

Mutual Agricultural Credit Guarantee Fund

Annual Report and Accounts for 2007

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Annual Report

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Opinion of the Board of Auditors of Banco de Portugal

1. Introduction

- The *Fundo de Garantia do Crédito Agrícola Mútuo* – FGCAM (Mutual Agricultural Credit Guarantee Fund – hereinafter referred to as “the Fund”) was established by Decree-Law No 182/87 of 21 April and its legal framework was redefined by Decree-Law No 345/98 of 9 November. Its main tasks are:
 - to guarantee, under legally defined terms and conditions, the repayment of deposits with *Caixa Central de Crédito Agrícola Mútuo* (Central Mutual Agricultural Credit Bank) and with *caixas de crédito agrícola mútuo* (mutual agricultural credit banks – hereinafter referred to as “agricultural banks”) that are members of the *Sistema Integrado do Crédito Agrícola Mútuo* – SICAM (Integrated Mutual Agricultural Credit Scheme – hereinafter referred to as “SICAM”) which pay the Fund an annual contribution, in compliance with the provisions laid down in Notice of Banco de Portugal No 14/2003 of 23 December.
 - to promote and carry out the actions deemed necessary to ensure the liquidity and solvency of member banks.

In 2007 and within the framework of its business purpose the Fund signed two new financial assistance agreements which, although not implying fund disbursements, have led to the discontinuance of part of a subordinated loan initially granted by one agricultural bank to another. In the course of 2007, the Fund has granted subsidies for mutual agricultural credit purposes and has continued to monitor the business activities of the liquidator of CREDIVALOR - *Sociedade Parabancária de Valorização de Créditos, S.A.* (hereinafter referred to as CREDIVALOR) (under winding-up since 9 November 2006), through which the Fund had purchased credits and other assets in previous years, within the scope of initiatives aimed at financial assistance to SICAM.

The Fund has its head office at the premises of Banco de Portugal, which provides the necessary technical and material support. It is governed by a Management Committee, chaired by a member of the Board of Directors of Banco de Portugal and two other members, one of them appointed by the Ministry of Finance and Public Administration and the other by the Central Mutual Agricultural Credit Bank. The member of the Management Committee representing the Ministry of Finance and Public Administration was appointed for the first time on 24 July 1990 and performed functions up to 30 June 2007. To date, he has

not been replaced. Pursuant to the law, the Board of Auditors of Banco de Portugal is responsible for monitoring the Fund's activities.

2. Activities of the Fund

In 2007 the Fund continued to monitor and provide financial assistance to mutual agricultural credit, pursuing the policy followed in previous years.

- The Fund's investments were:
 - Two new financial assistance agreements signed with agricultural banks. This, however, has not implied any fund disbursement, but only the transfer from one agricultural bank to another of part of a subordinated loan granted on 29 October 1999, within the scope of SICAM's overall reorganisation programme;
 - A subsidy totalling €287,000 granted to FENACAM (National Federation of Mutual Agricultural Credit Banks), associated with the auditing of agricultural banks at the request of the Fund.
- On 31 December 2007 the financial assistance agreements in force involved loans granted by the Fund to the amount of €147.9 million and purchases of credit extended in previous years through CREDIVALOR, to the amount of €25 million.

Since its setting-up, the Fund has granted loans to SICAM to the overall amount of €228.8 million: €33.5 million to the Central Mutual Agricultural Credit Bank and €195.3 million to agricultural banks, of which €80.9 million have already been repaid.

On a regular basis, the Fund assesses and monitors developments in agricultural banks benefiting from its financial assistance. It also assesses compliance with the objectives established in their recovery plans, which are an integral part of the financial assistance agreements behind the assistance granted.

The Fund became a member of the European Forum of Deposit Insurers (EFDI) in 2006. In cooperation with this organisation, the Fund has participated in a number of projects with a view to collecting and processing information on deposit guarantee and cooperation among similar organisations.

3. Information on banks belonging to SICAM

Upon preparation of this report the consolidated accounts of SICAM had not yet been disclosed, wherefore the analysis was made on the basis of the accounts of the Central Mutual Agricultural Credit Bank and the joint accounts of total agricultural banks belonging to SICAM.

On 31 December 2007 SICAM comprised the Central Mutual Agricultural Credit Bank and 101 associate agricultural banks¹ (4 less than in the previous year, due to the conclusions of 4 merger processes, one of which had been started in 2006, involving 8 agricultural banks).

3.1 Central Mutual Agricultural Credit Bank

According to its accounts, the financial situation of the Central Mutual Agricultural Credit Bank as at 31 December 2007 was as follows:

- The net assets of the Central Mutual Agricultural Credit Bank amounted to approximately €4.2 billion, i.e. up by €132 million from 31 December 2006, and were broken down as follows:

CENTRAL MUTUAL AGRICULTURAL CREDIT BANK

(EUR millions)

ASSETS			
	31 Dec. 2007	31 Dec. 2006*	Change
ASSETS	678	212	466
INVESTMENTS IN CREDIT INSTITUTIONS	1.104	983	121
(NET) CLAIMS ON CUSTOMERS	1.536	1.380	155
FINANCIAL ASSETS	676	1.332	-656
OTHER ASSETS	179	133	46
TOTAL NET ASSETS	4.172	4.040	132

Source: ProClarity.

* The values in this table were reconverted from the original items in the Chart of Accounts for the banking system to the new items in compliance with the Adjusted Accounting Standards.

¹ The Annex III of this Report lists banks that were members of SICAM on 31 December 2007. According to the provisions of Article 3 of Decree-Law No 345/98 of 9 November, these institutions are compulsory members of the Fund.

- Claims on customers, to the amount of €1.5 billion, accounted for 37% of total assets, while credit overdue stood at €33 million, i.e. down by €11.5 million from 31 December 2006.

Provisions, to the overall amount of €83.4 million, include provisions for credit overdue amounting to €27.2 million and accounting for 83% of the value of that credit. On 31 December 2006 it stood at 68%.

- Investments in credit institutions corresponded to €1.1 billion, accounting for an increase of €121 million from 2006.
- Financial assets totalled €676 million, representing 16% of total net assets.
- As at 31 December 2007 the liabilities of the Central Mutual Agricultural Credit Bank accounted for 97% of assets, amounting to €4 billion, i.e. up by €113 million from 31 December 2006.

CENTRAL MUTUAL AGRICULTURAL CREDIT BANK

(EUR millions)

LIABILITIES			
	31 Dec. 2007	31 Dec. 2006*	Change
RESOURCES FROM CREDIT INSTITUTIONS	3.619	3.519	100
RESOURCES FROM CUSTOMERS	228	217	11
SUBORDINATED LIABILITIES	93	69	24
PROVISIONS	16	43	-27
OTHER LIABILITIES	73	68	5
TOTAL LIABILITIES	4.029	3.916	113

Source: ProClarity.

* The values in this table were reconverted from the original items in the Chart of Accounts for the banking system to the new items in compliance with the Adjusted Accounting Standards.

- Resources from credit institutions, totalling €3.6 billion, accounted for 90% of total liabilities, corresponding almost entirely, 96%, to resources from associate banks.

- Subordinated debt amounted to €93 million, of which €33.5 million regarded subordinated loans granted by the Fund: €21.5 million within the framework of the participation of the Central Mutual Agricultural Credit Bank in the reorganisation of agricultural banks in the Algarve region and €12 million within the scope of the Central Mutual Agricultural Credit Bank's intervention in the financial reorganisation of *Central Banco de Investimento*.
- Equity, accounting for 3% of the Central Mutual Agricultural Credit Bank's assets, amounted to €143 million, i.e. up by €19 million from 31 December 2006.

Equity capital, to the amount of €219 million, remained unchanged from end-2006.

As at 31 December 2007 profit and loss brought forward was negative, standing at €-87 million.

CENTRAL MUTUAL AGRICULTURAL CREDIT BANK

(EUR millions)

EQUITY			
	31 Dec. 2007	31 Dec. 2006*	Change
EQUITY CAPITAL	219	219	0
RESERVES	0	2	-2
PROFIT AND LOSS BROUGHT FORWARD	-87	-107	20
PROFIT AND LOSS FOR THE YEAR	11	11	0
EQUITY	143	124	19

Source: ProClarity.

* The values in this table were reconverted from the original items in the Chart of Accounts for the banking system to the new items in compliance with the Adjusted Accounting Standards.

- In 2007 net profit and loss for the year amounted to €11 million, i.e. remaining virtually unchanged from 2006.

