

DEPOSIT GUARANTEE FUND FOR CREDIT COOPERATIVE BANKS

FONDO DE GARANTÍA DE DEPÓSITOS
EN COOPERATIVAS DE CRÉDITO

SPAIN

ANNUAL REPORT 2007

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This document is a partial 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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DEPOSIT GUARANTEE FUND FOR CREDIT COOPERATIVE BANKS

MANAGEMENT REPORT FOR THE YEAR 2007

General information

1. Constitution: The Deposit Guarantee Fund for Credit Cooperative Banks (hereinafter FGDC) was created by means of the Royal Decree-law 18/1982, of September 24, endows it with public legal personality, with full capacity for the development of their purposes under private law.

Its tasks are set forth in Royal Decree 2606/1996, of December 20, being governed and administered by an Management Committee integrated by eight members appointed by the Minister of Economy and Finance, out of which four are representatives of Banco de España and four of credit institutions.

2. Purpose: To guarantee cash deposits, transferable securities and financial instruments held in banking establishments which amount and procedure will be decided by the Government, as well as to take action as many times as it may be necessary to reinforce the solvency and to improve the operation of the banks in defence of the interests of the depositors and itself. This regulation attributes the FGDC the double role of, on the one hand, insuring deposits and on the other hand, restructuring credit institutions, settling down different and independent guarantees, one for cash deposits, and the other one for transferable securities and financial instruments.

The Management Committee authorised the publication of these annual accounts on March 6, 2008.

Activity during the year

3. Management and administration of Deposit Guarantee Fund for Credit Cooperative Banks (hereinafter FGDC) during the year 2007 have been carried out by the Fund's Management Company (Sociedad Gestora de los Fondos de Garantía de Depósitos en Entidades de Crédito, AIE) in accordance with the terms of the contract signed with this latter on June 29, 2000, and have been in line with the guidelines issued by the FGDEB to the Management Company in previous years, as follows:

- Equity management through the investment in public debt. Total investments in Treasury bills have amounted to €637,584 thousand and the amount of disinvestments to €573,273.6 thousand. The financial income shows a return of €18,315.6 thousand, representing an average yield of 3.77% on an average investment of

€485,449.3 thousand. The financial management as a whole with other financial income and expenses shows a net profit of €18,726.9 thousand, derived from the increase of invested amounts and the higher return.

- Management of third party debts acquired in prior years from credit cooperative banks crisis.
- Other significant activities are those related to the preparation of Management Committee meetings and to the execution of the decisions taken, and the analysis of the coverage level on the basis of the institutions' equity.

4. The Resolution of the Ministry of Economy of August 1, 2002, issued in accordance with paragraph 3, article 74 of Law 24/2001, of December 27, on Tax, Administrative and Labour Matters, fixed the contributions payable by the Investment Guarantee Fund and the Deposit Guarantee Funds as a percentage of the total compensation to be paid by them due to the non-fulfilment by investment firms of their reimbursement and restitution obligations of the cash and securities deposited by investors, respectively, before the entry into force of the above mentioned Law 24/2001.

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 estimated the total amount of compensation in €79.7 million. Approximately €3.9 million of this figure shall be payable by the FGDC. This financial year €0.02 million have been paid, totalling €3.2 million from the beginning.

Integrated entities and contributions

5. At the beginning of the year there were 85 entities adhered to FGDC. A list of the member entities was published in the Spanish State Official Gazette 85, on April 9, 2007, as required by Royal Decree 2606/1996. At the date of this report, the entities integrated are the same.

6. The Order of the Ministry of Economy 2801/2003, of October 3, published on October 14, 2003, establishes the contributions to be made to the FGDC by the adhered entities.

These contributions were fixed at 0.8% of the calculation basis established in articles 3 and 4 of Royal Decree 2606/1996, as amended by Royal Decree 948/2001, on investor compensation schemes.

The contributions of the entities have amounted to €49,138.2 thousand, with an increase of €6,356.7 euros on the preceding year (14.8% on the previous year), which were disbursed on February 28, 2007.

Of the total amount recovered, 99.7% corresponds to guaranteed deposits and 0.3% to guaranteed transferable securities and financial instruments. In accordance with the Spanish legislation, Banco de España doesn't have to make contributions.

