

# DEPOSIT GUARANTEE FUND FOR CREDIT COOPERATIVE BANKS

FONDO DE GARANTÍA DE DEPÓSITOS  
EN COOPERATIVAS DE CRÉDITO

SPAIN

ANNUAL REPORT 2006



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Fondo de Garantía de Depósitos en Cooperativas de Crédito  
José Ortega y Gasset, 22  
28006 Madrid – España

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## DEPOSIT GUARANTEE FUND FOR CREDIT COOPERATIVE BANKS

### MANAGEMENT REPORT FOR THE YEAR 2006

#### Activity during the year

1. Management and administration of Deposit Guarantee Fund for Credit Cooperative Banks (hereinafter FGDC) during the year 2006 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 cooperative banks crisis.
- Management of the equity capital through the investment in public debts. Total investments in Treasury bills and *repos* have amounted to € 384,988.2 thousand and total of disinvestments to € 330,268.1 thousand. The financial income shows a profit of € 11,190 thousand, representing an average yield of 2.65% on an average investments of € 423,029.8 thousand. The financial management on the whole with others financial income and expenses shows a net profit of € 11,512.6 thousand, due to the upper profitability of the financial investment.
- Other significant activities include the actions required for the preparation of Executive Committees and for the execution of the decisions adopted, and the analysis of FGDC's coverage level on the basis of its equity capital.

2. The Resolution of the Ministry of Economy on 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:

• Deposit Guarantee Fund for Banks Establishments .....	53.98%
• Deposit Guarantee Fund for Savings Banks .....	40.90%
• Deposit Guarantee Fund for Credit Cooperative Banks .....	4.95%
• Investment Guarantee Fund .....	0.17%

The Management of the Investment Guarantee Fund has estimated the total amount of compensation in € 79.7 million. Approximately € 3.9 million of this figure shall be payable by the FGDCC. This financial year € 0.1 million have been paid, totalling € 3.2 million from the beginning.

### Integrated entities and contributions

3. At the beginning of the year there were 85 entities integrated in FGDCC. A list of the member entities was published in the Official Spanish State Gazette 77, on 31 March, 2006, as it is required by Royal Decree 2606/1996. At the date of this report, the entities integrated are the same.

4. Order ECO 2801/2003, of 3 October, published on 14 October, 2003, establishes the contributions to be made to the 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 € 42,781.5 thousand, with an increase of € 4,760.9 euros on the preceding year (11.8% on the previous year), which were disbursed on 28 February, 2006.

Of the total amount disbursed, the 99.7% corresponds to guaranteed deposits and the 0.3% to guaranteed securities. In accordance with the legislation, the Banco de España has made no contributions.

### Guaranteed deposits

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

<i>Year</i>	<i>Deposits and securities guaranteed</i>	<i>Calculation bases of contributions</i>	<i>Deposits and securities covered</i>	<i>% guaranteed</i>
31.12.1991	10,373.6	10,373.6	6,743.2	65.0
31.12.1992	11,458.6	11,458.6	7,276.2	63.5
31.12.1993	13,085.1	13,085.1	7,913.8	60.5
31.12.1994	14,967.3	14,967.3	8,426.6	56.3
31.12.1995	17,128.3	17,128.3	9,145.3	53.4
31.12.1996	18,918.7	18,918.7	12,112.8	64.0
31.12.1997	20,539.7	20,539.7	12,947.9	63.0
31.12.1998	22,973.6	22,973.6	14,590.9	63.5
31.12.1999	26,397.9	26,397.9	16,346.4	61.9
31.12.2000	29,763.1	29,763.1	19,479.8	65.4
31.12.2001	36,777.6	34,827.7	22,928.8	62.3
31.12.2002	40,994.1	38,505.6	24,793.9	60.5
31.12.2003	44,454.2	42,520.0	26,560.1	59.7
31.12.2004	49,729.6	47,526.0	28,612.5	57.5
31.12.2005	56,124.2	53,476.9	30,855.9	55.0
31.12.2006	64,852.0	61,422.8	33,286.6	51.3

From 31 December, 2001, guaranteed deposits include the total amount of securities and financial instruments and the calculation bases include the money deposits and the 5% of the value of securities and financial instruments. At 31 December, 2006, deposits and securities guaranteed have been up 15.6% on the previous year.

6. FGDCC's equity is the 0.72% of the calculation base for contributions in 2006 compared with 0.73% in 2005. In compliance with article 3.4 of Royal Decree 2606/1996, the contributions will cease when FGDCC's equity reaches 1% of the calculation bases of contributions.

### Assistance granted

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

### Operation of realization of assets deriving from financial restructuring

8. This exercise has been sold the credit against Hilados y Tejidos Puignero, SA, for € 2,255.9 thousand, amount that coincides with the face value, cancelling the provision for the same quantity.

### Financial position

9. Available resources have been increased in € 56,169.3 thousand during the year, of which € 42,781.5 thousand come from annuals credit co-operatives banks contributions and € 13,387.8 thousand from FGDCC management, mainly financial interests. These resources have been invested totally in Treasury bills in compliance of 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.