- Profit and loss for the year of the Central Mutual Agricultural Credit Bank was broken down as follows:

CENTRAL MUTUAL AGRICULTURAL CREDIT BANK

(EUR millions)

PROFIT AND LOSS ACCOUNT	2007	2006*	Change
INTEREST AND SIMILAR INCOME	193	n.a.	-
INTEREST EXPENSE AND SIMILAR CHARGES	142	n.a.	-
PROFIT	51	n.a.	-
INCOME FROM NET SERVICES AND COMMISSIONS	14	n.a.	-
GAINS ON FINANCIAL OPERATIONS	-5	n.a.	-
OTHER OPERATING INCOME	8	n.a.	-
GROSS INCOME	68	60	8
OPERATING COSTS	40	35	5
- STAFF COSTS	20	19	1
- ADMINISTRATIVE OVERHEADS	20	16	4
DEPRECIATION	1	3	-2
CHANGES IN PROVISIONS, VALUE ADJUSTMENTS AND IMPARITY	12	3	9
INCOME BEFORE TAXES	14	19	-5
TAXES	3	8	-5
NET PROFIT AND LOSS FOR THE YEAR	11	11	0
CASH FLOW NET OF CORPORATE INCOME TAX	24	17	7

Source: ProClarity.

* The values in this table were reconverted from the original items in the Chart of Accounts for the banking system to the new items in compliance with the Adjusted Accounting Standards.

In 2007 gross income amounted to €68 million, i.e. up by €8 million from 2006. Profit, totalling €51 million, was determined by interest and similar income amounting to €193 million and interest expense and similar charges, standing at around €142 million.

Operating costs, to the amount of €40 million, were up by €5 million from 2006, due to the increases of €1 million in staff costs and €4 million in administrative overheads. In 2007 the allocation to provisions was €12 million, i.e. up by €9 million from 2006.

Income before taxes totalled €14 million, less payable taxes to the amount of €3 million, determining net profit and loss of €11 million in 2007 fiscal year.

3.2 Agricultural banks belonging to SICAM

The analysis of developments in agricultural banks belonging to SICAM was made on the basis of total associate banks on 31 December 2007.

- As at 31 December 2007 the balance sheet resulting from the non-consolidated sum of individual balance sheets of the agricultural banks that were members of SICAM² amounted to €10.3 billion, i.e. €626 million more than on 31 December 2006. Assets were broken down as follows:

MUTUAL AGRICULTURAL CREDIT BANKS BELONGING TO SICAM (EUR millions)

ASSETS			
	31 Dec. 2007	31 Dec. 2006*	Change
ASSETS	335	331	4
INVESTMENTS IN CREDIT INSTITUTIONS	3.483	3.246	237
(NET) CLAIMS ON CUSTOMERS	5.652	5.305	347
FINANCIAL ASSETS	140	236	-96
OTHER ASSETS	640	506	134
TOTAL NET ASSETS	10.250	9.624	626

Source: ProClarity.

* The values in this table were reconverted from the original items in the Chart of Accounts for the banking system to the new items in compliance with the Adjusted Accounting Standards.

- Claims on customers amounted to €5.7 billion, accounting for 55% of total net assets. Credit overdue, to the amount of €258 million, declined by €48 million, and provisions for credit overdue, amounting to €152 million, declined by €40 million. 59% of credit overdue was thus provisioned, i.e. 4 p.p. less than in December 2006.

² At the end of 2007 a merger process was outstanding, involving 2 agricultural banks. Although the merger had been signed, the respective registration with Banco de Portugal had not been concluded yet. Given that, as at 31 December 2007, the accounts submitted by the agricultural banks in question were consolidated, and since this Chapter reports accounting data, it was decided to consider on that date, for this purpose, the existence of 100 agricultural banks.

- Investments in credit institutions totalled €3.5 billion and corresponded almost entirely to investments in the Central Mutual Agricultural Credit Bank, which accounted for 34% of total assets of agricultural banks and around 86% of total liabilities of the Central Mutual Agricultural Credit Bank.
 - The item other assets totalled €640 million, accounting for 6.2% of total net assets. This item includes other tangible and intangible assets, with a gross value of €378 million, depreciation, amounting to €143 million, and investment, with a gross value of €226 million, covering equity capital of the Central Mutual Agricultural Credit Bank - €219 million and CREDIVALOR - €2 thousand, provisioned at €62 million.
 - Liabilities reached €335 million, accounting for 3.3% of assets.
- Liabilities of total agricultural banks belonging to SICAM attained €9.3 billion, i.e. up by €576 million from 31 December 2006. It was broken down as follows:

MUTUAL AGRICULTURAL CREDIT BANKS BELONGING TO SICAM (EUR millions)

LIABILITIES			
	31 Dec. 2007	31 Dec. 2006*	Change
RESOURCES FROM CREDIT INSTITUTIONS	10	3	7
RESOURCES FROM CUSTOMERS	8.926	8.412	514
SUBORDINATED LIABILITIES	209	175	34
PROVISIONS	64	69	-5
OTHER LIABILITIES	129	103	26
TOTAL LIABILITIES	9.338	8.762	576

Source: ProClarity.

* The values in this table were reconverted from the original items in the Chart of Accounts for the banking system to the new items in compliance with the Adjusted Accounting Standards.

- Resources from customers, accounting for 96% of total liabilities, reached €8.9 billion, 6% more than on 31 December 2006.

- Subordinated debt stood at €209 million, of which €114.4 million corresponded to subordinated loans granted by the Fund to agricultural banks belonging to SICAM.
- Equity of total agricultural banks belonging to SICAM amounted to €912 million on 31 December 2007, and the coverage of assets by equity was 8.9%, i.e. down by 0.1 p.p. from 31 December 2006.

At the end of 2007 equity was broken down as follows:

MUTUAL AGRICULTURAL CREDIT BANKS BELONGING TO SICAM (EUR millions)

EQUITY			
	31 Dec. 2007	31 Dec. 2006*	Change
EQUITY CAPITAL	681	678	3
RESERVES	225	205	20
PROFIT AND LOSS BROUGHT FORWARD	-95	-107	12
PROFIT AND LOSS FOR THE YEAR	101	86	15
EQUITY	912	862	50

Source: ProClarity.

* The values in this table were reconverted from the original items in the Chart of Accounts for the banking system to the new items in compliance with the Adjusted Accounting Standards.

- Equity capital totalled €681 million and reserves totalled €225 million;
- Profit and loss brought forward was negative, standing at €-95 million;
- Net profit and loss for the year, to the amount of €101 million, was €15 million higher than in 2006.

Equity rose by €50 million, of which €20 million corresponds to the increase in reserves and €12 million to the coverage of a share of profit and loss brought forward.

- The profit and loss account, which is obtained by aggregating the operating accounts of total agricultural banks belonging to SICAM, posts a non-consolidated net profit and loss for the year of €101 million.

MUTUAL AGRICULTURAL CREDIT BANKS BELONGING TO SICAM

(EUR millions)

PROFIT AND LOSS ACCOUNT	2007	2006*	Change
INTEREST AND SIMILAR INCOME	534	n.a.	-
INTEREST EXPENSE AND SIMILAR CHARGES	200	n.a.	-
PROFIT	334	n.a.	-
INCOME FROM NET SERVICES AND COMMISSIONS	61	n.a.	-
GAINS ON FINANCIAL OPERATIONS	0	n.a.	-
OTHER OPERATING INCOME	15	n.a.	-
GROSS INCOME	410	363	47
OPERATING COSTS	205	193	12
- STAFF COSTS	114	109	5
- ADMINISTRATIVE COSTS	91	84	7
DEPRECIATION	13	15	-2
CHANGE IN PROVISIONS, VALUE ADJUSTMENT AND IMPARITY	57	47	10
INCOME BEFORE TAXES	135	108	27
TAXES	34	22	12
NET PROFIT AND LOSS FOR THE YEAR	101	86	15
CASH FLOW NET OF CORPORATE INCOME TAX	171	148	23

Source: ProClarity.

* The values in this table were reconverted from the original items in the Chart of Accounts for the banking system to the new items in compliance with the Adjusted Accounting Standards.

Gross income amounted to €410 million, i.e. up by €47 million from 2006. Profit totalled €334 million, determined by Interest and similar income to an amount of €534 million and Interest expense and similar charges to an amount of €200 million.

In 2007 staff costs and administrative overheads rose by €12 million, i.e. by approximately 6%, to €205 million.

