

**FONDO DE GARANTIA DE DEPOSITOS EN
COOPERATIVAS DE CREDITO**

SPAIN

ANNUAL REPORT 2004

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This is a translation of the Spanish original and it has been prepared for the convenience of readers and in the event of ambiguity, the Spanish text will prevail. The Spanish version can be downloaded from the web site (www.fgd.es) or can be requested to:

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MANAGEMENT REPORT

INTRODUCTION

Order ECO 2801/2003, of 3 October, published on 14 October 2003, establishing the contributions to be made to the Fondo de Garantía de Depósitos en Cooperativas de Crédito (hereinafter FGDCC) by integrated entities.

These contributions were fixed at 0,8‰ of the calculation basis established in articles 3 and 4 of Royal Decree 2606/1996, in accordance with Royal Decree 948/2001 on investor compensation systems. The contributions of the entities amounted a total of € 34,015.9 thousand, which were disbursed on 27 February 2004.

The Resolution of the Ministry of Economy of 1 August 2002, in accordance with the point 3 article 74 of Law 24/2001, of 27 December, on Tax, Administrative and Labour Matters, fixed the contributions payable by the Investment Guarantee Fund and the Deposit Guarantee Funds as a percentage of total compensation for non-compliance of the repayment obligation by investment services firms, before the above mentioned Law 24/2001 coming into force.

By virtue of the above mentioned Resolution of the Ministry of the Economy, the percentage distribution of compensation payable to affected investors between the Investment Guarantee Fund and the Deposit Guarantee Funds has been established as follows:

• Fondo de Garantía de Depósitos en Establecimientos Bancarios.....	53.98%
• Fondo de Garantía de Depósitos en Cajas de Ahorro	40.90%
• Fondo de Garantía de Depósitos en Cooperativas de Crédito	4.95%
• Fondo General de Garantía de Inversiones	0.17%

The estimated amount for the compensation by the Gestora of the Investment Guarantee Fund has been updated this year to €79.7 million, approximately €3.9 million of this figure shall be payable by the Fondo de Garantía de Depósitos en Cooperativas de Crédito. Of the former amount €2,9 million have been disbursed at year-end.

INTEGRATED ENTITIES AND CONTRIBUTIONS

At the beginning of the year there were 86 entities integrated in FGDCC. A list of the member entities was published in the Official Spanish State Gazette 86, on 9 April 2004, as Royal Decree 2606/1996, requires it.

At the date of this report, there are 85 entities integrated in FGDCC. The decrease of one is due to one merger.

These entities disbursed contributions corresponding to 0.8‰ of guaranteed deposits and securities at the previous year-end amounting to € 34,015.9 thousand. Although an increase of the deposits has taken place regarding the previous exercise of 10.4%, the

contributions have decreased in 11.7% due the reduction of the percentage of the contributions from 1‰ to 0.8‰ according to Order ECO/2801/2002, of 3 October. Of the total amount entered, the 99.7% corresponds to guaranteed deposits and the 0.3% to guaranteed securities. In accordance with the legislation, the Central Bank (Banco de España) has made no contributions.

ASSISTANCE GRANTED

During the year no new assistance has been granted to credit entities.

ACTIVITY DURING THE YEAR

Management and administration during the year have been carried out by virtue of the contract signed on 29 June 2000, with Fund Management Company (Sociedad Gestora de los Fondos de Garantía de Depósitos en Entidades de Crédito AIE), and have been in line with the performance and guidelines observed in previous years, as follows:

- Management of third party debts acquired in prior years from credit co-operative banks crisis.
- Management of finances in accordance with the established conditions in the above mentioned contract. Total investments in Treasury bills have amounted to € 336,507.9 thousand, up 12.6% on prior year. Financial income net of these investments totals € 7,466.1 thousand, representing a return of 2.26% on an average investment of € 330,032.7 thousand. The financial management on the whole shows a net profit of € 7,421.1 thousand, down € 937.5 thousand from the previous year, the 11.2%, due to cuts in interest rates during the year.
- Other significant activities include the actions required for the preparation of Executive Committees and for the execution of the decisions adopted, the study and report on the guarantee deposits in securities and other financial instruments, and the analysis of FGDCC's coverage level on the basis of its equity.

