

**Mutual Agricultural Credit Guarantee Fund**

**Annual Report and Accounts for 2008**

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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, as amended by Decree-Law No 126/2008 of 21 July and Decree-Law No 211-A/2008 of 3 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.
- to promote and carry out the actions deemed necessary to ensure the liquidity and solvency of member banks.

In 2008 and within the framework of its business purpose, the Fund continued to grant subsidies and loans to mutual agricultural credit entities and to monitor the business activities of the liquidator of CREDIVALOR – *Sociedade Parabancária de Valorização de Créditos, S.A., Sociedade em liquidação* (hereinafter referred to as “CREDIVALOR”) (in the process of 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 the financial assistance to SICAM.

The Fund has its head office in the premises of Banco de Portugal, which provides the necessary technical and material support. The Fund is managed by a Management Committee composed of the chairperson – who is a member of the Board of Directors of Banco de Portugal – and two other members, one of them as the representative of the Ministry of Finance and Public Administration and the other of the Central Mutual Agricultural Credit Bank.<sup>1</sup>

Pursuant to the law, the Board of Auditors of Banco de Portugal is responsible for monitoring the Fund’s activities. The opinion of the Board of Auditors of Banco de Portugal on the Annual

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<sup>1</sup> Decision No 22346/2008 of 31 July of the Secretary of State for the Treasury and Finance, published in the Official Gazette No 167, Series II, of 29 August:

- Reappointed José António da Silveira Godinho, who is a member of the Board of Directors of Banco de Portugal, as the chairperson of the Management Committee;
- Reappointed Licínio Manuel Prata Pina as member of the Management Committee – as the representative of the Central Mutual Agricultural Credit Bank; and
- Appointed Maria Helena Maio Ferreira de Vasconcelos as member of the Management Committee.

Report and Accounts of the Fund for 2008 has been included as an annex to this Report. All the required information is sent to the Court of Auditors, which monitors the business activities of the Fund, in accordance with the legal provisions in force.

## 2. Activities of the Fund

In 2008 the Fund continued to monitor and provide financial assistance to mutual agricultural credit, pursuing the policy followed in previous years.

The Fund made the following interventions:

- Granted a 10-year subordinated loan to an agricultural bank to the amount of €11 million, at a subsidised rate;
- Granted a subsidy to FENACAM (National Federation of Mutual Agricultural Credit Banks) to the amount of €250,000, in compensation for the auditing of agricultural banks at the request of the Fund.

On 31 December 2008 the financial assistance agreements in force involved loans granted by the Fund to the amount of €140.2 million and purchases of claims in previous years through CREDIVALOR, to the amount of €23 million.

Since its setting-up, the Fund has granted loans to SICAM to the overall amount of €239.7 million, broken down as follows: €33.5 million to the Central Mutual Agricultural Credit Bank and €206.2 million to agricultural banks, of which €96.5 million have been fully repaid by 31 agricultural banks and one agricultural bank has made a partial repayment of €3 million of its loan.

### Financial assistance agreements as at 31 December 2008

unit: EUR thousand

Financial assistance agreements	Number of agricultural banks	FGCAM (subordinated loans)	CREDIVALOR (purchases of claims and/or capital)
<b>In force</b>	14	140,189	22,957
- <i>Partially repaid</i>	1	2,993	<i>n.a.</i>
<b>Fully repaid</b>	31	96,547	68,089
<b>TOTAL</b>	<b>45</b>	<b>239,728</b>	<b>91,046</b>

On a regular basis, the Fund assesses and monitors developments in agricultural banks that are members of the Fund, particularly those benefiting from its financial assistance, with a view to assessing compliance with the objectives established in their recovery plans, which are an integral part of the financial assistance agreements. A new method was developed to systematically monitor agricultural banks, in order to identify banks whose economic and financial situation should be monitored by the Fund, for preventive purposes.

On an annual basis, the Fund establishes and collects the annual contributions to be paid – in two instalments (April and October) – by the agricultural banks that are members of SICAM.