The €57 million increase in provisions, i.e. €10 million more than in 2006, corresponded to provisions and value adjustments.

Income before taxes, totalling €135 million, increased by €27 million from 2006, due to the fact that the rise in gross income was more than offset by higher provisions and the rise in operating costs.

The overall amount of taxes stood at around €34 million, in spite of negative profit and loss brought forward, given that the account consolidation system for tax purposes was discontinued. This made it impossible to deduct losses generated by some agricultural banks.

In 2007 total agricultural banks belonging to SICAM recorded a €101 million profit and loss for the year³, i.e. up by €15 million from 2006.

Net cash flow for the year was €171 million, i.e. up by €23 million from the previous year.

- The following table shows a number of indicators regarding the 100 agricultural banks belonging to SICAM (14 of which had signed a financial assistance agreement with the Fund at the end of the year), grouped into classes according to the value of their net assets as at 31 December 2007.

³ Obtained by aggregating net profit and loss for the year of each agricultural bank belonging to SICAM, given that the consolidated accounts of the System are not known yet.

100 MUTUAL AGRICULTURAL CREDIT BANKS BELONGING TO SICAM - 31 December 2007

(EUR millions)

	Value of net assets						
	[0;20[	[20;40[	[40;60[	[60;80[	[80;100[	>=100	Total
Number of agricultural banks	4	11	22	17	16	30	100
Number of agricultural banks with net profit and loss for the year < 0	0	2	2	0	1	1	6
Number of agricultural banks receiving financial assistance	0	0	1	3	3	7	14
Net assets * (EUR millions)	18	30	48	72	90	204	103
Range							
maximum	20	40	57	79	100	476	476
minimum	17	21	40	64	81	103	17
Equity * (EUR millions)	3	4	5	6	8	17	9
Range							
maximum	4	7	11	16	15	51	51
minimum	2	2	-7	-5	-10	-3	-10
Number of agricultural banks (% in total agricultural banks belonging to SICAM)	4%	11%	22%	17%	16%	30%	100%
Resources from customers / Resources from customers of agricultural banks belonging to SICAM (%)	1%	3%	10%	12%	14%	60%	100%
Total credit / Total credit of agricultural banks belonging to SICAM (%)	1%	3%	9%	12%	14%	61%	100%
Credit overdue / Credit overdue of agricultural banks belonging to SICAM (%)	1%	4%	9%	16%	18%	52%	100%
Total credit / Resources from customers* (%)	67%	62%	61%	67%	66%	66%	66%
Range							
maximum	89%	74%	78%	80%	93%	77%	93%
minimum	40%	38%	45%	55%	54%	43%	38%
Total credit / Assets * (%)	53%	52%	52%	58%	57%	58%	57%
Range							
maximum	69%	65%	68%	70%	82%	69%	82%
minimum	32%	32%	43%	46%	46%	38%	32%
Credit overdue / Total credit * (%)	6%	6%	4%	6%	6%	4%	4%
Range							
maximum	12%	22%	16%	14%	14%	19%	22%
minimum	1%	0,3%	1%	1%	3%	1%	0,3%
Operating costs / Gross income * (%)	44%	51%	52%	51%	49%	50%	50%
Range							
maximum	94%	66%	72%	61%	62%	64%	94%
minimum	31%	27%	39%	32%	32%	25%	25%

Source: ProClarity.

* Average value per class.

The following should be highlighted:

- The assets of all 100 agricultural banks total an average value of €103 million; 4 agricultural banks own assets to a value below €20 million.

The assets of 33 agricultural banks, i.e. 33% of the total, stand between €20 million and €60 million.

- The 4 agricultural banks with assets below €20 million account for 4% of total agricultural banks and for only 1% of resources raised and credit granted by SICAM, excluding the Central Mutual Agricultural Credit Bank. This group of agricultural banks also accounts for 1% of credit overdue of total agricultural banks belonging to SICAM.
- The 30 agricultural banks with assets over €100 million account for 30% of total agricultural banks and hold 60% of resources from customers, 61% of credit granted by the agricultural banks belonging to SICAM and 52% of total credit overdue.

This group includes the agricultural bank with the highest equity, i.e. €51 million.

7 of these agricultural banks have signed a financial assistance agreement with the Fund. 16% of total credit overdue of the total agricultural banks belonging to SICAM is held by these 7 banks under a financial assistance agreement.

Of the 6 agricultural banks with negative profit and loss for the year, 1 agricultural bank reports assets to an amount above €100 million and does not receive financial assistance from the Fund.

- Agricultural banks holding assets between €20 million and €100 million account for 66% of total agricultural banks belonging to SICAM and hold 39% of resources raised, 38% of credit granted and 47% of credit overdue of total agricultural banks belonging to SICAM. This group includes the remaining 7 of the 14 agricultural banks that have signed a financial assistance agreement with the Fund.
- On average, the ratio of resources from customers to total credit is 66%.
- With regard to the indicators total credit / resources from customers, total credit / assets and credit overdue / total credit, reference should be made to the heterogeneous values within each group. The maximum and minimum values of the credit overdue / total credit indicator occur in the group of agricultural banks holding assets between €20 million and €40 million.
- Operating costs absorb on average 50% of the gross income of agricultural banks. Again, there is great heterogeneity within each group. In fact, the class of agricultural banks holding assets below €20 million includes the bank whose operating costs have absorbed the highest share of the respective gross income, while the group of agricultural banks holding assets

above €100 million includes the bank whose operating costs have absorbed the lowest share of the respective gross income.

- The following table shows a number of indicators regarding the 100 agricultural banks belonging to SICAM, broken down into groups according to the value of their equity as at 31 December 2007.

100 MUTUAL AGRICULTURAL CREDIT BANKS BELONGING TO SICAM - 31 December 2007

(EUR millions)

	Equity value						Total
	< 0	[0;2,5[	[2,5;5[	[5;7,5[	[7,5;10[	>=10	
Number of agricultural banks	6	4	24	19	13	34	100
Number of agricultural banks with net profit and loss for the year < 0	1	1	2	0	0	2	6
Number of agricultural banks receiving financial assistance	5	1	3	0	1	4	14
Equity *(EUR millions)	-5	2	4	6	9	18	9
Range							
maximum	-1	2	5	7	10	51	51
minimum	-10	2	3	5	8	11	-10
Net assets * (EUR millions)	101	34	44	60	86	182	103
Range							
maximum	195	53	90	116	138	476	476
minimum	40	17	17	34	54	54	17
Number of agricultural banks (% in total agricultural banks belonging to SICAM)	6%	4%	24%	19%	13%	34%	100%
Resources from customers / Resources from customers of agricultural banks belonging to SICAM (%)	6%	1%	10%	11%	11%	61%	100%
Total credit / Total credit of agricultural banks belonging to SICAM (%)	6%	1%	10%	11%	12%	60%	100%
Credit overdue / Credit overdue of agricultural banks belonging to SICAM (%)	12%	1%	10%	13%	12%	52%	100%
Total credit / Resources from customers* (%)	71%	52%	64%	64%	72%	65%	66%
Range							
maximum	78%	62%	89%	77%	93%	77%	93%
minimum	45%	38%	38%	52%	58%	43%	38%
Total credit / Assets * (%)	63%	45%	56%	55%	63%	56%	57%
Range							
maximum	68%	54%	70%	67%	82%	65%	82%
minimum	51%	32%	32%	43%	52%	38%	32%
Credit overdue / Total credit * (%)	8%	6%	4%	5%	5%	4%	4%
Range							
maximum	16%	8%	22%	9%	8%	19%	22%
minimum	3%	1%	0.3%	1%	3%	1%	0.3%
Operating costs / Gross income * (%)	55%	63%	52%	48%	53%	49%	50%
Range							
maximum	72%	94%	64%	58%	62%	64%	94%
minimum	50%	56%	27%	32%	42%	25%	25%

Source: ProClarity.

* Average value per group.

The following should be highlighted:

- The average equity of agricultural banks is €9 million, although the equity of 34% of total agricultural banks belonging to SICAM stands below €5 million.

- 6 agricultural banks post negative equity, 5 of which have signed a financial assistance agreement with the Fund.

Agricultural banks with negative equity hold 12% of the credit overdue portfolio of total agricultural banks belonging to SICAM and only 6% of total credit granted.

- Agricultural banks holding equity above €5 million account for 66% of total agricultural banks belonging to SICAM. They also hold 83% of resources from customers and total credit and 77% of the credit overdue portfolio.
- 34 agricultural banks hold equity above €10 million, accounting for 34% of the total.