Guaranteed deposits

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

<i>Year</i>	<i>Deposits and securities insured</i>	<i>Calculation bases of contributions</i>	<i>Deposits and securities covered</i>	<i>% coverage</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	64,853.0	61,422.8	33,287.6	51.3
31.12.2007	71,161.4	67,707.3	34,885.1	49.0

From December 31, 2001, the financial cover of the FGDC includes also the transferable securities and financial instruments. The calculation base includes the total amount of cash deposits and the 5% of the value of transferable securities and financial instruments. On December 31, 2007, deposits and securities covered had increased 2.9% over the previous year.

8. FGDC's equity is the 0.76% of the calculation base for contributions in 2007 compared with 0.72% in 2006. In compliance with article 3.4 of Royal Decree 2606/1996, the contributions will cease when FGDC's equity reaches 1% of the calculation bases of contributions.

Assistance granted

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

Financial position

10. Available financial resources have been increased in €67,522.5 thousand during the year, of which €49,138.2 thousand come from annual credit co-operatives banks contributions and €18,384.3 thousand to management, primarily financial interests. These resources have been invested totally in public debt 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.

At year-end, the distribution of financial investments is 65.2% for Treasury bills and 34.8 for Government bonds.

11. The financial resources amounts to €513,066.9 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

12. 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.....	49,138.2	18,728.9	67,867.1
Expenses.....	(349.3)	(2.0)	(351.3)
Total.....	48,788.9	18,726.9	67,515.8

The 2007 surplus stands at €67,515.8 thousand, an increase of €11,304.1 thousand from the previous year which represent an increase of 16.7%. The surplus includes €49,138.2 thousand from contributions, which represents 72.8% of the surplus of the year.

13. Considering the amount of the surplus for the year, the FGDC's equity amounts to €512,431 thousand at December 31, 2007, up 15.2% over the opening balance.

Economic/financial control

Court of Auditors

14. The results of auditing the accounts and contracts in 2006 which were submitted to the Spanish Court of Auditors (Tribunal de Cuentas), will be made public in the annual report for that year.

External audit

15. The audit report for 2007 prepared by PricewaterhouseCoopers Auditores, SL, is attached.

Executive Committee

16. Neither the representatives of Banco de España in the Management Committee have been changed during the financial year. As regards the representatives of adhered entities, Mr. José María Quirós Rodríguez has been renewed as member representative and Mr. Javier Ramírez Arceo has been renewed as a substitute vowel.

ANNUAL ACCOUNTS

MANAGEMENT RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying annual accounts of the Deposit Guarantee Fund for Credit Cooperative Banks and the information related thereto in this Annual Report are the responsibility of its Management Committee. The annual accounts have been prepared by the Fund's Management Company (Sociedad Gestora de los Fondos de Garantía de Depósitos en Entidades de Crédito, AIE), in accordance with generally accepted accounting standards applied in Spain and in a consistent manner with the preceding year.

The financial information presented elsewhere in the Annual Report is consistent with that contained in the annual accounts.

Under the article 2.º - 4 b) of Royal Decree 2606/1996, of December 20, the Management Committee is competent to approve the accounts that the Deposit Guarantee Fund for Credit Cooperative Banks must submit each year to their members and to Banco de España.

In fulfilment of those rules, the submitted Annual Report together with the annual accounts, offer information about the activities performed in 2007, the equity and the financial situation of the Deposit Guarantee Fund for Credit Cooperative Banks, the results of its management and the source and allocation of funds for the year 2007, information that is enlarged with data regarding previous exercises.

These annual accounts have been audited by PricewaterhouseCoopers Auditores, SL, and the report is included herein.

DEPOSIT GUARANTEE FUND FOR CREDIT COOPERATIVE BANKS

BALANCE SHEET, at December 31

(Thousands of euros)

<i>ASSETS</i>	<i>2007</i>	<i>2006</i>
FIXED ASSETS		
Long term investment	172,788.5	75,901.6
Government bonds and Treasury bills	172,455.5	75,568.6
Securities	333.0	333.0
Total fixed asset	172,788.5	75,901.6
CURRENT ASSETS		
Short term investments	340,031.3	368,948.2
Government bonds and Treasury bills	322,687.3	272,009.1
Temporary acquisition of investments	4,000.0	88,490.2
Interests receivable on investments	13,344.0	8,448.9
Debtors	—	1.0
Cash and liquid assets	580.1	1,027.7
Total current assets	340,611.4	369,976.9
TOTAL ASSETS	513,399.9	445,878.5
<i>LIABILITES AND FUND BALANCE</i>		
FUND BALANCE		
Accumulated net income	444,915.2	388,703.5
Current year's surplus	67,515.8	56,211.7
Total fund balance	512,431.0	444,915.2
LIABILITIES		
Provisions		
Indemnities for legal prescription	743.9	759.6
Provision for other liabilities	141.2	133.6
Total provisions	885.1	893.2
Creditors		
Short term creditors	83.8	70.1
Total creditors	83.8	70.1
Total liabilities	968.9	963.3
TOTAL LIABILITIES AND FUND BALANCE	513,399.9	445,878.5
Memorandum accounts	264.7	—