FINANCIAL POSITION

Available resources have been increased in € 40,175.3 thousand during the year, of which € 34,015.9 thousand comes from to credit co-operatives banks contributions and € 6,159.4 thousand to FGDCC management, primarily financial interests. These resources have been invested totally in Treasury bills.

As consequence of these incomes that have been invested in Treasury bills, financial resources which amount to € 344,456.4 thousand and represent the 99.9% of total assets and 100.2% of net equity at year-ended.

Therefore, FGDCC fulfils article 3.7 of Royal Decree 2606/1996, which establishes that uncommitted net equity shall be invested in public debt or in other highly liquid, low-risk assets.

SURPLUS FOR THE YEAR AND EQUITY

The surplus of the year shows the next figures, Euros in thousands:

Items	Management	Financial	TOTAL
Incomes	34,015.9	7,487.2	41,503.1
Expenses	1,032.6	66.1	1,098.7
TOTAL.....	32,983.3	7,421.1	40,404.4

The surplus generated in 2004 stand at € 44,404.4 thousand, a decrease of € 6,176.3 thousand from the previous year, which represent 13.3%. The surplus includes in incomes € 34,015.9 thousand from contributions, which represent 87.2% of the surplus of the year, and in expenses the increase of € 782.1 thousand of the provision for payment of estimated compensation in accordance of the article 74 of the Law 24/2001.

Considering the amount of the surplus for the year, the equity of FGDC amounts to € 303,194.8 thousand as at 31 December 2004, up 18.1 on the opening balance.

GUARANTEED DEPOSITS

The evolution of deposits in last years has been as follows, Euros in million:

Year	Deposits and securities guaranteed	Calculation bases of contributions	Deposit and securities covered	% Guaranteed
31.12.1990	8,962,800	8,962,800	5,924,200	66.1
31.12.1991	10,373,600	10,373,600	6,743,212	65.0
31.12.1992	11,458,600	11,458,600	7,276,207	63.5
31.12.1993	13,085,100	13,085,100	7,913,772	60.5
31.12.1994	14,967,300	14,967,300	8,426,611	56.3
31.12.1995	17,128,262	17,128,262	9,145,337	53.4
31.12.1996	18,918,737	18,918,737	12,112,810	64.0
31.12.1997	20,539,655	20,539,655	12,947,862	63.0
31.12.1998	22,973,610	22,973,610	14,590,885	63.5
31.12.1999	26,397,900	26,397,900	16,346,399	61.9
31.12.2000	29,763,051	29,763,051	19,479,782	65.4
31.12.2001	36,777,551	34,827,706	22,928,802	62.3
31.12.2002	40,994,055	38,505,644	24,793,857	60.5
31.12.2003	44,454,161	42,519,973	26,560,119	59.7
31.12.2004	49,725,428	47,525,762	28,612,315	57.5

From 31 December 2001, guaranteed deposits include the total amount of securities and financial instruments and the calculation bases include the cash deposits and the 5% of securities and financial instruments.

FGDC's equity amounted to € 343,599 thousand and represent coverage of 0.72% of the calculation base for contributions in 2004, compared with 0.71% in 2003.

In compliance with article 3.4 of Royal Decree 2606/1996, the contributions will cease when FGDC's equity reach 1% of the calculation bases of contributions.

ECONOMIC/FINANCIAL CONTROL

Court of Auditors

The results of audit of accounts and contracts in 2003, submitted to the Court of Auditors (Tribunal de Cuentas), will be set in the annual report for that year, its approval is still pending.

External audit

The audit report for 2004, prepared by KPMG Auditors, SL, is attached.

EXECUTIVE COMMITTEE

During the year and referring to members representing Banco de España, the vowels Mr. Pedro Pablo Villasante and Mr. José María Roldán Alegre and the substitute vowel Mr. Francisco Javier Priego Pérez, have been renewed, and Mr. Julián María Atienza has joined as an alternate member, ceasing Mr. Eduardo Galilea Ortega. Referring to members representing credit institutions, Mr. Joaquín Vázquez López has joined as a full member and Mr. José María Jiménez Jiménez has joined as an alternate member, ceasing Mr. Ángel Félix Oliván Ramón.

FINANCIAL STATEMENTS

Next is shown the balance sheets, statements of income and the statements of cash flows as at 31 December 2004 and 2003.