The analysis of the information for 31 December 2007 on the group of 100 agricultural banks belonging to SICAM made it possible to stress favourable developments in the following indicators:

- 16% decrease in credit overdue, i.e. €48 million;
- €11 million increase in the average value of assets;
- 0.4% increase in equity capital, i.e. €3 million;
- 17% rise in profit and loss for the year, i.e. €15 million;
- 13% increase in gross income, i.e. €47 million, and 16% increase in the cash flow, i.e. €23 million;
- banks with negative profit and loss for the year decreased by 2;
- 2 p.p. cut in the average value of the credit overdue / total credit indicator, i.e. 4%;
- €13.3 million decline in the overall level of insufficient equity, which amounted to €36 million on 31 December 2007, given the minimum equity capital requirements (€1.496 million) of agricultural banks, according to the provisions of Executive Order No 1197/2000 of the Ministry of Finance.

There are, however, a few economic and financial problems, namely the following:

- 17% increase, i.e. €47 million, in asset write-offs;
- 3 p.p. cut in the coverage of credit overdue by specific provisions.

4. Analysis of the Mutual Agricultural Credit Guarantee Fund's accounts for 2007

The accounts of the Fund were prepared according to the chart of accounts proposed by the Control and Accounting Department of Banco de Portugal and approved by the Management Committee of the Fund.

4.1. Balance sheet as at 31 December 2007

As at 31 December 2007 and according to the balance sheet included in annex:

- The Fund's net assets amounted to €243.3 million, i.e. up by €18.5 million from 31 December 2006, and were broken down as follows:

Mutual Agricultural Credit Guarantee Fund – Assets as at 31 December (EUR thousands)

ASSETS	31 Dec. 2007	31 Dec. 2006	Change
(Net) financial fixed assets	0	0	0
(Gross) financial fixed assets	5.500	5.615	-115
Provisions for financial fixed assets	5.500	5.615	-115
Loans to SICAM	147.876	158.363	-10.487
Free investments	29.232	15.750	13.482
Investments for the guarantee of deposits	65.000	50.000	15.000
Accruals and prepaid expenses	1.210	735	475
GROSS ASSETS	248.819	230.462	18.357
NET ASSETS	243.319	224.847	18.472

- Financial fixed assets amounted to €5.5 million:
 - Share in the capital of CREDIVALOR: €46,000;
 - “Financing loans” to CREDIVALOR: €5,454,000 as additional capital, of which €3,360,000 were converted into additional payments.

The share in the capital of CREDIVALOR and the value of “financing loans” were fully provisioned.

- The outstanding amount of loans to SICAM reached an overall €147.9 million, i.e. €10.5 million less than on 31 December 2006. In 2007 loans were repaid to the amount of €10.5 million, and no new loans were granted.
- Free investments, to the amount of €29.2 million, were broken down into demand deposits and fixed-term deposits.
- Investments for the guarantee of deposits with banks belonging to SICAM amounted to €65 million, i.e. up by €15 million from the end of 2006. Their value corresponded to approximately 0.76% of the average monthly value of the credit balances of eligible deposits with banks belonging to SICAM in 2007. These investments were in compliance with and for the purpose of Article 11 of Decree-Law No 345/98. According to it, the Fund may cover, up to €25,000⁴, per depositor, per credit institution, the repayment of deposits opened with the Central Mutual Agricultural Credit Bank and its associate agricultural banks.

The increase in the value of investments for the guarantee of deposits – €15 million – covers €2 million corresponding to income generated in 2007 by the investment in fixed-term deposits of capital earmarked for the guarantee of deposits.

These investments have taken the form of fixed-term deposits with credit institutions. The maturity for these deposits, i.e. between 3 and 6 months, was chosen with a view to maximising profitability and rendering the Fund's liquidity adequate to its working capital needs.

- On 31 December 2007 the value of these investments for the guarantee of deposits complied with the minimum established in Article 11 of Decree-Law No 345/98, corresponding to around 26% of the value of the Fund's gross assets.

⁴ According to the provision of Article 12(1) of Decree-Law no 345/98, Executive Order no 1340/98 and Directive 1999/60/EC.

Mutual Agricultural Credit Guarantee Fund – Own resources and liabilities as at 31 December
(EUR thousands)

OWN RESOURCES AND LIABILITIES	31 Dec. 2007	31 Dec. 2006	Change
Own resources			
Contributions	231.907	217.669	14.238
Reserves	7.014	5.566	1.447
Net profit and loss	4.127	1.447	2.680
	243.048	224.683	18.365
Liabilities			
Accruals and income collected in advance	270	164	106
	270	164	106
TOTAL OWN RESOURCES AND LIABILITIES	243.319	224.847	18.472

- On 31 December 2007 the Fund's own resources amounted to €243 million:
 - Contributions⁵ of €231.9 million, received from 1998 to 2007, of which €14.2 million were received in 2007, as annual contribution to SICAM.

Pursuant to Article 9 of Decree-Law no 345/98 of 9 November, the value of the annual contribution shall be based on the average amount of monthly credit balances of deposits over the previous year which are eligible for this purpose, and shall be paid in two instalments, the first of which in April and the second in October of the year to which they refer.

- General reserves to the value of €7 million.

The increase of €1,447 thousand in the value of general reserves in 2007 corresponded to the transfer of profit and loss for 2006, according to the proposal for profit distribution / allocation of losses approved by a Decision of the Minister of State and Finance.
- Positive profit and loss for the year of €4,127,000.

The profit and loss for 2007 corresponds to a €2,680,000 rise from the value posted in the previous year, according to the analysis of the profit and loss account.

- On 31 December 2007 liabilities amounted to only €270,000.

⁵ As of 1998 contributions are entered as own resources.

- Overall, the following was observed in 2007:
 - €18.4 million increase in the value of own resources;
 - €18.5 million increase in the value of assets:
 - loans to SICAM: less €10.5 million;
 - funds earmarked for the guarantee of deposits: plus €15 million;
 - value of free deposits: plus €13.5 million;
 - accruals and prepaid expenses: plus €0.5 million.

Therefore, the overall situation of the Fund as at 31 December 2007 was as follows:

- Low-value liabilities;
- Own resources to the amount of €243 million;
- Loans to SICAM totalling €147.9 million and deposits with credit institutions to the amount of €94.2 million.

4.2. Profit and loss account for 2007

MUTUAL AGRICULTURAL CREDIT GUARANTEE FUND (EUR thousands)

PROFIT AND LOSS ACCOUNT	2007	2006	Change
(Net) financial income			
Net interest of deposits with credit institutions	2.920	1.886	1.034
Net interest of loans to SICAM	1.393	1.044	349
	4.313	2.930	1.383
Financial costs and losses			
Other financial costs and losses	0	0	0
Provisions for financial investments	0	1.038	-1.038
	0	1.038	-1.038
Financial income	4.313	1.892	2.421
Subsidies	287	425	-138
Operating costs	20	19	1
	307	444	-137
Current income	4.006	1.447	2.559
Extraordinary income	121	0	121
NET PROFIT AND LOSS FOR THE YEAR	4.127	1.447	2.680

Net profit and loss for 2007, which posted a positive value of €4,127,000, was calculated from financial income of €4,313,000, less subsidies granted and operating costs of the Fund.

In 2007 net income amounted to €4,313,000, which was generated by investments in deposits with credit institutions and loans to agricultural banks. Average profitability before corporate income tax of deposits with credit institutions was 4.96% (corresponding to 3.97% net profitability).

Financial costs were nil, as it was not necessary to raise provisions for “financing loans” to CREDIVALOR in 2007. The repayment of additional capital by CREDIVALOR at the end of the year was higher than the value of additional capital provided in the course of 2007, thus leading to a decrease in provisions as a result of the difference between both values.

Subsidies amounted to €287,000, corresponding to the subsidy granted to FENACAM for the conduct of audits requested by the Fund.

Operating expenses to the amount of €20,000 covered supplies and services of third parties and other operational costs and losses (emoluments to be paid to the Court of Auditors and the annual contribution to EFDI), as shown in the annex to the financial statements.

Extraordinary income was positive, at €121,000, due to the cut in provisions for “financing loans” to CREDIVALOR and to the proceeds from the fine imposed by Banco de Portugal on one agricultural bank as a result of a breach-of-regulations proceeding.