In accordance with the provisions laid down in Notice of Banco de Portugal No 14/2003, the amount of the contribution of each bank is determined by applying a contribution base rate and a multiplier to the average value of eligible deposits. The contribution base rate is calculated according to the Fund's coverage ratio. Considering that since 2004 the Fund's coverage ratio has been above 0.60%, the contribution base rate has stood at 0.20%, i.e. its minimum level. The multiplier applied to each agricultural bank and to the Central Mutual Agricultural Credit Bank is calculated according to their solvency ratio, the lowest multiplier being applied to agricultural banks with the highest solvency ratio. The following table shows agricultural banks that are members of SICAM broken down by multiplier over the last three years:

**Breakdown by multiplier of agricultural banks that were members of SICAM**

Multiplier	2006	2007	2008
1.20	9	5	1
1.10	3	2	6
1	13	12	6
0.90	19	18	20
0.80	68	69	68
<b>TOTAL</b>	<b>112</b>	<b>106</b>	<b>101 *</b>

\* As at 31 December 2008, 99 agricultural banks were members of SICAM; however, contributions for 2008 were calculated when 101 agricultural banks were operating, including the Central Mutual Agricultural Credit Bank.

With regard to the calculation of contributions for 2008, the minimum multiplier (0.80%) was applied to 68 of 101 agricultural banks that were members of SICAM, which corresponds to the agricultural banks with a solvency ratio equal to or above 14%. Only one agricultural bank recorded an average solvency ratio below 8%. Between 2006 and 2008, the number of

agricultural banks to which the maximum multiplier (1.20%) was applied declined (from 9 agricultural banks in 2006 to 1 agricultural bank in 2008) and the number of agricultural banks to which the minimum multiplier (0.80%) was applied stabilised somewhat (between 68 and 69 agricultural banks).

Every year, the Fund calculates the amount of guaranteed deposits on a semi-annual basis.

In 2008 the limit of the coverage provided by the Deposit Guarantee Fund was raised from €25,000 to €100,000 and the repayment period was reduced, according to the changes introduced by Decree-Law No 211-A/2008 of 3 November. This led the Fund to conduct impact tests and to release information on Deposit Guarantee. As in previous years, in 2008 no situation of unavailability of deposits<sup>2</sup> was recorded in SICAM.

Other technical studies related to the operation of the Fund were conducted, focusing on its role as an instrument to protect depositors and to contribute to the stability of the banking system.

The Fund became a member of the European Forum of Deposit Insurers (EFDI) in 2006. In cooperation with this organisation, in 2008 the Fund participated in a number of projects with a view to collecting and processing information on deposit guarantee and cooperation with similar organisations.

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<sup>2</sup> According to the provisions of Article 14 (4) of Decree-Law No 345/98 of 9 November, which governs the reimbursement of depositors by the Fund.

### 3. Information on banks belonging to SICAM

At the cut-off date 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 combined accounts of agricultural banks belonging to SICAM.

On 31 December 2008 SICAM comprised the Central Mutual Agricultural Credit Bank and 98 associate agricultural banks<sup>3</sup> (three less than in the previous year, due to the conclusion of three merger processes, one of which had started in 2007, involving 6 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 2008 was as follows:

- Net assets of the Central Mutual Agricultural Credit Bank amounted approximately to €4.5 billion, i.e. up by €309 million from 31 December 2007, and were broken down as follows:

CENTRAL MUTUAL AGRICULTURAL CREDIT BANK		(EUR millions)	
Assets	31 Dec. 2008	31 Dec. 2007	Change
Cash and cash equivalents	282	678	-395
Investments in credit institutions	1,443	1,104	339
(Net) claims on customers	1,747	1,536	211
Financial assets	832	676	156
Other assets	177	179	-2
<b>TOTAL NET ASSETS</b>	<b>4,481</b>	<b>4,172</b>	<b>309</b>

Source: ProClarity.