DEPOSIT GUARANTEE FUND FOR CREDIT COOPERATIVE BANKS

INCOME STATEMENT, for the year ended December 31

(Thousands of euros)

<i>EXPENSES</i>	<i>2007</i>	<i>2006</i>
MANAGEMENT EXPENSES		
Operating expenses	349.3	338.3
Total management expenses	349.3	338.3
MANAGEMENT REVENUE	48,788.9	44,699.1
FINANCIAL EXPENSES		
Financial expenses	2.0	4.8
Total financial expenses	2.0	4.8
FINANCIAL REVENUE	18,726.9	11,512.6
SURPLUS FOR THE YEAR	67,515.8	56,211.7
<i>INCOME</i>		
MANAGEMENT INCOME		
Annual contributions	49,138.2	42,781.5
Recovery of amounts previously written-off	—	2,255.9
Total management income	49,138.2	45,037.4
FINANCIAL INCOME		
Interest on public debt investments	18,260.2	11,190.0
Free up provision of public debt	426.0	308.0
Other financial income	42.7	19.4
Total management income	18,728.9	11,517.4

DEPOSIT GUARANTEE FUND FOR CREDIT COOPERATIVE BANKS

STATEMENT OF CHANGES IN THE EQUITY, for the year ended December 31 (Thousands of euros)

<i>Items</i>	<i>2007</i>	<i>2006</i>
Equity at the beginning of year	444,915.2	388,703.5
Income	67,867.1	56,554.8
Annual contributions	49,138.2	42,781.5
Financial income	18,728.9	11,517.4
Recovery of amounts previously written-off	—	2,255.9
Expenses	(351.3)	(343.1)
Management	(349.3)	(338.3)
Financial expenses	(2.0)	(4.8)
Current years' surplus	67,515.8	56,211.7
Equity at the end of year	512,431.0	444,915.2

DEPOSIT GUARANTEE FUND FOR CREDIT COOPERATIVE BANKS

CASH FLOWS STATEMENT, for the year ended December 31

(Thousands of Euros)

	<i>2007</i>	<i>2006</i>
CASH FLOW FROM		
Annual contributions	49,138.2	42,781.5
Recovery of amounts previously written-off	—	2,255.9
Financial products and other	15,070.2	8,797.1
Decrease in liquid assets	447.6	1,271.3
Total	64,656.0	55,105.8
CASH FLOW USED IN		
Increase in financial investments, net	64,310.4	54,720.1
Operating expenses	327.8	324.9
Financial expenses	2.0	4.8
Indemnities for legal prescription	15.8	56.0
Total	64,656.0	55,105.8

INDEPENDENT AUDITORS' REPORT



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INFORME DE AUDITORÍA DE CUENTAS ANUALES

A la Comisión Gestora de Fondo de Garantía de Depósitos en Cooperativas de Crédito por encargo de la Dirección de Sociedad Gestora de los Fondos de Garantía de Depósitos en Entidades de Crédito, A.I.E.,

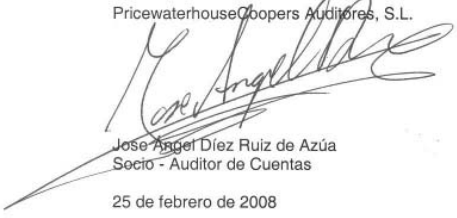
Hemos auditado las cuentas anuales de Fondo de Garantía de Depósitos en Cooperativas de Crédito que comprenden el balance de situación al 31 de diciembre de 2007, la cuenta de resultados, el estado de cambios en el patrimonio neto, el estado de flujos de efectivo y la memoria correspondientes al ejercicio anual terminado en dicha fecha, cuya formulación es responsabilidad de la Dirección de Sociedad Gestora de los Fondos de Garantía de Depósitos en Entidades de Crédito, A.I.E. Nuestra responsabilidad es expresar una opinión sobre las citadas cuentas anuales 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 las cuentas anuales y la evaluación de su presentación, de los principios contables aplicados y de las estimaciones realizadas.

