreement - Variable: Euribor 1.5%	An eligible loan is considered to be lower than: - 100% eligible investment or - Amount authorized by the financial institution
TOURISM	- Agreement signed 19th July 2000 - Notification of SPRI aid 16/02/09		4,7	3,9	83	7		
TRADE	- Agreement signed 19th July 2000 - Notification of SPRI aid 03/02/10		18,4	4,6	25	7		
ADEFIN	- Resolution 11th May 2010 ADEFIN - Order 23rd February 2009	Does not exist	0,2	0,05	25	5 minimum	- Variable: Euribor 1,5%	Minimum amount eligible loan 30,000 euros
SMEs	- Decree 41/2010 of 9th February	500	115,2	30,3	26,3	Up to 3 years	- E + 1,5%	Max. 600.000 €
SELF-EMPLOYED WORKERS	- Decree 41/2010 of 9th February							Min. 50.000 €
LUZARO		-	35,7	18	50,4	-	-	Max. 100.000 € Min. 10.000 €

(Million €).

Bono Cultura Programme

During the 2010 financial year, the Basque Administration decided to support culture by subsidising a wide range of cultural products through the sale of "Bono Cultura" vouchers. In total, 59,000 vouchers were made available to the public in the ACBC. The Basque Administration floated a tender to select a collaborating institution and this was won by the temporary consortium presented by the three Saving Banks (BBK, Kutxa y Caja Vital Kutxa), which made their network of multiservice cashpoints and/or other specific means available for the programme.

Each voucher costs 40€, with the purchaser paying 25€ and the remainder subsidised by the Basque Administration.

All the vouchers were sold in the three historic territories (57.9% Bizkaia, 23.8% Gipuzkoa and 18.35% Araba).

Metaposta

In addition to its functions as an Internet-based letterbox and strongbox, Metaposta represents a system to ensure that correspondence reaches its intended recipients and is a unique system for accessing the mail and documents issued by more than 300 companies and public organizations. Unlike email, its advantage is that only messages from previously established organizations are received.

Since the end of 2008, the three Basque Savings Banks (BBK, Kutxa, Caja Vital Kutxa), leaders of online financial services in the Basque Country, have collaborated on the Metaposta project to give fresh impetus to the information society. Among other services, they will supply the online registration for Metaposta users through their online banking system, and will send the documentation and notifications to the user's electronic letterbox.

At the end of 2010, the first incorporation tests were conducted between the Basque Savings Banks computer systems and the Metaposta System.



Studies and publications

With the aim of compiling and publishing socio-economic information which is of interest and value to the public, the Federation of Basque-Navarre Savings Banks publishes various studies and editorial series. Three periodic analyses and study series are currently produced: the Consumer Finance Report, the Ekonomi Gerizan monographic series and the Carbon Market Bulletin.

The aim of the Consumer Finance Report is to ascertain the perceptions, intentions and expectations of Basque consumers regarding a series of economic, financial and social variables. This report is compiled each quarter by surveying 1,600 consumers over the age of 18 residing in the ACBC. On the basis of these surveys, the ACBC Consumer Confidence Index and a series of additional indexes are compiled and these reveal how Basque consumers perceive different aspects of the general economy and their home economics. Since a large part of the survey's contents are homogenous with similar confidence indexes compiled by European institutions on a national and European level, it is possible to reliably compare and contrast the evolution of consumer confidence in these different areas.

The name Ekonomi Gerizan covers a series of monographic studies which are published annually, offering an in-depth and detailed analysis of socio-economic, newsworthy matters. The topics for each edition are selected based on their topicality and medium/long-term relevance for Basque society and the economy. Each monographic edition forms the basis for a Seminar which is presented at the University of the Basque Country Summer School which is held each year in San Sebastian.

Climate change and sustainable economic development constitute two complementary sides of a very complex question with momentous consequences for humanity and planet earth. The aim of the Carbon Market Bulletin, which is now published twice yearly, is to provide current, relevant information about the policies, actions and markets relating to climate change with special emphasis on the greenhouse-gas-trading market.

These publications are freely available on the website of the Federation of Basque-Navarre Savings Banks (www.fcavn.es) to ensure that the information they contain reaches as many people and is as useful as possible.