- Claims on customers, to the amount of €1.7 billion, accounted for 39% of total assets, while credit overdue stood at €53 million, i.e. up by €20 million from 31 December 2007.

<sup>3</sup> Annex III to this Report lists banks that were members of SICAM on 31 December 2008. According to the provisions of Article 3 of Decree-Law No 345/98 of 9 November, these institutions are compulsory members of the Fund.

Provisions, to the overall amount of €96.4 million, include provisions for credit overdue, amounting to €35.9 million, and accounting for 67% of the value of that credit (compared with 83% on 31 December 2007).

- Investments in credit institutions corresponded to €1.4 billion, accounting for an increase of €339 million from 2007.
  - Financial assets totalled €832 million, representing 19% of total net assets.
- As at 31 December 2008 the liabilities of the Central Mutual Agricultural Credit Bank accounted for 97% of assets, amounting to €4.3 billion, i.e. up by €305 million from 31 December 2007.

**CENTRAL MUTUAL AGRICULTURAL CREDIT BANK** (EUR millions)

Liabilities	31 Dec. 2008	31 Dec. 2007	Change
Resources from credit institutions	3,911	3,619	292
Resources from customers	268	228	40
Subordinated liabilities	88	93	-5
Provisions	17	16	1
Other liabilities	50	73	-23
<b>TOTAL LIABILITIES</b>	<b>4,334</b>	<b>4,029</b>	<b>305</b>

Source: ProClarity.

- Resources from credit institutions, totalling €3.9 billion, accounted for 90% of total liabilities, corresponding almost entirely – 85% – to resources from associate banks.
- Subordinated debt amounted to €88 million, of which €25.8 million corresponded to subordinated loans granted by the Fund: €13.8 million related to the participation of the Central Mutual Agricultural Credit Bank in the reorganisation of agricultural banks in the Algarve region and €12 million to the Central Mutual Agricultural Credit Bank's intervention in the financial reorganisation of *Central Banco de Investimento*. In 2008 the Central Mutual Agricultural Credit Bank repaid the €7.7 million subordinated loan granted by the Fund in 2000, within the scope of the reorganisation of agricultural banks in the Algarve region.

- Equity, accounting for 3% of the Central Mutual Agricultural Credit Bank's assets, amounted to €147 million, i.e. up by €4 million from 31 December 2007.

Equity capital, to the amount of €220 million, increased by €1 million from end-2007.

As at 31 December 2008 profit and loss brought forward was negative, standing at €-76 million.

**CENTRAL MUTUAL AGRICULTURAL CREDIT BANK**

(EUR millions)

Equity	31 Dec. 2008	31 Dec. 2007	Change
Equity capital	220	219	1
Reserves	-2	0	-2
Profit / loss brought forward	-76	-87	11
Profit / loss for the year	5	11	-6
<b>EQUITY</b>	<b>147</b>	<b>143</b>	<b>4</b>

Source: ProClarity.

- In 2008 net profit for the year amounted to €5 million, i.e. down by €6 million from 2007.

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

**CENTRAL MUTUAL AGRICULTURAL CREDIT BANK**

(EUR millions)

<b>PROFIT AND LOSS ACCOUNT</b>	<b>2008</b>	<b>2007</b>	<b>Change</b>
Interest and similar income	220	193	27
Interest expense and similar charges	169	142	27
<b>Net financial income</b>	<b>51</b>	<b>51</b>	<b>0</b>
Income from net services and commissions	14	14	0
Gains on financial operations	-4	-5	1
Other operating income	6	8	-2
<b>Gross income</b>	<b>67</b>	<b>68</b>	<b>-1</b>
Operating costs	43	40	3
- Staff costs	22	20	2
- Administrative costs	21	20	1
Depreciation	1	1	0
Changes in provisions, value adjustments and imparity	15	12	3
<b>Income before taxes</b>	<b>8</b>	<b>14</b>	<b>-6</b>
Taxes	3	3	0
<b>NET PROFIT / LOSS FOR THE YEAR</b>	<b>5</b>	<b>11</b>	<b>-6</b>
<b>Cash flow net of corporate income tax</b>	<b>21</b>	<b>24</b>	<b>-3</b>

Source: ProClarity.