By comparing the accounts for 2007 and 2006 it can be concluded that the difference between the results for both years, to the amount of €2,680,000, was explained by:

- €1,383,000 increase in financial income, due to both the increase in the average value of capital invested during the year and the interest rate rise;
- decrease in provisions (less €1,038,000);
- €138,000 decrease in subsidies granted in 2007;
- higher extraordinary income (plus €121,000);
- slight increase in the operating expenses of the Fund (plus €1,000).

Profits and losses recorded by the Fund essentially corresponded to the value of profit less subsidies, given the negligible value of operating costs.

Profit was mainly determined by the return on investments in credit institutions, on average 0.6 p.p. above the Euribor rate.

4.3. Use of the resources of the Mutual Agricultural Credit Guarantee Fund

The analysis of developments in the value of the Fund's own resources and their use shows that in the course of its 20 years:

- the Fund received contributions and interest to the overall amount of €365 million:
 - €111 million contributions by Banco de Portugal;
 - €251 million contributions by SICAM, of which:
 - €32 million by the Central Mutual Agricultural Credit Bank
 - €219 million by agricultural banks
 - €3 million interest paid by SICAM, within the scope of the financial assistance.
- SICAM received €284 million from the Fund as financial assistance:
 - €148 million loans not yet repaid, of which €34 million were granted to the Central Mutual Agricultural Credit Bank;
 - €91 million through financial support to CREDIVALOR for the purchase of credits and equity securities within the scope of assistance agreements signed with agricultural banks;
 - €45 million subsidies, of which €2 million were granted to the Central Mutual Agricultural Credit Bank in the 1999-2002 period;

Deposits, to the amount of €94 million, corresponded to:

- €80 million regarding the share of the total value of contributions by Banco de Portugal (€111 million) that was not transferred to SICAM;
- €14 million regarding income generated by the Fund i.e., financial income from investments in deposits (€50 million) not absorbed by operating costs (€1 million), financing expenses of CREDIVALOR's current activities (€32 million) and subsidies to FENACAM (€3 million).

Investments in credit institutions, to the amount of €94 million, were broken down into:

- €65 million regarding investments for the guarantee of deposits opened with banks belonging to SICAM; and
- €29 million regarding free investments.

In 2007 the average monthly value of deposits with banks belonging to SICAM was €8,768 million and the corresponding average value of eligible deposits is estimated to have attained around €8,586 million. Therefore, on 31 December 2007 the value of the deposit cover ratio (ratio of the total value of investments to the average value of eligible deposits) was 1.1%, while the ratio of the value of investments for the guarantee of deposits to the average value of eligible deposits was 0.76% (0.3 p.p. and 0.14 p.p. more than in the previous year, respectively).

5. Summary of the Mutual Agricultural Credit Guarantee Fund's plan of activities for 2008

In 2008 the Fund will continue to support the financial reorganisation of SICAM, on a proposal of the Central Mutual Agricultural Credit Bank, and together with Banco de Portugal, by signing new financial assistance agreements with agricultural banks, where necessary, in particular with agricultural banks involved in new merger or division processes. The value of loans to be granted in 2008 is estimated at €15 million.

A payment of approximately €0.3 million to FENACAM is also forecast, regarding audits to be conducted upon the request of the Fund

The financial assistance to SICAM expected for 2008 will give rise to the allocation of the Fund's resources to the amount of €15.3 million.

In 2008 the amount of contributions by SICAM, the major financing source of the Fund's activities, is estimated to reach approximately €14.8 million, in compliance with the provisions of Notice of Banco de Portugal No 14/2003. The contribution base rate is 0.2%.

In the course of 2008, the Fund's financial assistance to the winding-up of CREDIVALOR which is intended to be swift, in accordance with the guidelines defined by the Fund (its major shareholder), is expected to amount to around €0.3 million, net of repayments, which will be fully provisioned.

Cooperation with EFDI is also expected to be continued in 2008.

6. Proposal for profit distribution / allocation of losses for 2007

Profit and loss for 2007 amounted to €4,127,314. The Management Committee proposes that this value be fully allocated to general reserves.

Porto, 17 March 2008

Management Committee

José António da Silveira Godinho

Licínio Manuel Prata Pina

BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

BALANCE SHEET AS AT 31 DECEMBER 2007

(EUR)

CODE OF THE ACCOUNTS	ASSETS	Notes Annex 1	FISCAL YEAR 2007			FISCAL YEAR 2006	CODE OF THE ACCOUNTS	OWN RESOURCES AND LIABILITIES	Notes Annex 1	FISCAL YEAR 2007	FISCAL YEAR 2006
			Gross assets	Provisions	Net assets	Net assets					
	Fixed assets						Own resources, reserves and profit and loss				
41	Financial fixed assets	1					Own resources				
411	Capital shares		46 000	46 000	0	0					
413	Financing loans		5 454 000	5 454 000	0	0	51 Contributions	6	231 907 202	217 669 477	
			5 500 000	5 500 000	0	0					
	Debts of third parties	2					Reserves				
231	Loans granted to agricultural banks		114 379 790		114 379 790	124 866 567	574 General reserves	7	7 013 847	5 566 451	
231	Loans granted to the Central Mutual Agricultural Credit Bank		33 496 194		33 496 194	33 496 194	59 Profit and loss brought forward		0	0	
			147 875 984		147 875 984	158 362 761					
	Bank deposits	3					88 Net profit and loss for the year		4 127 314	1 447 396	
12+13	Deposits with credit institutions		29 232 273		29 232 273	15 750 088					
							Total own resources		243 048 363	224 683 324	
16	Investments for the guarantee of deposits	4									
161	Deposits with credit institutions		65 000 000		65 000 000	50 000 000	Liabilities				
							Accruals and income collected in advance				
	Accruals and prepaid expenses	5					273 Accrued costs	5	270 361	164 123	
271	Accrued income		1 210 467		1 210 467	734 597					
							Total liabilities		270 361	164 123	
	Total assets		248 818 724	5 500 000	243 318 724	224 847 447	Total own resources and liabilities		243 318 724	224 847 447	

Head of the Control and Accounting Department

Mutual Agricultural Credit Guarantee Fund
The Management Committee

PROFIT AND LOSS ACCOUNT
JANUARY TO DECEMBER 2007

(EUR)

CODE OF THE ACCOUNTS	Notes	FISCAL YEARS			
		2007		2006	
		Costs and losses			
61	8	287 500		425 000	
62	9	2 617		2 810	
64		0		0	
63	10	975 896		655 653	
65	11	17 188		16 130	
	(A)		1 283 200		1 099 593
68	12	54		1 038 045	
	(C)		1 283 254		2 137 638
69		69		342	
	(E)		1 283 323		2 137 980
			1 283 323		2 137 980
88					
			4 127 314		1 447 396
			5 410 637		3 585 375
		Income and gains			
78	13	5 289 293		3 585 375	
	(D)		5 289 293		3 585 375
79	14	121 344		0	
	(F)		5 410 637		3 585 375
			5 410 637		3 585 375

SUMMARY

<i>Operational profit and loss: - (A)</i>	=	<i>-1 283 200</i>
<i>Financial profit and loss: (D) - (C - A)</i>	=	<i>5 289 239</i>
<i>Current profit and loss: (D) - (C)</i>	=	<i>4 006 039</i>
<i>Net profit and loss for the year: (F) - (E)</i>	=	<i>4 127 314</i>

Head of the Control and Accounting Department

Mutual Agricultural Credit Guarantee Fund
Management Committee

Annexes

I - Notes on the financial statements

II – Information on CREDIVALOR – 2007

III – List of institutions that were members of the Mutual Agricultural Credit Guarantee Fund on 31 December 2007

IV – Changes to the legal framework of Mutual Agricultural Credit

I- NOTES ON THE FINANCIAL STATEMENTS

NOTE 1 – FINANCIAL FIXED ASSETS

The item “**Capital shares**” accounts for a share of 92% in the equity capital of CREDIVALOR – *Sociedade Parabancária de Recuperação de Créditos, S.A., SOCIEDADE EM LIQUIDAÇÃO*, corresponding to 9,200 shares with a nominal value of €5, entered at acquisition cost. This share is fully provisioned.

The item “**Financing loans**” posts loans granted to CREDIVALOR as additional capital and additional payments:

	(euros)	
	<u>31-12-2007</u>	<u>31-12-2006</u>
Additional payments	3 360 000	3 360 000
Additional capital	2 094 000	2 209 000
Total	<u>5 454 000</u>	<u>5 569 000</u>

The item “additional capital” posts a net decrease of €115,000 compared with December 2006, due to the combined effect of: (i) the building-up throughout 2007 of new additional capital provided to CREDIVALOR to the amount of €115,000; (ii) repayment by CREDIVALOR of additional capital do the amount of €230,000. “**Financing loans**” are also fully provisioned, wherefore the decrease in total additional capital translated into a similar decline in provisions (see Note 14).

