

# DEPOSIT GUARANTEE FUND FOR CREDIT COOPERATIVE BANKS

FONDO DE GARANTÍA DE DEPÓSITOS  
EN COOPERATIVAS DE CRÉDITO

SPAIN

ANNUAL REPORT 2009





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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](http://www.fgd.es)) or can be requested to:

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Depósito legal: M. 19108-2010  
Unidad de Publicaciones, Banco de España

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## DEPOSIT GUARANTEE FUND FOR CREDIT COOPERATIVE BANKS

### MANAGEMENT REPORT FOR THE YEAR 2009

#### Activity during the year

1. Management and administration of Deposit Guarantee Fund for Credit Cooperative Banks (hereinafter FGDC) during the year 2009 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:

- Management of the equity capital not committed to any of the operations aimed to fulfil the purposes of the FGDC through the investment in public debt. Total investments have amounted to €558,156.6 thousand and total of disinvestments to €654,620.2 thousand. The financial income shows a return of €15,870.9 thousand, representing an average yield of 2.54% on an average investment of €625,600 thousand.
- The financial management as a with other financial income and expenses shows a net return of €15,910.6 thousand, €6,459.9 thousand lower than the previous year, due to the quantitative decrease of the invested amounts and the lower return.
- As a result of the contribution to the Fund for Orderly Bank Restructuring (hereinafter 'FROB'), the FGDC proceeded to the disinvestment of €174,246.8 thousand in public debt, with an accounting cost of €171,318.3 thousand, concluding with a benefit of €2,928.5 thousand.
- 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. Article 2.4 of Royal Decree-law 9/2009, of June 26, on banking restructuring and credit institution equity reinforcement which, among other things, creates the Fund for Orderly Bank Restructuring, establishes the obligation for the three Deposit Guarantee Funds (for Banking Establishments, Savings Banks and Credit Cooperatives Banks) to endow the Fund for Orderly Bank Restructuring with €2,250 million, which will be allocated among them according to the percentage that the deposits in their respective adhered entities amount over the total deposits in all credit institutions at the end of 2008. The percentage corresponding to the FGDC amounts to 8.12%, with a disbursement of €182,734 thousand.

3. 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 €3.3 million from the beginning.

### **Integrated entities and contributions**

4. At the beginning of the year there were 83 entities adhered to FGDC. A list of the member entities was published in the Spanish State Official Gazette (issue 65), on March 17, 2009, as required by Royal Decree 2606/1996.

At the end of the year, the adhered entities were the same.

5. 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 were disbursed on February 27, 2009 and have amounted to €56,734.1 thousand, with an increase of €2,568.3 thousand on the preceding year (4.7%).

Of the total amount recovered, 99.8% corresponds to guaranteed deposits and 0.2% to guaranteed transferable securities and financial instruments.

## Guaranteed deposits and coverage ratio

6. 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.

7. The evolution of aggregate guaranteed deposits in the last years has been as follows, Euros in millions:

<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	10,374.6	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
31.12.2008	73,961.3	70,917.7	60,216.3	81.4
31.12.2009	77,885.2	75,471.0	63,718.6	81.8

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, 2009, deposits and securities covered had increased 5.3% over the previous year.

FGDC's equity capital in 2009 has amounted to 0.65% of the calculation base for contributions in 2009 (2008: 0.83%). In compliance with article 3.4 of Royal Decree 2606/1996, the contributions will cease when FGDC's equity capital reaches 1% of the calculation bases for 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 reduced in €109,959.4 thousand during the year, as a result of the contributions made to the FROB for an amount of 182.734 thousand, although on the other hand €56,734.1 thousand have been cashed up from contributions of the adhered entities and €16,040.5 thousand from asset management, primarily financial interests. The mentioned financial resources were invested in public debt, in accordance to article 3.7 of Royal Decree 2606/1996 that obliges to invest the not comprise equity in public debt or other related assets of low risk and high liquidity.

At year-end, the distribution of financial investments is 33.6% for Treasury bills and 66.4% for Government bonds. The weighted average maturity is 1.37 years.