In 2008 gross income amounted to €67 million, i.e. down by €1 million from 2007. Net financial income, totalling €51 million, was determined by interest and similar income amounting to €220 million and interest expense and similar charges, standing at around €169 million.

Operating costs, to the amount of €43 million, were up by €3 million from 2007, due to an increase of €2 million in staff costs and of €1 million in administrative costs. In 2008 the allocation to provisions amounted to €15 million, i.e. up by €3 million from 2007.

Income before taxes totalled €8 million. This value less payable taxes to the amount of €3 million, resulted in a net profit of €5 million in the 2008 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 2008.

- As at 31 December 2008 the balance sheet resulting from the non-consolidated sum of individual balance sheets of the agricultural banks that belonged to SICAM<sup>4</sup> amounted to €10.8 billion, i.e. €507 million more than on 31 December 2007. Assets were broken down as follows:

#### Mutual agricultural credit banks belonging to SICAM

(EUR millions)

Assets	31 Dec. 2008	31 Dec. 2007	Change
Cash and cash equivalents	290	335	-45
Investments in credit institutions	3,317	3,483	-166
(Net) claims on customers	6,273	5,652	621
Financial assets	141	140	1
Other assets	736	640	96
<b>TOTAL NET ASSETS</b>	<b>10,757</b>	<b>10,250</b>	<b>507</b>

Source: ProClarity.

- Claims on customers amounted to €6.3 billion, accounting for 58% of total net assets. Credit overdue, to the amount of €303 million, increased by €45 million from the previous year, and provisions for credit overdue, amounting to €172 million, increased by €20 million from 2007. 57% of credit overdue was thus provisioned, i.e. 2 p.p. less than in December 2007.

<sup>4</sup> At the end of 2008, 99 agricultural banks belonged to SICAM, although there were four ongoing merger processes, involving 10 agricultural banks. Although in most cases a merger deed had been signed, the respective registration with Banco de Portugal had not been concluded. Given that, as at 31 December 2008, the accounts submitted by the agricultural banks in question were already consolidated, and considering that the information in this Chapter is of an accounting nature, it was decided to consider on that date and for this purpose the existence of 92 agricultural banks.

- Investments in credit institutions totalled €3.3 billion and corresponded almost entirely to investments in the Central Mutual Agricultural Credit Bank, which accounted for 31% of total assets of agricultural banks and around 77% of total liabilities of the Central Mutual Agricultural Credit Bank.
- The item “Other assets” totalled €736 million, accounting for 6.8% of total net assets. This item includes other tangible and intangible assets, with a gross value of €401 million, accumulated depreciation, amounting to €151 million, and investment, with a gross value of €228 million, covering the share in the equity capital of the Central Mutual Agricultural Credit Bank - €220 million and CREDIVALOR - €2,000. Investment was provisioned at €8 million.
- Cash and cash equivalents reached €290 million, accounting for 2.7% of assets.
- Total liabilities of agricultural banks belonging to SICAM attained €9.7 billion, i.e. up by €375 million from 31 December 2007, broken down as follows:

**Mutual agricultural credit banks belonging to SICAM**

(EUR millions)

Liabilities	31 Dec. 2008	31 Dec. 2007	Change
Resources from credit institutions	5	10	-5
Resources from customers	9,341	8,926	415
Subordinated liabilities	187	209	-22
Provisions	66	64	2
Other liabilities	114	129	-15
<b>TOTAL LIABILITIES</b>	<b>9,713</b>	<b>9,338</b>	<b>375</b>

Source: ProClarity.

- Resources from customers, accounting for 96% of total liabilities, reached €9.3 billion, 5% more than on 31 December 2007.
- Subordinated liabilities stood at €187 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 €1 billion on 31 December 2008, and the coverage of assets by equity was 9.7%, i.e. 0.8 p.p. higher than on 31 December 2007.