NOTE 2 – DEBTS OF THIRD PARTIES

Compared with December 2006, “**Debts to third parties**” posts an overall decrease of €10,486,777, fully due to the cut in the item “**Loans granted to agricultural banks**” given that “**Loans granted to the Central Mutual Agricultural Credit Bank**” shows a nil change. These loans are broken down as follows:

			(EUR)	
	<u>Start - End</u>	<u>Maturity</u>	<u>31 Dec. 2007</u>	<u>31 Dec. 2006</u>
Loans granted to mutual agricultural credit banks				
Albergaria e Sever	2002 - 2010	8 years	4,500,000	4,500,000
Alcacer do Sal e Montemor-o-Novo	2006 - 2015	9 years	12,000,000	12,000,000
Alcobaça	1996 - 2011	15 years	14,963,937	17,956,724
Alto Guadiana	1994 - 2011	17 years	9,477,160	9,477,160
Área Metropolitana do Porto	1996 - 2011	15 years	3,491,585	3,491,585
Bairrada e Aguieira	2005 - 2013	8 years	16,000,000	16,000,000
Baixo Vouga	2001 - 2009	8 years	3,000,000	3,000,000
Beira Baixa (Sul)	2006 - 2013	7 years	4,000,000	4,000,000
Beira Centro	1998 - 2008	10 years	3,990,383	3,990,383
Caldas da Rainha, Óbidos e Peniche	1996 - 2007	11 years	-	748,197
Costa Azul	2007 - 2011	4 years	7,000,000	-
Entre Tejo e Sado	1996 - 2014	18 years	20,956,724	27,956,724
Lafões	1997 - 2007	10 years	-	748,197
Moravis	2005 - 2015	10 years	8,000,000	8,000,000
Região do Fundão e Sabugal	1997 - 2007	10 years	-	997,596
Salvaterra de Magos	2001 - 2007	6 years	-	5,000,000
Silves	2004 - 2009	5 years	2,000,000	2,000,000
Vale do Sousa e Baixo Tâmega	2005 - 2013	8 years	5,000,000	5,000,000
			114,379,790	124,866,567

Loans granted to the Central Mutual Agricultural Credit Bank

2000 - 2008	8 years	7,696,800	7,696,800
2001 - 2009	8 years	6,340,260	6,340,260
2002 - 2010	8 years	7,459,134	7,459,134
2003 - 2011	8 years	12,000,000	12,000,000
		33,496,194	33,496,194
Total		147,875,984	158,362,761

A. Loans granted in 2007

Costa Azul	7,000,000 (1)
	7,000,000

B. Loans repaid in 2007

Alcobaça (17%)	2,992,787
Caldas da Rainha, Óbidos e Peniche (100%)	748,197
Entre Tejo e Sado (25%)	7,000,000 (1)
Lafões (50%)	748,197
Região do Fundão e Sabugal (18%)	997,596
Salvaterra de Magos (100%)	5,000,000
	17,486,777

C. Change in the account balance

"Loan to SICAM" – 2007	-10,486,777
------------------------	--------------------

(1) – Loan originally granted by the agricultural bank of ENTRE TEJO E SADO to the agricultural bank of COSTA AZUL – through branch division.

NOTE 3 – BANK DEPOSITS

The item “**Bank deposits**” includes demand and fixed-term deposits to the following amounts:

	(EUR)	
	<u>31-12-2007</u>	<u>31-12-2006</u>
Demand deposits	282 273	250 088
Fixed-term deposits	28 950 000	15 500 000
	<u>29 232 273</u>	<u>15 750 088</u>

NOTE 4 – INVESTMENTS FOR THE GUARANTEE OF DEPOSITS

Pursuant to the provisions laid down in the first part of Article 2 (1) of Decree-Law No 345/98 of 9 November, this item posts an amount of €65,000,000 (2006: €50,000,000) regarding investments with an average maturity of 3 months for the guarantee of deposits with agricultural banks that are members of the Fund.

NOTE 5 – ACCRUALS AND PREPAID EXPENSES / INCOME COLLECTED IN ADVANCE

	(EUR)	
	<u>31-12-2007</u>	<u>31-12-2006</u>
Accrued income		
Interest receivable		
of fixed-term deposits	386 129	143 443
of subordinated loans	396 321	295 013
of investments for the guarantee of deposits	426 977	296 142
other accrued income	1 039	-
Total	<u>1 210 467</u>	<u>734 597</u>
Accrued costs		
of the corporate income tax on capital investments	162 621	87 917
of the corporate income tax on subordinated loan interest	59 448	44 252
other accrued costs	48 292	31 954
Total	<u>270 361</u>	<u>164 123</u>

With regard to the item “**Accrued costs**”, the amount of €48,292 entered under “Other accrued costs” corresponds to (i) €15,858 and €16,096 brought forward from 2005 and 2006 respectively,

regarding the accrued estimate of emoluments to be paid to the Court of Auditors related to the assessment of the 2004 and 2005 annual accounts, which had not yet been paid in 2007, and (ii) €16,338 recorded in December 2007, against “Other operational costs and losses”, regarding the accrual of emoluments related to the assessment of the 2006 accounts (see Note 11).

NOTE 6 – CONTRIBUTIONS

The item “**Contributions**” enters the contributions to the Fund since early 1998 by:

	31-12-2006	Received in 2007	31-12-2007
			(EUR)
Banco de Portugal	78 411 349		78 411 349
Central Mutual Agricultural Credit Bank	14 940 024	181 353	15 121 377
Associate mutual agricultural credit banks	124 318 105	14 056 372	138 374 477
Total	<u>217 669 477</u>	<u>14 237 725</u>	<u>231 907 202</u>

NOTE 7 – GENERAL RESERVES

In 2007 the item “**General reserves**” posted an increase of €1,447,396 due to the distribution of net profit for 2006.

NOTE 8 – SUBSIDIES TO MUTUAL AGRICULTURAL CREDIT

This item enters compensatory subsidies granted to FENACAM, to the amount of €287,500, corresponding to the contribution to the costs of audits to agricultural banks conducted at the request of the Fund.

NOTE 9 – SUPPLIES AND SERVICES OF THIRD PARTIES

This item includes:

	(EUR)	
	<u>31-12-2007</u>	<u>31-12-2006</u>
Expenditure on legal and notarial services	-	331
Travelling and accommodation expenses	2 508	2 479
Other services and supplies	108	-
Total	<u>2 617</u>	<u>2 810</u>

NOTE 10 – TAXES

This item enters the cost regarding the corporate income tax on capital investment income:

	(EUR)	
	<u>31-12-2007</u>	<u>31-12-2006</u>
15% corporate income tax – Interest on loans to agricultural banks	245 887	184 267
20% corporate income tax – Interest on capital investments		
of bank deposits	233 410	177 037
of investments earmarked for the guarantee of deposits	496 600	294 349
Total	<u>975 896</u>	<u>655 653</u>

NOTE 11 – OTHER OPERATIONAL COSTS AND LOSSES

This item includes the estimated value of emoluments to be paid to the Court of Auditors, related to assessment of the 2006 annual accounts (€16,338, see Note 5) and the annual contribution of the Fund as member of the *EFDI* (€850).

NOTE 12 – FINANCIAL COSTS AND LOSSES

The sharp decline in the item “**Financial costs and losses**” is due to the fact that in 2006 the amount entered under costs included the increase in provisions for “financing loans”, which did not occur in 2007.

NOTE 13 – FINANCIAL INCOME AND GAINS

“**Financial income and gains**” were broken down as follows:

	(EUR)	
	<u>31-12-2007</u>	<u>31-12-2006</u>
Interest received		
of bank deposits	1 167 049	885 187
of subordinated loans	1 639 245	1 228 443
of investments earmarked for the guarantee of deposits	2 482 999	1 471 745
	<u><u>5 289 293</u></u>	<u><u>3 585 375</u></u>

NOTE 14 – EXTRAORDINARY COSTS AND LOSSES

This item refers mainly to the decrease in provisions for “financing loans” to CREDIVALOR (€115,000) and the fine to the agricultural bank of Alto Minho (€6,000), as a result of a breach-of-regulations procedure started the Banking Supervision Department of Banco de Portugal.