10. The financial resources amounts to €492,608.1 thousand and represent the 72.9% of total assets and the 73% 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.....	56,734.1	15,910.6	72,644.7
Expenses.....	(375.1)	—	(375.1)
Gains on sale of public debt.....	—	2,928.5	2,928.5
<b>Total.....</b>	<b>56,359.0</b>	<b>18,839.1</b>	<b>75,198.1</b>

The 2009 surplus stood at €75,198.1 thousand, an decrease of €976.9 thousand (1.28%) over the previous year. The surplus includes €54,734.1 thousand from contributions, which represents 75.4% of the surplus of the year.

12. Considering the amount of the surplus for the year, the FGDCC's capital equity amounts to €674,789.4 thousand at December 31, 2008, up 14.6% over the opening balance.

13. FGDCC is not aware of any other facts occurred after December, 31, 2009 and before the date of this report that may have an effect or impact in its financial position.

## **Economic/financial control**

### *Court of Auditors*

**14.** The results of auditing the accounts and contracts in 2008 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 prepared by PricewaterhouseCoopers Auditores, SL, is attached.

## **Executive Committee**

**16.** During the financial year, the mandate of the Mr. José Viñals Íñiguez has ended, by resignation of his post of Subgovernor of the Banco de España, being replaced by Mr. Francisco Javier Aríztegui Yáñez; Mr. Jerónimo Martínez Tello has resigned as a substitute to be appointed as a member and Mr. Pedro González González has been appointed as substitute. Finally, Mr. Juan de la Cruz Cárdenas Rodríguez has been renewed as member.



## **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 2009, 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 2009, 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>2009</i>	<i>2008</i>
<b>NON CURRENT ASSETS</b>		
<b>Long term investments</b> .....	<b>405,418.2</b>	<b>252,200.5</b>
Government bonds .....	222,351.2	251,867.5
Financial instruments .....	183,067.0	333.0
<b>Total non current assets</b> .....	<b>405,418.2</b>	<b>252,200.5</b>
<b>CURRENT ASSETS</b>		
<b>Short term investments</b> .....	<b>263,800.4</b>	<b>337,187.8</b>
Treasury bills .....	161,174.8	222,162.3
Government bonds .....	96,477.3	101,782.3
Interest receivable on investments .....	6,148.3	13,243.2
<b>Cash and others liquid assets</b> .....	<b>6,522.8</b>	<b>187.3</b>
<b>Total current assets</b> .....	<b>270,323.2</b>	<b>337,375.1</b>
<b>TOTAL ASSETS</b> .....	<b>675,741.4</b>	<b>589,575.6</b>
<i>FUND BALANCE AND LIABILITIES</i>		
<b>FUND BALANCE</b>		
Retained earnings .....	588,606.0	512,431.0
Surplus of the year .....	75,198.1	76,175.0
Unrealized gains on available-for-sale investment .....	10,985.3	—
<b>Total fund balance</b> .....	<b>674,789.4</b>	<b>588,606.0</b>
<b>NON CURRENT LIABILITIES</b>		
Provision for liabilities and charges .....	156.8	152.6
Indemnities for legal prescription .....	728.9	732.2
<b>Total non current liabilities</b> .....	<b>885.7</b>	<b>884.8</b>
<b>CURRENT LIABILITIES</b>		
Short term creditors .....	66.3	84.8
<b>Total current liabilities</b> .....	<b>66.3</b>	<b>84.8</b>
<b>TOTAL LIABILITIES</b> .....	<b>952.0</b>	<b>969.6</b>
<b>TOTAL FUND BALANCE AND LIABILITIES</b> .....	<b>675,741.4</b>	<b>589,575.6</b>

**DEPOSIT GUARANTEE FUND FOR CREDIT COOPERATIVE BANKS**

**INCOME STATEMENT, for the year ended December 31**

(Thousands of euros)

<i>OPERATING ACTIVITIES</i>	<i>2009</i>	<i>2008</i>
<b>Contributions</b> .....	<b>56,734.1</b>	<b>54,165.8</b>
Annual contributions .....	56,734.1	54,165.8
<b>Operating expenses</b> .....	<b>(375.1)</b>	<b>(361.3)</b>
<b>Operating results</b> .....	<b>56,359.0</b>	<b>53,804.5</b>
<b>INVESTING ACTIVITIES</b>		
<b>Financial income</b> .....	<b>15,910.6</b>	<b>22,370.5</b>
Interest on Treasury bills .....	5,064.5	9,338.5
Interest on government bonds .....	10,806.4	13,006.5
Other financial income .....	39.7	25.5
<b>Gains on sales of financial investments</b> .....	<b>2,928.5</b>	—
Treasury bills .....	228.5	—
Government bonds .....	2,700.0	—
<b>Investing results</b> .....	<b>18,839.1</b>	<b>22,370.5</b>
<b>Surplus from activities</b> .....	<b>75,198.1</b>	<b>76,175.0</b>
<b>SURPLUS OF THE YEAR</b> .....	<b>75,198.1</b>	<b>76,175.0</b>