At the end of 2008 equity was broken down as follows:

**Mutual agricultural credit banks belonging to SICAM** (EUR millions)

Equity	31 Dec. 2008	31 Dec. 2007	Change
Equity capital	730	681	49
Reserves	279	225	54
Profit/loss brought forward	-76	-95	19
Profit/loss for the year	111	101	10
<b>EQUITY</b>	<b>1,044</b>	<b>912</b>	<b>132</b>

Source: ProClarity.

- Equity capital totalled €730 million and reserves totalled €279 million;
- The results brought forward were negative, standing at €-76 million;
- Net profit for the year, to the amount of €111 million, was €10 million higher than in 2007.

Equity rose by €132 million, of which €54 million corresponds to the increase in reserves and €19 million to the coverage of part of the 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 of €111 million.

**Mutual agricultural credit banks belonging to SICAM**

(EUR millions)

<b>PROFIT AND LOSS ACCOUNT</b>	<b>2008</b>	<b>2007</b>	<b>Change</b>
Interest and similar income	582	534	48
Interest expense and similar charges	238	200	39
<b>Net financial income</b>	<b>343</b>	<b>334</b>	<b>9</b>
Income from net services and commissions	71	61	10
Gains on financial operations	0	0	0
Other operating income	18	15	3
<b>Gross income</b>	<b>432</b>	<b>410</b>	<b>22</b>
Operating costs	222	205	17
- <i>Staff costs</i>	124	114	10
- <i>Administrative costs</i>	98	91	7
Depreciation	13	13	0
Change in provisions, value adjustment and imparity	62	57	5
<b>Income before taxes</b>	<b>135</b>	<b>135</b>	<b>0</b>
Taxes	24	34	-10
<b>NET PROFIT / LOSS FOR THE YEAR</b>	<b>111</b>	<b>101</b>	<b>10</b>
<b>Cash flow net of corporate income tax</b>	<b>186</b>	<b>171</b>	<b>15</b>

Source: ProClarity.

Gross income amounted to €432 million, i.e. €22 million higher than in 2007 (approximately 5%). Net financial income totalled €343 million, determined by interest and similar income to an amount of €582 million and interest expense and similar charges to an amount of €238 million.

In 2008 staff costs and administrative costs rose by €17 million, i.e. by approximately 8%, totalling €222 million.

Provisions increased by €62 million, i.e. €5 million more than in 2007, of which €57 million corresponded to provisions and value adjustments.

Income before taxes, totalling €135 million, remained basically unchanged from 2007, due to the fact that the rise in gross income was absorbed by higher provisions and a rise in operating costs. The overall amount of taxes to be paid stood at around €24 million.

In 2008 total agricultural banks belonging to SICAM recorded a €111 million profit,<sup>5</sup> i.e. up by €10 million from 2007.

Net cash flow for the year amounted to €186 million, i.e. up by €15 million from the previous year.

- The following table shows some indicators regarding the 92 agricultural banks belonging to SICAM (13 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 2008.

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<sup>5</sup> Obtained by aggregating net profit/loss for the year of each agricultural bank belonging to SICAM, given that the consolidated accounts of the System have not been disclosed yet.

92 MUTUAL AGRICULTURAL CREDIT BANKS BELONGING TO SICAM - 31 December 2008

(EUR millions)