10. The financial resources amounts to € 445,544.5 thousand and represent the 99.9% of total assets and the 100.1% of net equity at year-ended.

### Surplus for the year and equity

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

<i>Items</i>	<i>Management</i>	<i>Financial</i>	<i>Total</i>
Income.....	45,037.4	11,517.4	56,554.8
Expenses.....	(338.3)	(4.8)	(343.1)
<b>Total.....</b>	<b>44,699.1</b>	<b>11,512.6</b>	<b>56,211.7</b>

The surplus generated in 2006 stands at € 56,211.7 thousand, an increase of € 11,107.3 thousand on the previous year, which represent an increase of 24.6%. Of the amount of the surplus it is necessary to highlight in income € 42,781.5 thousand from contributions, which represents 76.1% of the surplus of the year, and € 2,255.9 thousand from the cancelling of the provision of the credit against Hilados y Tejidos Puignero, SA.

12. Considering the amount of the surplus for the year, the equity of FGDC amounts to € 444,915.1 thousand at 31 December, 2006, up 14.5% on the opening balance.

### **Economic/financial control**

#### *Court of Auditors*

13. The results of audit of accounts and contracts in 2005 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*

14. The audit report for 2006, prepared by KPMG Auditores, SL, is attached.

### **Executive Committee**

15. Some representatives of the Banco de España in the Management Committee have been changed during the financial year. Mr. Gonzalo Gil García and Mr. Pedro Pablo Villasante have resigned and Mr. José María Viñals Íñiguez and Mr. Francisco Javier Arístegui Yáñez have been appointed. Mr. Viñals, Deputy Governor of the Banco de España, is the chairman and Mr. Arístegui is the deputy chairman. Besides, Mr. José Antonio Alepúz Sánchez has been renewed as member representative and secretary of the Management Committee

## **FINANCIAL STATEMENTS**

### **MANAGEMENT RESPONSIBILITY FOR FINANCIAL REPORTING**

The accompanying financial statements of the Deposit Guarantee Fund for Credit Cooperative Banks and the information related to the financial statements in this Annual Report are the responsibility of Management Committee. The financial statements have been prepared by the Fund Management Company (Sociedad Gestora de los Fondos de Garantía de Depósitos en Entidades de Crédito, AIE), in accordance with generally accepted accounting principles applied in Spain on a basis consistent with that of the preceding year.

The financial information presented in the Annual Report is consistent with that contained in the financial statements.

Under the article 2.º - 4 b) of the Royal Decree 2606/1996, of 20 December, corresponds to the Management Committee the approval of the accounts that the Funds must provide each year to their members and to the Banco de España.

In fulfilment of this legal order, the formulated Annual Report together with the financial statements, offer information about the activities developed in 2006, the equity and the financial situation of the Deposit Guarantee Fund for Credit Cooperative Banks, the results of its management and the source and application of funds for the year 2006, information that is enlarged with data regarding previous exercises.

These financial statements have been audited by KPMG AUDITORES, SL, and the report is included herein.

## DEPOSIT GUARANTEE FUND FOR CREDIT COOPERATIVE BANKS

### BALANCE SHEET, as at 31 December

(Thousands of Euros)

<i>ASSETS</i>	<i>2006</i>	<i>2005</i>
<b>FIXED ASSETS</b>		
Long term investment .....	<b>75,901.6</b>	<b>93,640.0</b>
Treasury bills .....	75,761.9	93,897.2
Provision for decline value .....	(193.3)	(590.2)
Securities .....	333.0	333.0
<b>Total fixed asset .....</b>	<b>75,901.6</b>	<b>93,640.0</b>
<b>ASSETS BEING SOLD OFF as a result of assisted entities</b>		
Loans to third parties .....	—	2,255.9
Provision for loss on loans .....	—	(2,255.9)
<b>Total assets being sold off .....</b>	<b>—</b>	<b>—</b>
<b>CURRENT ASSETS</b>		
Short term investments .....	<b>368,948.2</b>	<b>293,769.5</b>
Treasury bills .....	272,633.3	288,268.1
Temporary acquisition of investments .....	88,490.2	—
Interests receivable on investments .....	8,448.9	6,036.7
Provision for decline value .....	(624.2)	(535.3)
<b>Debtors .....</b>	<b>1.0</b>	<b>5.4</b>
<b>Cash and liquid assets .....</b>	<b>1,027.7</b>	<b>2,298.7</b>
<b>Total current assets .....</b>	<b>369,976.9</b>	<b>296,073.6</b>
<b>TOTAL ASSETS .....</b>	<b>445,878.5</b>	<b>389,713.6</b>
<i>LIABILITIES AND FUND BALANCE</i>		
<b>FUND BALANCE</b>		
Accumulated net income .....	388,703.4	343,599.0
Current year's surplus .....	56,211.7	45,104.4
<b>Total fund balance .....</b>	<b>444,915.1</b>	<b>388,703.4</b>
<b>PROVISIONS</b>		
Indemnities for legal prescription .....	759.6	815.6
Provision for other liabilities .....	133.6	129.0
<b>Total provisions .....</b>	<b>893.2</b>	<b>944.6</b>
<b>CURRENT LIABILITIES</b>		
Short term creditors .....	70.2	65.6
<b>Total current liabilities .....</b>	<b>70.2</b>	<b>65.6</b>
<b>TOTAL LIABILITIES AND FUND BALANCE .....</b>	<b>445,878.5</b>	<b>389,713.6</b>
Memorandum accounts .....	—	8.0