II - INFORMATION ON CREDIVALOR – 2007

Company in liquidation in which the Mutual Agricultural Credit Guarantee Fund holds the majority of the capital (92%).

1. CREDIVALOR's activities in 2007

CREDIVALOR – *Sociedade Parabancária de Valorização de Créditos, S.A.* – company under winding-up, was set up in line with Executive Order No 6/93 (Series II) of the Presidency of the Council of Ministers and the Ministry of Finance published on 7 January 1993. Following the guidelines defined in due time by the Management Committee of the Fund – the majority shareholder – CREDIVALOR's voluntary winding-up was unanimously decided at the General Meeting held on 9 November 2006. Hence, this company went into liquidation. From that date onwards the staff of CREDIVALOR was narrowed to 2 employees.

On 31 December 2007, 168 credit files were active, 7 less than at the start date of the company's winding-up, of which 157 stem from financial assistance agreements and 11 from the business area. CREDIVALOR also held real estate property related to 13 credit files.

On the same date, the Fund's share in CREDIVALOR's capital amounted to €46,000 (92%), and the cumulative value of additional capital and additional payments made by the Fund was €2,094,000 and €3,360,000 respectively. These values were fully provisioned.

In 2007 the Fund provided CREDIVALOR with an additional capital of €115,000. By the end of the year, €230,000 had been repaid.

2. Accounts of CREDIVALOR for 2007 ⁶

CREDIVALOR		(EUR thousands)		
ASSETS				
	31-Dec-07	31-Dec-06	Change 2007/2006	
Assets	63	60	3	
Investments in credit institutions	0	0	0	
(Net) credit to customers	44	45	-1	
Gross value	26.118	26.566	-448	
Provisions	26.074	26.521	-447	
(Net) tangible and intangible assets	3	7	-4	
Gross value	438	477	-39	
Depreciation	435	470	-35	
(Net) non-current assets held for sale	2.756	1.915	841	
Gross value	9.315	9.315	0	
Provisions	6.559	7.400	-841	
Other assets	116	144	-28	
GROSS ASSETS	36.050	36.562	-512	
NET ASSETS	2.982	2.171	811	

As at 31 December 2007 CREDIVALOR's net assets amounted to €3 million, broken down as follows:

- €63,000 - assets;
- €26.1 million - credits purchased to agricultural banks (€448 million less than at end-2006), provisioned at 99.8% of their value;
- €26 million - provisions for credit to customers (€447 million less than at end-2006);
- €9.3 million - other assets, provisioned at 70%, corresponding to real estate property received as a result of credit recovery operations.

In 2007 CREDIVALOR's net assets rose by €811,000, mainly due to the following:

- unwinding of €841,000 of provisions for non-current assets held for sale;
- €28,000 decline in the value of other assets.

⁶ Provisional accounts.

CREDIVALOR

(EUR thousands)

EQUITY AND LIABILITIES			
	31-Dec-07	31-Dec-06	Change 2007/2006
EQUITY	541	-370	911
Equity capital (realised value)	50	50	0
Subordinated liabilities (a)	3.360	3.360	0
Reserves	0	0	0
Profit and loss brought forward	-3.779	-2.672	-1.107
Profit and loss for the year	910	-1.108	2.018
LIABILITIES	2.442	2.541	-100
Other resources (b)	2.094	2.209	-115
Resources from customers	224	224	0
Provisions	35	35	0
Other liabilities	89	73	16
EQUITY AND LIABILITIES	2.982	2.171	811

(a) Additional payments, due to the conversion by the Fund of part of the additional capital.

(b) Additional capital provided by the Fund.

As at 31 December 2007 CREDIVALOR's liabilities totalled €2.4 million, broken down as follows:

- €2.1 million – other resources, with additional capital provided by the Fund (€115,000 less than at end-2006);
- €0.2 million – resources from customers as a result of credit purchases within the business area scope;
- €0.1 million – other liabilities and provisions.

As at 31 December 2007, equity, amounting to €541,000, was due to:

- the value of subordinated liabilities – €3.3 million – corresponding to additional payments with a subordination clause made by the Fund in previous years, due to the conversion of part of the amount of additional capital provided to CREDIVALOR;
- the value of profit and loss for 2007 - €0.9 million; and
- the amount of profit and loss brought forward – €-3.8 million.

CREDIVALOR

(EUR thousands)

PROFIT AND LOSS ACCOUNT			
	2007	2006	Change 2007/2006
Interest and similar income	5	7	-2
Interest expense and similar charges	0	0	0
PROFIT	5	7	-2
Other operating profit	257	256	1
GROSS INCOME	262	263	-1
Staff costs	66	753	-687
Administrative overheads	240	520	-280
Depreciation for the year	4	8	-4
Changes in provisions, value adjustments and imparity	-998	89	-1.087
INCOME BEFORE TAXES	951	-1.106	2.057
Taxes	41	2	39
NET PROFIT AND LOSS FOR THE YEAR	910	-1.108	2.018

In 2007, for the first time in 6 years, CREDIVALOR posted positive profit and loss for the year, which attained €910,000, chiefly determined by the unwinding of provisions, to an overall amount of €998,000 and other operating results amounting to €257,000.

Profit was €5,000, down by €2,000 from 2006.

Operating costs (staff costs and administrative overheads) amounted to €306,000, i.e. €967,000 less than in 2006.

Since the setting up of CREDIVALOR the Fund has transferred to it €123 million, net of repayments, as capital and additional capital. The latter has been used to a large extent in the conversion of additional payments and to cover negative profit and loss brought forward.

Of the €123 million delivered to CREDIVALOR, €91 million were aimed at covering interventions within the scope of financial assistance agreements and €32 million were aimed at purchasing assets from institutions belonging to SICAM, outside the scope of these agreements, paying interest associated with liabilities to agricultural banks, and at funding CREDIVALOR's current activities.

**III – LIST OF INSTITUTIONS THAT WERE MEMBERS OF THE MUTUAL
AGRICULTURAL CREDIT GUARANTEE FUND ON 31 DECEMBER 2007**

List of institutions that were members of the Mutual Agricultural Credit Guarantee Fund on 31 December 2007

- 1 CENTRAL MUTUAL AGRICULTURAL CREDIT BANK
- 2 Caixa de Crédito Agrícola Mútuo da ÁREA METROPOLITANA DO PORTO
- 3 Caixa de Crédito Agrícola Mútuo da BARRADA E AGUIEIRA
- 4 Caixa de Crédito Agrícola Mútuo da BATALHA
- 5 Caixa de Crédito Agrícola Mútuo da BEIRA BAIXA (SUL)
- 6 Caixa de Crédito Agrícola Mútuo da BEIRA CENTRO
- 7 Caixa de Crédito Agrícola Mútuo da COSTA AZUL
- 8 Caixa de Crédito Agrícola Mútuo da COSTA VERDE
- 9 Caixa de Crédito Agrícola Mútuo da GUARDA E CELORICO DA BEIRA
- 10 Caixa de Crédito Agrícola Mútuo da PÓVOA DE VARZIM, VILA DO CONDE E ESPOSENDE
- 11 Caixa de Crédito Agrícola Mútuo da REGIÃO DE BRAGANÇA
- 12 Caixa de Crédito Agrícola Mútuo da REGIÃO DO FUNDÃO E SABUGAL
- 13 Caixa de Crédito Agrícola Mútuo da ZONA DO PINHAL
- 14 Caixa de Crédito Agrícola Mútuo das SERRAS DE ANSIÃO
- 15 Caixa de Crédito Agrícola Mútuo de ALBERGARIA E SEVER
- 16 Caixa de Crédito Agrícola Mútuo de ALBUFEIRA
- 17 Caixa de Crédito Agrícola Mútuo de ALCÁCER DO SAL E MONTEMOR-O-NOVO
- 18 Caixa de Crédito Agrícola Mútuo de ALCANHÕES
- 19 Caixa de Crédito Agrícola Mútuo de ALCOBAÇA
- 20 Caixa de Crédito Agrícola Mútuo de ALENQUER
- 21 Caixa de Crédito Agrícola Mútuo de ALJUSTREL E ALMODÔVAR
- 22 Caixa de Crédito Agrícola Mútuo de AMARES
- 23 Caixa de Crédito Agrícola Mútuo de ANADIA
- 24 Caixa de Crédito Agrícola Mútuo de ARMAMAR E MOIMENTA DA BEIRA
- 25 Caixa de Crédito Agrícola Mútuo de AROUCA
- 26 Caixa de Crédito Agrícola Mútuo de ARRUDA DOS VINHOS
- 27 Caixa de Crédito Agrícola Mútuo de AZAMBUJA
- 28 Caixa de Crédito Agrícola Mútuo de BAIXO MONDEGO
- 29 Caixa de Crédito Agrícola Mútuo de BARCELOS
- 30 Caixa de Crédito Agrícola Mútuo de BEJA E MÉRTOLA
- 31 Caixa de Crédito Agrícola Mútuo de BORBA
- 32 Caixa de Crédito Agrícola Mútuo de CADAVAL
- 33 Caixa de Crédito Agrícola Mútuo de CALDAS DA RAINHA, ÓBIDOS E PENICHE
- 34 Caixa de Crédito Agrícola Mútuo de CAMPO MAIOR
- 35 Caixa de Crédito Agrícola Mútuo de CANTANHEDE E MIRA
- 36 Caixa de Crédito Agrícola Mútuo de COIMBRA

