

DEPOSIT GUARANTEE FUND FOR CREDIT COOPERATIVE BANKS

FONDO DE GARANTÍA DE DEPÓSITOS
EN COOPERATIVAS DE CRÉDITO

SPAIN

ANNUAL REPORT 2008

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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 2008

Activity during the year

1. Management and administration of Deposit Guarantee Fund for Credit Cooperative Banks (hereinafter FGDC) during the year 2008 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 FGDC 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 €414,705.5 thousand and the amount of disinvestments to €336,266.3 thousand. The financial income shows a return of €22,345 thousand, representing an average yield of 4% on an average investment of €560,453.7 thousand. The financial management as a whole with other financial income and expenses shows a net profit of €22,370.5 thousand, derived from the increase of invested amounts and the higher return.
- 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.

2. 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 General Fund and the Deposit Guarantee Funds has been established as follows:

• Deposit Guarantee Fund for Banking 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 General 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 €0.01 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 adhered to FGDC. A list of the member entities was published in the Spanish State Official Gazette (issue 70), on March 21, 2008, as required by Royal Decree 2606/1996.

At the date of this report, the entities integrated are 83 with a decrease of two entities, one being absorbed and the other one due to the transformation of a credit cooperative bank into a banking establishment.

4. 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. In accordance with the Spanish legislation, Banco de España doesn't have to make contributions.

The contributions of the entities have amounted to €54,165.8 thousand, with an increase of €5,027.6 euros on the preceding year (10.2% on the previous year), which were disbursed on February 29, 2007.

Of the total amount recovered, 99.7% corresponds to guaranteed deposits and 0.3% to guaranteed transferable securities and financial instruments.

Guaranteed deposits and coverage ratio

5. By virtue of Royal Decree 1642/2008, October 10, published in the Spanish State Official Gazette on October 11, 2008, the guaranteed amounts have increased from €20,000 to €100,000 per depositor and entity, both for depositors' claims as well as for investors' claims independent of each other.

6. 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

<i>Year</i>	<i>Deposits and securities insured</i>	<i>Calculation bases of contributions</i>	<i>Deposits and securities covered</i>	<i>% coverage</i>
31.12.1995.....	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
31.12.2008.....	73,961.3	70,917.7	60,216.3	81.4

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, 2008, deposits and securities covered had increased 3.9% over the previous year.

7. FGDC's equity is the 0.83% of the calculation base for contributions in 2008 compared with 0.76% in 2007. 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

8. During the year no new assistance has been granted to credit cooperative banks.

Financial position

9. Available financial resources have been increased in €75,868.3 thousand during the year, of which €54,165.8 thousand come from annual credit co-operatives banks contributions and €21,702.5 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 38.3% for Treasury bills and 61.7 for Government bonds. The weighted average maturity is 1.73 years.

10. The financial resources amounts to €589,163.1 thousand and represent the 99.9% of total assets and the 100.1% of net equity at year-end.

Surplus for the year and equity

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

<i>Items</i>	<i>Operating</i>	<i>Investing</i>	<i>Total</i>
Income.....	54,165.8	22,370.5	76,536.3
Expenses.....	(361.3)	—	(361.3)
Total.....	53,804.5	22,370.5	76,175.0

The 2008 surplus stands at €76,175 thousand, an increase of €8,659.2 thousand over the previous year which represents an increase of 12.8%. The surplus includes €54,165.8 thousand from contributions, which represents 71.1% of the surplus of the year.

12. Considering the amount of the surplus for the year, the FGDC's equity amounts to €588,606 thousand at December 31, 2008, up 14.9% over the opening balance.

Economic/financial control

Court of Auditors

13. The results of auditing the accounts and contracts in 2007 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

14. The audit report prepared by PricewaterhouseCoopers Auditores, SL, is attached.

Executive Committee

15. During the financial year has been renewed the mandates of Mr. José María Roldán Alegre and Mr. Joaquín Vázquez López as members and Mr. Francisco Javier Priego Pérez, Mr. José María Jiménez Jiménez and Mr. Julián María Atienza Díaz as substitutes. New members –Mr. Elías Atutxa Arresti, due to the resignation of Mr. Juan José Arrieta Sodupe– and substitutes –Mr. Jerónimo Martínez Tello, due to the resignation of Mr. Julián María Atienza Díaz– have also been appointed.