FONDO DE GARANTIA DE DEPOSITOS EN COOPERATIVAS DE CREDITO

Balance sheets, as at 31 December

(Euros in thousands)

ASSETS	2004	2003
FIXED ASSETS		
Long term investment	56,360.1	97,308.0
- Treasury bills	56,027.1	96,705.0
- Securities.....	333.0	333.0
Total fixed asset	97,308.0	97,308.0
ASSETS BEING SOLD OFF as a result of assisted entities		
- Loans to third parties.....	2,255.9	2,255.9
- Provision for loss on loans	(2,255.9)	(2,255.9)
Total assets being sold off	--	--
CURRENT ASSETS		
Short term investments	286,629.7	205,776.5
- Treasury bills	280,480.8	202,194.2
- Interests receivable on investments	6,210.8	3,582.3
- Provision.....	(61.9)	--
Debtors	0.1	0.1
- Debtors.....	0.1	0.1
Cash at banks	1,799.6	2,692.1
Total current assets	288,429.4	208,468.7
TOTAL ASSETS	344,789.5	305,506.7
LIABILITIES		
FUND BALANCE		
- Accumulated net income	303,194.6	256,613.9
- Surplus for the year	40,404.4	46,580.7
Total fund balance.....	343,599.0	303,194.6
PROVISION		
- Indemnities for legal prescription.....	1,002.6	2,122.3
- Provisions for others liabilities	124.5	122.7
Total provisions.....	1,127.1	2,245.0
CURRENT LIABILITIES		
- Short term creditors.....	63.4	67.1
Total current liabilities	63.4	67.1
TOTAL LIABILITIES AND FUND BALANCE..	344,789.5	305,506.7
Memorandum accounts	74.4	291.4

FONDO DE GARANTIA DE DEPÓSITOS EN COOPERATIVAS DE CREDITO

Statements of income, as at 31 December

(Euros in thousands)

EXPENSES	2004	2003
MANAGEMENT EXPENSES		
Operating expenses.....	250.5	283.5
Extraordinary expenses	782.1	--
Total management expenses	1,032.6	283.5
MANAGEMENT REVENUES	32,983.3	38,222.1
Financial expenses.....	66.1	4.5
FINANCIAL REVENUES.....	7,421.1	8,358.6
SURPLUS FOR THE YEAR	40,404.4	46,580.7
INCOME		
MANAGEMENT INCOME		
Contributions	34,015.9	38,505.6
Total management income	34,015.9	38,505.6
FINANCIAL INCOME		
Interest on investments	7,466.1	8,274.7
Other financial income	21.1	88.4
Total financial income.....	7,487.2	8,363.1

FONDO DE GARANTIA DE DEPÓSITOS EN COOPERATIVAS DE CREDITO

Statements of cash flows, for the year ended 31 December

(Euros in thousands)

	2004	2003
CASH FLOW PROVIDED BY		
Contributions.....	34,015.9	38,505.6
Financial products and others.....	4,830.4	10,440.6
Decrease in liquid assets.....	892.5	1,301.2
TOTAL.....	39,738.8	50,247.4
CASH FLOW USED BY		
Increase in financial investments.....	37,580.3	49,177.4
Operating expenses.....	256.7	285.7
Indemnities for legal prescription.....	1,901.8	784.3
TOTAL.....	39,738.8	50,247.4

Auditors' Report on the Financial Statements



Audidores

Edificio Torre Europa
Paseo de la Castellana, 95
28046 Madrid

Informe de Auditoría de Estados Financieros

A la Comisión Gestora del
Fondo de Garantía de Depósitos en Cooperativas de Crédito

Hemos auditado los estados financieros del Fondo de Garantía de Depósitos en Cooperativas de Crédito (en adelante el Fondo) que comprenden el balance de situación al 31 de diciembre de 2004, la cuenta de resultados, el cuadro de financiación y la memoria correspondientes al ejercicio anual terminado en dicha fecha, cuya formulación es responsabilidad de los Administradores de la Sociedad Gestora de los Fondos de Garantía de Depósitos en Entidades de Crédito, A.I.E. (en adelante los Administradores de la Sociedad Gestora). Nuestra responsabilidad es expresar una opinión sobre los citados estados financieros en su conjunto, basada en el trabajo realizado de acuerdo con las normas de auditoría generalmente aceptadas, que requieren el examen, mediante la realización de pruebas selectivas, de la evidencia justificativa de los estados financieros y la evaluación de su presentación, de los principios contables aplicados y de las estimaciones realizadas.