Monographic Study and Summer University Seminar

The latest international economic growth cycle, and the economic and financial crisis with which it ended, highlighted and generated a series of social and economic imbalances affecting every country and the entire international community in a widespread way.

The countries (mainly European and developed) which implement welfare state institutions and mechanisms have suffered the effects of this economic growth cycle and the ensuing crisis. These effects have in turn impacted on welfare state institutions and mechanisms as a result of the increase in the number of those claiming benefits, the appearance of new needs which must be addressed, and the financing difficulties arising from economic deceleration and the greater borrowing of countries as they attempt to contain and alleviate the consequences of the economic and financial crisis.

Major questions have therefore been raised about the Welfare State: Is the praxis of the Welfare State still pragmatically feasible? Can it be reformed or adapted to the new circumstances? Or can it continue to develop in a way which is safe and problem-free for institutions and citizens?



On 8th, 9th and 10 September 2010, within the framework of the University of the Basque Country Summer School held at Palacio Miramar in San Sebastian, the Seminar "The Welfare State at the crossroads: new challenges posed by the global crisis" was organised by the Federation of Basque-Navarre Savings Banks and this was attended by a panel of important figures from the academic and financial world with Joaquín Almunia, the Vice-President and Commissioner responsible for Competition, and Carlos Aguirre, Chancellor of the Exchequer taking part in the Closing Ceremony. Aguirre.

By way of continuation of this Seminar, the 18th edition of the Ekonomi Gerizan series explored different aspects and perspectives of the Welfare State crisis, in an attempt to assess its current situation and anticipate its sustainability and possible lines of development in the foreseeable future.

Financial Situation of the Consumer Report (CEC)

The decisions made by families in terms of saving, consumption, investment and borrowing are of unquestionable importance since they have an extremely significant effect on the evolution of a country's economy. This importance justifies the interest both on an academic and on a corporate and institutional level in attempting to anticipate the implications and scope of such decisions. This forecast is performed by analysing the perceptions and expectations of families and individuals regarding the general economic situation and their home economics by means of the information gathered and provided by the consumer confidence and financial situation indexes

The Consumer Confidence Index for the Autonomous Community of the Basque Country has been compiled by the Federation of Basque-Navarre Savings Banks since 1984 with a similar methodology to that used by European institutions to produce similar indexes throughout Spain and Europe. This index and other supplementary subjective and macroeconomically statistical indexes form the basis for the production of the ACBC Consumer Finance Report. This group of indicators reveals the perceptions of Basque consumers and enables a comparison with those of consumers in other similar socio-economic regions.

The report is compiled by surveying 1,600 people over the ages of 18 residing in the ACBC each quarter. The level of statistical confidence of the results obtained is 95.5% with an error margin of +/- 2.2%. Each stage of the survey also serves to provide information about specific subjects such as saving, social welfare and household borrowing



Carbon Market Bulletin

The Basque-Navarre Savings Banks' social welfare work has always been a clear demonstration of their social corporate responsibility, and for many years now this has specifically focused on a variety of environmental issues. The Carbon Market Bulletin has been classified within this context since it was first published in 2005.

Energy from fossil-fuel extraction (first coal and then oil and gas) has for a long time been the main energy source used in developed and developing countries to revitalize their productive systems and provide services and improve the quality of life for their inhabitants. In recent decades, there has been a progressively awareness of the negative repercussions of the waste products of these energy sources both in terms of the environment and sustainability. This has exposed the need for new environmentally-friendly energy sources and consequently for an international economic growth model which respects both the environment and natural resources in the short and long term.

The current energy model consists of a series of processes which causes emissions of different substances, including CO₂, with many harmful effects for the planet's

atmosphere and consequently for the environment and for humans. For this reason, while new sources of "clean" energies are being developed and established, governments and corporations have undertaken the task of managing and mitigating these harmful effects. Correspondingly, a series of different instruments have therefore been implemented and one of the most important of these is the regulation of CO₂ emissions as a good which can be commercially and financially traded.

Every six months, the Carbon Market Bulletin provides information about the emission trading market both in terms of volumes brokered and prices, and its foreseeable evolution. It also includes important information about corporate, institutional and supranational activity relating to active environmental conservation