## 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>2009</i>	<i>2008</i>
<b>Fund balance - Beginning</b> .....	<b>588,606.0</b>	<b>512,431.0</b>
Annual contributions .....	56,734.1	54,165.8
Operating expenses .....	(375.1)	(361.3)
Investing results .....	18,839.1	22,370.5
<b>Surplus of the year</b> .....	<b>75,198.1</b>	<b>76,175.0</b>
<b>Unrealized gains on available-for-sale investment</b> .....	<b>10,985.3</b>	—
<b>Fund balance - Ending</b> .....	<b>674,789.4</b>	<b>588,606.0</b>

**DEPOSIT GUARANTEE FUND FOR CREDIT COOPERATIVE BANKS**

**CASH FLOW STATEMENT, for the year ended December 31**

(Thousands of euros)

	<i>2009</i>	<i>2008</i>
<b>OPERATING ACTIVITIES</b>		
Annual contributions . . . . .	56,734.1	54,165.8
Financial income . . . . .	27,364.5	24,241.2
Operating expenses . . . . .	(389.8)	(348.9)
Other items (net) . . . . .	(3.3)	(11.7)
Gains on sales of financial investments . . . . .	2,928.5	—
<b>Cash provided by operating activities . . . . .</b>	<b>86,634.0</b>	<b>78,046.4</b>
<b>INVESTING ACTIVITIES</b>		
Financial disinvestments . . . . .	654,620.5	336,266.3
Financial investments . . . . .	(558,185.6)	(414,705.5)
Contribution made to the FROB . . . . .	(182,734.0)	—
<b>Cash used by investing activities . . . . .</b>	<b>(86,299.1)</b>	<b>(78,439.2)</b>
<b>Net increase (decrease) in cash or equivalents . . . . .</b>	<b>334.9</b>	<b>(392.8)</b>



# 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 2009, la cuenta de pérdidas y ganancias, 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 situación, de la cuenta de pérdidas y ganancias, del estado de cambios en el patrimonio neto, del estado de flujos de efectivo y de la memoria, además de las cifras del ejercicio 2009, las correspondientes al ejercicio anterior. Nuestra opinión se refiere exclusivamente a las cuentas anuales del ejercicio 2009. Con fecha 23 de febrero de 2009 emitimos nuestro informe de auditoría acerca de las cuentas anuales del ejercicio 2008 en el que expresamos una opinión favorable.

En nuestra opinión, las cuentas anuales del ejercicio 2009 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 2009 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 los principios y normas contables generalmente aceptados en la normativa española que resultan de aplicación y que guardan uniformidad con los aplicados en el ejercicio anterior.

El informe de gestión adjunto del ejercicio 2009 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 negocios 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 2009. 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.

José Ángel Díez Ruíz de Azúa  
Socio - Auditor de Cuentas

18 de febrero de 2010

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 50242 - CIF: B-79031290



Este informe está sujeto a la tasa 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).

We have audited the accompanying annual accounts of Deposit Guarantee Fund for Credit Cooperative Banks which comprise the balance sheet as of December 31, 2009, 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.

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 2009, figures of the previous year. We express our opinion solely on the annual accounts for 2009. On February 23, 2009, we express a favourable audit report over the annual accounts for 2008.

In our opinion, the enclosed annual accounts for 2009 present fairly, in all material aspects, the net equity and financial position of the Deposit Guarantee Fund for Credit Cooperative Banks as at December 31, 2009, as well as the results of its operations, the changes in the net equity and the source and allocation of funds for the year 2009, and contain the necessary information for their adequate interpretation and understanding, in accordance with generally accepted accounting standards in the Spanish regulation applied in a consistent manner with the preceding year.

The accompanying managing directors' report for 2009 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 2009. 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 18, 2010