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.

The financial information presented elsewhere 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 2008, 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 2008, 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, as at December 31

(Thousands of euros)

<i>ASSETS</i>	<i>2008</i>	<i>2007</i>
FIXED ASSETS		
Long term investments	252,200.5	172,788.5
Government bonds	251,867.5	172,455.5
Securities	333.0	333.0
Total fixed assets	252,200.5	172,788.5
CURRENT ASSETS		
Short term investments	337,187.8	340,031.3
Treasury bills	222,162.3	326,687.3
Government bonds	101,782.3	—
Interest receivable on financial investments	13,243.2	13,344.0
Cash and others liquid assets	187.3	580.1
Total current assets	337,375.1	340,611.4
TOTAL ASSETS	589,575.6	513,399.9
<i>FUND BALANCE AND LIABILITIES</i>		
FUND BALANCE		
Retained earnings	512,431.0	444,915.2
Net income	76,175.0	67,515.8
Total fund balance	588,606.0	512,431.0
FIXED LIABILITIES		
Provision for liabilities and charges	152.6	141.2
Indemnities for legal prescription	732.2	743.9
Total fixed liabilities	884.8	885.1
CURRENT LIABILITIES		
Short term creditors	84.8	83.8
Total current liabilities	84.8	83.8
TOTAL LIABILITIES	969.6	968.9
TOTAL FUND BALANCE AND LIABILITIES	589,575.6	513,399.9

DEPOSIT GUARANTEE FUND FOR CREDIT COOPERATIVE BANKS

INCOME STATEMENT, for the year ended December 31

(Thousands of euros)

<i>OPERATING ACTIVITIES</i>	<i>2008</i>	<i>2007</i>
Contributions	54,165.8	49,138.2
Annual contributions	54,165.8	49,138.2
Operating expenses	(361.3)	(349.3)
Operating results	53,804.5	48,788.9
<i>FINANCING ACTIVITIES</i>		
Financial income	22,370.5	18,300.9
Interest on Treasury bills	9,338.5	13,185.8
Interest on government bonds	13,006.5	5,072.5
Other financial income	25.5	42.6
Freed up provisions on financial investments	—	426,0
Financial results	22,370.5	18,726.9
Surplus from activities	76,175.0	67,515.8
NET INCOME	76,175.0	67,515.8

DEPOSIT GUARANTEE FUND FOR CREDIT COOPERATIVE BANKS

STATEMENT OF CHANGES IN EQUITY, for the year ended December 31

(Thousands of euros)

<i>Items</i>	<i>2008</i>	<i>2007</i>
Fund balance - Beginning	512,431.0	444,915.2
Annual contributions	54,165.8	49,138.2
Operating expenses	(361.3)	(349.3)
Financial results	22,370.5	18,726.9
Net income	76,175.0	67,515.8
Fund balance - Ending	588,606.0	512,431.0

DEPOSIT GUARANTEE FUND FOR CREDIT COOPERATIVE BANKS

CASH FLOWS STATEMENT, for the year ended December 31

(Thousands of euros)

	<i>2008</i>	<i>2007</i>
OPERATING ACTIVITIES		
Annual contributions	54,165.8	49,138.2
Financial income	24,241.2	15,070.2
Operating expenses	(348.9)	(329.8)
Other items (net)	(11.7)	(15.8)
Cash provided by operating activities	78,046.4	63,862.8
FINANCING ACTIVITIES		
Financial disinvestments	336,266.3	573,273.6
Financial investments	(414,705.5)	(637,584.0)
Cash used in financing activities	(78,439.2)	(64,310.4)
Net decrease in cash	(392.8)	(447.6)