## DEPOSIT GUARANTEE FUND FOR CREDIT COOPERATIVE BANKS

### STATEMENT OF INCOME, for the year ended 31 December

(Thousands of Euros)

<i>EXPENSES</i>	<i>2006</i>	<i>2005</i>
<b>MANAGEMENT EXPENSES</b>		
Operating expenses .....	338.3	263.9
<b>Total management expenses .....</b>	<b>338.3</b>	<b>263.9</b>
<b>MANAGEMENT REVENUES .....</b>	<b>44,699.1</b>	<b>37,756.7</b>
<b>FINANCIAL EXPENSES</b>		
Financial expenses .....	4.8	1,069.1
<b>Total financial expenses .....</b>	<b>4.8</b>	<b>1,069.1</b>
<b>FINANCIAL REVENUES .....</b>	<b>11,512.6</b>	<b>7,347.7</b>
<b>SURPLUS FOR THE YEAR .....</b>	<b>56,211.7</b>	<b>45,104.4</b>
<i>INCOME</i>		
<b>MANAGEMENT INCOME</b>		
Annual contributions .....	42,781.5	38,020.6
Free up provisions bad debts .....	2,255.9	—
<b>Total management income .....</b>	<b>45,037.4</b>	<b>38,020.6</b>
<b>FINANCIAL INCOME</b>		
Interest on investments .....	11,190.0	8,387.5
Free up provision of public debt .....	308.0	—
Others financial income .....	19.4	29.3
<b>Total financial income .....</b>	<b>11,517.4</b>	<b>8,416.8</b>

## DEPOSIT GUARANTEE FUND FOR CREDIT COOPERATIVE BANKS

### STATEMENT OF CASH FLOWS, for the year ended 31 December

(Thousands of Euros)

	<i>2006</i>	<i>2005</i>
<b>CASH FLOW PROVIDED BY</b>		
Annual contributions .....	42,781.5	38,020.6
Recovery of financial assets .....	2,255.9	—
Financial products and others .....	8,797.1	8,590.9
Variation in liquid assets .....	1,271.0	(499.1)
<b>Total .....</b>	<b>55,105.5</b>	<b>46,112.4</b>
<b>CASH FLOW USED BY</b>		
Increase in financial investments .....	54,720.1	45,657.4
Operating expenses .....	329.4	268.0
Indemnities for legal prescription .....	56.0	187.0
<b>Total .....</b>	<b>55,105.5</b>	<b>46,112.4</b>

# EXTERNAL AUDITORS' REPORT



KPMG Auditores S.L.  
Edificio Torre Europa  
Paseo de la Castellana, 96  
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 2006 y la cuenta de pérdidas y ganancias, 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 pérdidas y ganancias y del cuadro de financiación, además de las cifras del ejercicio 2006, 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 2006. Con fecha 24 de enero de 2006 emitimos nuestro informe de auditoría acerca de los estados financieros del ejercicio 2005 en el que expresamos una opinión favorable.

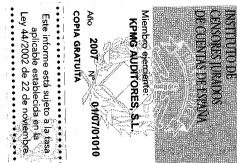
En nuestra opinión, los estados financieros del ejercicio 2006 adjuntos expresan, en todos los aspectos significativos, la imagen fiel del patrimonio y de la situación financiera del Fondo de Garantía de Depósitos en Cooperativas de Crédito al 31 de diciembre de 2006 y de los resultados de sus operaciones 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 del ejercicio 2006 adjunto, 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 2006. 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

26 de enero de 2007



KPMG Auditores S.L., firma española miembro de  
KPMG International, sociedad suiza.

Inscrita en el Registro Oficial de Auditores de Cuentas con el n.º 50702,  
y en el Registro de Sociedades del Instituto de Censores Jurados de  
Cuentas con el n.º 13  
Reg. Mer. Madrid, T. 11.981, F. 90, Sec. 8, H. M.-188.007. Inscrip. 9.º  
N.I.F. B-78610163

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, 2006, 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 Fund's Management Company (hereinafter the Directors). 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 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 2006, 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 2006. On 24 January, 2006, we issued our unqualified audit report on the financial statements for 2005.

In our opinion, these financial statements for 2006 present fairly, in all material respects, the shareholders' equity and financial position of the Deposit Guarantee Fund for Credit Cooperative Banks at 31 December, 2006, 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 2006 contains such explanations as the Directors 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 2006. 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

26 January 2007