De acuerdo con la legislación mercantil, la Dirección de Sociedad Gestora de los Fondos de Garantía de Depósitos en Entidades de Crédito, A.I.E. presenta, a efectos comparativos, con cada una de las partidas del balance, de la cuenta de resultados, del estado de cambios en el patrimonio neto y del estado de flujos de efectivo, además de las cifras del ejercicio 2007, las correspondientes al ejercicio anterior. Nuestra opinión se refiere exclusivamente a las cuentas anuales del ejercicio 2007. Con fecha 26 de enero de 2007 otros auditores emitieron su informe de auditoría acerca de las cuentas anuales del ejercicio 2006 en el que expresaron una opinión favorable.

En nuestra opinión, las cuentas anuales del ejercicio 2007 adjuntas expresan, en todos los aspectos significativos la imagen fiel del patrimonio y de la situación financiera de Fondo de Garantía de Depósitos en Cooperativas de Crédito al 31 de diciembre de 2007 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 2007, contiene las explicaciones que la Dirección de Sociedad Gestora de los Fondos de Garantía de Depósitos en Entidades de Crédito, A.I.E. considera oportunas sobre la situación de Fondo de Garantía de Depósitos en Cooperativas de Crédito, la evolución de sus actividades y sobre otros asuntos y no forma parte integrante de las cuentas anuales. Hemos verificado que la información contable que contiene el citado informe de gestión concuerda con la de las cuentas anuales del ejercicio 2007. 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 de Fondo de Garantía de Depósitos en Cooperativas de Crédito.

PriceWaterhouseCoopers Auditores, S.L.


Jose Angel Díez Ruiz de Azúa
Socio - Auditor de Cuentas

25 de febrero de 2008

PriceWaterhouseCoopers Auditores, S. L. - R. M. Madrid, hoja 87.250-1, folio 75, tomo 9.267, libro 8.054, sección 3.
Inscrita en el R.O.A.C. con el número S0242 - CIF: B-79031290



Independent Auditors' Report
(Translation from the original in Spanish)

To the Deposit Guarantee Fund for Credit Cooperative Banks Management Committee (Comisión Gestora del Fondo de Garantía de Depósitos en Establecimientos Bancarios), for command of Fund's Management Company (Dirección de la Sociedad Gestora de los Fondos de Garantía de Depósitos en Entidades de Crédito, AIE).

We have audited the accompanying annual accounts of Deposit Guarantee Fund for Credit Cooperative Banks which comprise the balance sheet as of December 31, 2007, the income statement, statement of changes in the net equity, the cash flow statement and the annual report ("Memoria"), the drafting of which is the responsibility of the managing directors of the Fund's Management Company.

Our responsibility extends to stating an opinion on the annual accounts taken as a whole, based on our examinations which were conducted in accordance with generally accepted auditing standards, which require examining, on a test basis, evidence supporting the amounts in the annual accounts and assessing the appropriateness of their presentation, of the accounting standards applied and of the estimates used.

In accordance with Spanish commercial law, the managing directors of the Fund's Management Company show for comparative effects, for each individual caption in the balance sheet, the income statement, statement of changes in the net equity, the cash flow statement, and, besides the figures of 2007, figures of the previous year. We express our opinion solely on the financial statements for 2007. On January 26, 2007, other auditors issued a favourable audit report over the financial statements for 2006.

In our opinion, the enclosed annual accounts for 2007 present fairly, in all material respects, the net equity and financial position of the Deposit Guarantee Fund for Credit Cooperative Banks as at December 31, 2007, as well as the results of its operations and the source and allocation of funds for the year 2007, and contain the necessary information for their adequate interpretation and understanding, in accordance with generally accepted accounting standards applied in a consistent manner with the preceding year.

The accompanying managing directors' report for 2007 contains such explanations as the Fund's Management Company deems relevant to the situation of the Deposit Guarantee Fund for Credit Cooperative Banks, the evolution of its activities and other matters, but is not an integral part of the annual accounts. We have verified that the accounting information contained therein matches with that disclosed in the annual accounts for 2007. Our work as auditors is limited to the verification of the managing 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.

PricewaterhouseCoopers Auditores, S.L.
(Signed by)
José Ángel Díez Ruiz de Azúa
February 25, 2008