- 37 Caixa de Crédito Agrícola Mútuo de CORUCHE
- 38 Caixa de Crédito Agrícola Mútuo de ELVAS
- 39 Caixa de Crédito Agrícola Mútuo de ENTRE TEJO E SADO
- 40 Caixa de Crédito Agrícola Mútuo de ESTARREJA
- 41 Caixa de Crédito Agrícola Mútuo de ESTREMOZ, MONFORTE E ARRONCHES
- 42 Caixa de Crédito Agrícola Mútuo de ÉVORA
- 43 Caixa de Crédito Agrícola Mútuo de FAVAIOS
- 44 Caixa de Crédito Agrícola Mútuo de FERREIRA DO ALENTEJO
- 45 Caixa de Crédito Agrícola Mútuo de FORNOS DE ALGODRES
- 46 Caixa de Crédito Agrícola Mútuo de GUIMARÃES
- 47 Caixa de Crédito Agrícola Mútuo de LAFÕES
- 48 Caixa de Crédito Agrícola Mútuo de LAMEGO E CASTRO DAIRE
- 49 Caixa de Crédito Agrícola Mútuo de LOURES, SINTRA E LITORAL
- 50 Caixa de Crédito Agrícola Mútuo de LOURINHÃ
- 51 Caixa de Crédito Agrícola Mútuo de MORAVIS
- 52 Caixa de Crédito Agrícola Mútuo de OLIVEIRA DE AZEMÉIS
- 53 Caixa de Crédito Agrícola Mútuo de OLIVEIRA DO BAIRRO
- 54 Caixa de Crédito Agrícola Mútuo de OLIVEIRA DO HOSPITAL
- 55 Caixa de Crédito Agrícola Mútuo de OVAR
- 56 Caixa de Crédito Agrícola Mútuo de PAREDES
- 57 Caixa de Crédito Agrícola Mútuo de PERNES
- 58 Caixa de Crédito Agrícola Mútuo de POMBAL
- 59 Caixa de Crédito Agrícola Mútuo de PONTE DE SÔR
- 60 Caixa de Crédito Agrícola Mútuo de PORTALEGRE E ALTER DO CHÃO
- 61 Caixa de Crédito Agrícola Mútuo de PORTO DE MÓS
- 62 Caixa de Crédito Agrícola Mútuo de S. BARTOLOMEU DE MESSINES-S.MARCOS DA SERRA
- 63 Caixa de Crédito Agrícola Mútuo de S. JOÃO DA PESQUEIRA
- 64 Caixa de Crédito Agrícola Mútuo de SALVATERRA DE MAGOS
- 65 Caixa de Crédito Agrícola Mútuo de SANTO TIRSO
- 66 Caixa de Crédito Agrícola Mútuo de SÃO TEOTÓNIO
- 67 Caixa de Crédito Agrícola Mútuo de SÁTÃO E VILA NOVA DE PAIVA
- 68 Caixa de Crédito Agrícola Mútuo de SEIA
- 69 Caixa de Crédito Agrícola Mútuo de SILVES
- 70 Caixa de Crédito Agrícola Mútuo de SOBRAL DE MONTE AGRAÇO
- 71 Caixa de Crédito Agrícola Mútuo de SOUSEL
- 72 Caixa de Crédito Agrícola Mútuo de TAROUCA
- 73 Caixa de Crédito Agrícola Mútuo de TERRA QUENTE
- 74 Caixa de Crédito Agrícola Mútuo de TERRAS DE MIRANDA DO DOURO
- 75 Caixa de Crédito Agrícola Mútuo de TERRAS DE SOUSA, AVE, BASTO E TÂMEGA

- 76 Caixa de Crédito Agrícola Mútuo de TERRAS DE VIRIATO
- 77 Caixa de Crédito Agrícola Mútuo de TRAMAGAL
- 78 Caixa de Crédito Agrícola Mútuo de VAGOS
- 79 Caixa de Crédito Agrícola Mútuo de VALE DE CAMBRA
- 80 Caixa de Crédito Agrícola Mútuo de VALE DO DÃO
- 81 Caixa de Crédito Agrícola Mútuo de VALE DO DOURO
- 82 Caixa de Crédito Agrícola Mútuo de VALE DO SOUSA E BAIXO TÂMEGA
- 83 Caixa de Crédito Agrícola Mútuo de VALE DO TÁVORA
- 84 Caixa de Crédito Agrícola Mútuo de VILA FRANCA DE XIRA
- 85 Caixa de Crédito Agrícola Mútuo de VILA NOVA DE FAMALICÃO
- 86 Caixa de Crédito Agrícola Mútuo de VILA NOVA DE TÁZEM
- 87 Caixa de Crédito Agrícola Mútuo de VILA VERDE E TERRAS DE BOURO
- 88 Caixa de Crédito Agrícola Mútuo do ALGARVE
- 89 Caixa de Crédito Agrícola Mútuo do ALTO CÔRGO, TÂMEGA E BARROSO
- 90 Caixa de Crédito Agrícola Mútuo do ALTO DOURO
- 91 Caixa de Crédito Agrícola Mútuo do ALTO GUADIANA
- 92 Caixa de Crédito Agrícola Mútuo do ALTO MINHO
- 93 Caixa de Crédito Agrícola Mútuo do BAIXO VOUGA
- 94 Caixa de Crédito Agrícola Mútuo do CARTAXO
- 95 Caixa de Crédito Agrícola Mútuo do CONCELHO DE MOGADOURO E VIMIOSO
- 96 Caixa de Crédito Agrícola Mútuo do GUADIANA INTERIOR
- 97 Caixa de Crédito Agrícola Mútuo do MINHO
- 98 Caixa de Crédito Agrícola Mútuo do NORTE ALENTEJANO
- 99 Caixa de Crédito Agrícola Mútuo do RIBATEJO NORTE
- 100 Caixa de Crédito Agrícola Mútuo do RIBATEJO SUL
- 101 Caixa de Crédito Agrícola Mútuo do SOTAVENTO ALGARVIO
- 102 Caixa de Crédito Agrícola Mútuo dos AÇORES

IV – CHANGES TO THE LEGAL FRAMEWORK OF MUTUAL AGRICULTURAL CREDIT

In 2007, some changes were introduced in the legal framework of mutual agricultural credit, namely as a result of the publication of the following:

- **Decree-Law No 103/2007, Ministry of Finance and Public Administration**, of 3 April 2007, which establishes the capital adequacy requirements applying to investment firms and credit institutions, and the rules for their calculation and prudential supervision.
- **Decree-Law No 104/2007, Ministry of Finance and Public Administration**, of 3 April 2007, which introduces amendments in the Legal Framework of Credit Institutions and Financial Companies (*Regime Geral das Instituições de Crédito e Sociedades Financeiras*) namely as regards the taking up and pursuit of the business of credit institutions.

As a result of these decree-laws, the following notices were published on 27 April 2007:

- **Notice of Banco de Portugal No 4/2007**, which introduces changes in Notice no 12/92 of Banco de Portugal on the calculation of own funds.
- **Notice of Banco de Portugal No 5/2007**, which defines the obligations of institutions as regards the minimum level of own funds and limits to large exposures, as well as risk weights and the formula for the calculation of minimum capital requirements. It revokes Notice of Banco de Portugal no 1/93.
- **Notice of Banco de Portugal No 6/2007**, which sets out the limits to the concentration of risks of credit institutions and financial companies and revokes Notice of Banco de Portugal no 10/94.
- **Notice of Banco de Portugal No 10/2007**, which sets out a reference framework for the disclosure of information by credit institutions and investment firms.