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.,

1. 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 2008, la cuenta de pérdidas y ganancias, el estado de cambios en el patrimonio neto, el estado de flujos de efectivo y la memoria de las cuentas anuales 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 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.
2. Las cuentas anuales adjuntas del ejercicio 2008 de Fondo de Garantía de Depósitos en Cooperativas de Crédito son las primeras que la Dirección de Sociedad Gestora de los Fondos de Garantía de Depósitos en Entidades de Crédito, A.I.E. formula aplicando el Plan General de Contabilidad aprobado por el Real Decreto 1514/2007. En este sentido, de acuerdo con la Disposición Transitoria Cuarta, Apartado 1 del citado Plan, se han considerado las presentes cuentas anuales como cuentas anuales iniciales, por lo que no se incluyen cifras comparativas. En la Nota 19 de la memoria se incorpora el balance de situación y la cuenta de pérdidas y ganancias incluidos en las cuentas anuales aprobadas del ejercicio 2007 que fueron formuladas aplicando el Plan General de Contabilidad vigente en dicho ejercicio y en la Nota 2.c) de la memoria se incluye una explicación de las principales diferencias entre los criterios contables aplicados en el ejercicio anterior y los actuales, así como la cuantificación del impacto que produce esta variación de criterios contables en el patrimonio neto al 1 de enero de 2008, fecha de transición. Nuestra opinión se refiere exclusivamente a las cuentas anuales del ejercicio 2008. Con fecha 25 de febrero de 2008 emitimos nuestro informe de auditoría acerca de las cuentas anuales del ejercicio 2007, formuladas de conformidad con los principios y normas contables generalmente aceptados en la normativa española vigentes en dicho ejercicio, en el que expresamos una opinión favorable.
3. En nuestra opinión, las cuentas anuales del ejercicio 2008 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 2008 y de los resultados de sus operaciones, de los cambios en el patrimonio neto y de sus flujos de efectivo correspondientes al 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 en la normativa española que resultan de aplicación.
4. El informe de gestión adjunto del ejercicio 2008, 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 2008. 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

23 de febrero de 2009

PricewaterhouseCoopers Auditores, S. L. - R. M. Madrid, hoja 87.250-1, folio 75, tomo 9.267, libro 8.054, sección 3
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PRICEWATERHOUSECOOPERS
AUDITORES, S.L.

Año 2009 N° 01/09/03386
COPIA GRATUITA

Este informe está sujeto a la tasa aplicable establecida en la Ley 44/2002 de 22 de noviembre.

Independent auditors' Report

(Translation from the original in Spanish)

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

1. We have audited the accompanying annual accounts of Deposit Guarantee Fund for Credit Cooperative Banks which comprise the balance sheet as of December 31, 2008, the income statement, statement of changes in the net equity, the cash flow statement and the annual report ("Memoria"), which are 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.
2. The 2008 annual accounts of Deposit Guarantee Fund for Credit Cooperative Banks are the first ones that Fund's Management Company presents under General Plan of Accounting approved by Royal Decree 1514/2007. In accordance with the Fourth Provision, Section 1, these annual account are considered as the first ones, and there is no comparatives amounts. In Note 26 has been incorporated the balance sheet and the income statement of 2007, that were formulated under General Plan of Accounting in force in this exercise, and in the Note 2.c) of the Memoria has been included one explanation of the main differences between the account criteria applied in the previous exercise and the current one, and the quantification at January 1, 2008, date of transition, of the impact on the equity because the variations of account criteria. Our opinion is solely on 2008 annual accounts. On January 25, 2008, we express a favourable audit report over the 2007 annual accounts, under the accountant principles generally accepted in Spanish regulation in this exercise.
3. In our opinion, the enclosed annual accounts for 2008 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, 2008, as well as the results of its operations, the changes in the net equity and the source and allocation of funds for the year 2008, and contain the necessary information for their adequate interpretation and understanding, in accordance with generally accepted accounting standards in the Spanish regulation.
4. The accompanying managing directors' report for 2008 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 2008. 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, SL
(Signed by)
José Ángel Díez Ruiz de Azúa
February 23, 2009