	Value of net assets						Total	
	[0;40[	[40;60[	[60;80[	[80;100[	[100;160[	>=160		
Number of agricultural banks	11	17	14	13	17	20	92	
Number of agricultural banks with net loss for the year	1	0	1	0	1	0	3	
Number of agricultural banks receiving financial assistance	0	1	1	3	4	4	13	
Net assets * (EUR millions)	30	50	71	89	126	265	117	
Range	maximum	40	59	79	99	159	512	512
	minimum	18	42	60	81	100	161	18
Equity * (EUR millions)	4	6	7	8	11	25	11	
Range	maximum	7	9	18	17	20	58	58
	minimum	1	3	-3	-9	-2	-1	-9
Number of agricultural banks (% in total agricultural banks belonging to SICAM)	12%	19%	15%	14%	19%	21%	100%	
Resources from customers / Resources from customers of agricultural banks belonging to SICAM (%)	3%	8%	9%	11%	20%	49%	100%	
Total credit / Total credit of agricultural banks belonging to SICAM (%)	3%	7%	9%	10%	20%	51%	100%	
Credit overdue / Credit overdue of agricultural banks belonging to SICAM (%)	3%	6%	12%	11%	25%	43%	100%	
Total credit / Resources from customers* (%)	65%	64%	67%	70%	70%	72%	70%	
Range	maximum	70%	80%	81%	79%	87%	86%	87%
	minimum	50%	49%	56%	55%	50%	54%	49%
Total credit / Assets * (%)	54%	55%	57%	60%	62%	62%	61%	
Range	maximum	65%	70%	66%	67%	76%	71%	76%
	minimum	39%	43%	46%	50%	45%	45%	39%
Credit overdue / Total credit * (%)	6%	4%	7%	5%	6%	4%	5%	
Range	maximum	24%	10%	24.1%	9%	19%	9%	24.1%
	minimum	0.51%	0.7%	0.55%	0.9%	2.1%	1.0%	0.51%
Operating costs / Gross income * (%)	55%	53%	49%	49%	53%	51%	51%	
Range	maximum	85%	74%	61%	61%	68%	65%	85%
	minimum	34%	41%	31%	33%	42%	28%	28%

Source: ProClarity.

\* Average value per class.

With regard to the table above, the following should be highlighted:

- Total average assets of all 92 agricultural banks amounted to €117 million; the assets of 11 agricultural banks stand below €40 million.

The assets of 17 agricultural banks, i.e. 19% of the total, stand between €40 million and €60 million.

The 11 agricultural banks with assets below €40 million account for 12% of total agricultural banks and for only 3% of resources raised and credit granted by SICAM, excluding the Central Mutual Agricultural Credit Bank. This group of agricultural banks also accounts for 3% of credit overdue of total agricultural banks belonging to SICAM.

This group also includes 1 of the 3 agricultural banks that recorded a loss in 2008 and which however does not receive financial assistance from the Fund.

- The 20 agricultural banks with assets over €160 million account for 21% of total agricultural banks and hold 49% of resources from customers, 51% of credit granted by the agricultural banks belonging to SICAM and 43% of total credit overdue. Of the 3 agricultural banks that recorded a loss in 2008, none have assets to an amount above €160 million.

This group includes the agricultural bank with the highest equity, i.e. €58 million.

4 of these agricultural banks have signed a financial assistance agreement with the Fund. 13% of total credit overdue of the total agricultural banks belonging to SICAM is held by these 4 banks with a financial assistance agreement.

- Agricultural banks holding assets between €40 million and €160 million account for 67% of total agricultural banks belonging to SICAM and hold 48% of resources raised, 46% of credit granted and 54% of credit overdue of total agricultural banks belonging to SICAM. This group includes the remaining 9 of the 13 agricultural banks that have signed a financial assistance agreement with the Fund. Of the 3 agricultural banks that recorded a loss in 2008, 2 agricultural banks have assets between €40 million and €160 million.
- On average, the ratio of resources from customers to total credit granted is 70%.
- With regard to the indicators total credit / resources from customers, total credit / assets and credit overdue / total credit, the values recorded within each group were rather heterogeneous.
- Operating costs absorbed on average 51% 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 €40 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 €160 million includes the bank whose operating costs have absorbed the lowest share of the respective gross income.

- The following table shows some indicators regarding the 92 agricultural banks belonging to SICAM, broken down into groups according to the value of their equity as at 31 December 2008.