Los Administradores de la Sociedad Gestora presentan, a efectos comparativos, con cada una de las partidas del balance de situación, de la cuenta de resultados y del cuadro de financiación, además de las cifras del ejercicio 2004, las correspondientes al ejercicio anterior y en algunos epígrafes de la memoria, las cifras y movimientos desde el origen de los saldos. Nuestra opinión se refiere exclusivamente a los estados financieros del ejercicio 2004. Con fecha 6 de febrero de 2004 emitimos nuestro informe de auditoría acerca de los estados financieros del ejercicio 2003 en el que expresamos una opinión favorable.

En nuestra opinión, los estados financieros de 2004 adjuntos expresan, en todos los aspectos significativos, la imagen fiel del patrimonio y de la situación financiera del Fondo de Garantía de Depósitos en Cooperativas de Crédito al 31 de diciembre de 2004 y de los resultados de sus operaciones y de los recursos obtenidos y aplicados durante el ejercicio anual terminado en dicha fecha y contienen la información necesaria y suficiente para su interpretación y comprensión adecuada, de conformidad con principios y normas contables generalmente aceptados que guardan uniformidad con los aplicados en el ejercicio anterior.

El informe de gestión adjunto del ejercicio 2004 contiene las explicaciones que los Administradores de la Sociedad Gestora consideran oportunas sobre la situación del Fondo, la evolución de su actividad y sobre otros asuntos y no forma parte integrante de los estados financieros. Hemos verificado que la información contable que contiene el citado informe de gestión concuerda con la de los estados financieros del ejercicio 2004. Nuestro trabajo como auditores se limita a la verificación del informe de gestión con el alcance mencionado en este mismo párrafo y no incluye la revisión de información distinta de la obtenida a partir de los registros contables del Fondo de Garantía de Depósitos en Cooperativas de Crédito.

KPMG AUDITORES, S.L.



Julio Álvaro Esteban

21 de enero de 2005



Auditors' Report on the Financial Statements
(Translation from the original in Spanish)

To the Executive Committee of
Fondo de Garantía de Depósitos en Cooperativas de Crédito

We have audited the financial statements of the Deposit Guarantee Fund for Credit Cooperative Banks (hereinafter the Fund), which comprise the balance sheet at 31 December 2004, the statement of profit and loss, the disclosure of source and application of funds then ended and the notes thereto, the preparation of which is the responsibility of the directors of the Sociedad Gestora de los Fondos de Garantía de Depósitos en Entidades de Crédito, A.I.E. (hereinafter Directors of the Fund Management Company). Our responsibility is to express an opinion on the financial statements taken as a whole, based on our examination which was conducted in accordance with generally accepted auditing standards, which require examining, on a test basis, evidence supporting the amounts in the financial statements and assessing the appropriateness of their presentation, of the accounting principles applied and of the estimates employed.

The Directors of the Fund Management Company, shown to comparative effects, for each individual caption in the balance sheet, statement of profit and loss and disclosure of source and application of funds, besides the figures of the 2004, figures of the previous year, and movement with regard to initial balances for certain captions. We express our opinion solely on the financial statements for 2004. On 11 February 2004 we issued our unqualified audit report on the financial statements for 2003.

In our opinion, these financial statements for 2004 present fairly, in all material respects, the shareholders' equity and financial position of the Deposit Guarantee Fund for Credit Cooperative Banks at 31 December 2004 and the results of its operations and the source and application of funds for the year then ended, and contain sufficient information necessary for their adequate interpretation and understanding, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

The accompanying directors' report for 2004 contains such explanations as the Directors of the Fund Management Company consider relevant to the situation of the Fund, the evolution of its business and other matters, but is not an integral part of the financial statements. We have verified that the accounting information contained therein is consistent with that disclosed in the financial statements for 2003. Our work as auditors is limited to the verification of the directors' report within the scope described in this paragraph and does not include a review of information other than that obtained from the accounting records of the Deposit Guarantee Fund for Credit Cooperative Banks.

KPMG AUDITORES, S.L.
(Signed by)

Julio Álvaro Esteban
21 January 2005