92 MUTUAL AGRICULTURAL CREDIT BANKS BELONGING TO SICAM - 31 December 2008

(EUR millions)

	Equity value						Total
	< 0	[0;2,5[	[2,5;5[	[5;7,5[	[7,5;10[	>=10	
Number of agricultural banks	4	3	17	16	15	37	92
Number of agricultural banks with net loss for the year	0	1	0	0	0	2	3
Number of agricultural banks receiving financial assistance	4	1	3	1	1	3	13
Equity * (EUR millions)	-4	1	4	6	9	21	11
Range							
maximum	-1	2	5	7	10	58	58
minimum	-9	1	3	5	8	10	-9
Net assets * (EUR millions)	120	43	52	60	83	192	117
Range							
maximum	196	88	137	94	145	512	512
minimum	77	18	22	37	53	60	18
Number of agricultural banks (% in total agricultural banks belonging to SICAM)	4%	3%	19%	18%	16%	40%	100%
Resources from customers / Resources from customers of agricultural banks belonging to SICAM (%)	4%	1%	8%	9%	12%	66%	100%
Total credit / Total credit of agricultural banks belonging to SICAM (%)	5%	1%	8%	8%	12%	66%	100%
Credit overdue / Credit overdue of agricultural banks belonging to SICAM (%)	8%	3%	9%	7%	13%	60%	100%
Total credit / Resources from customers* (%)	75%	72%	68%	65%	72%	70%	70%
Range							
maximum	80%	77%	87%	80%	84%	86%	87%
minimum	67%	50%	49%	50%	59%	50%	49%
Total credit / Assets * (%)	66%	62%	60%	57%	62%	61%	61%
Range							
maximum	70%	66%	76%	70%	75%	71%	76%
minimum	57%	40%	39%	43%	49%	45%	39%
Credit overdue / Total credit * (%)	8%	11%	5%	4%	5%	4%	5%
Range							
maximum	14%	24%	11%	14%	7%	24.1%	24.1%
minimum	5%	2%	0.51%	1%	1%	1%	0.51%
Operating costs / Gross income * (%)	54%	57%	54%	53%	53%	50%	51%
Range							
maximum	60%	85%	74%	64%	62%	68%	85%
minimum	50%	50%	34%	45%	38%	28%	28%

Source: ProClarity.

\* Average value per class.

With regard to the table above, the following should be highlighted:

- The average equity of agricultural banks is €11 million, although the equity of 26% of total agricultural banks belonging to SICAM still stands below €5 million.

- 4 agricultural banks recorded negative equity, all of which have a financial assistance agreement with the Fund.

Agricultural banks with negative equity hold 8% of the credit overdue portfolio of total agricultural banks belonging to SICAM and only 5% of total credit granted.

- Agricultural banks holding equity above €5 million account for 74% of total agricultural banks belonging to SICAM. They also hold 87% of resources from customers, 86% of total credit and 80% of the credit overdue portfolio.
- 37 agricultural banks hold equity above €10 million, accounting for 40% of the total, of which 2 recorded a loss in 2008 and 3 have a financial assistance agreement with the Fund.

The analysis of the information as at 31 December 2008 for the group of 92 agricultural banks belonging to SICAM shows favourable developments in the following indicators:

- €14 million increase in the average value of assets;
- 7% increase in equity capital, i.e. €49 million;
- 10% rise in profit for the year, i.e. €10 million compared with 2007;
- 5% increase in gross income, i.e. €22 million, and 9% increase in the cash flow, i.e. €15 million;
- The number of banks that recorded a loss for the year decreased by 3;
- €14 million decline in the overall level of insufficient equity, which amounted to €22 million on 31 December 2008.

However, a few economic and financial problems persist, namely the following:

- 17% increase in credit overdue, i.e. €45 million;
- 1 p.p. increase in the average value of the credit overdue / total credit indicator to 5%;
- 14% increase, i.e. €47 million, in asset write-offs;
- 2 p.p. decline in the coverage of credit overdue by specific provisions.

## 4. Analysis of the Mutual Agricultural Credit Guarantee Fund's accounts for 2008

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 2008

As at 31 December 2008 and according to the balance sheet included in the annex:

- The Fund's net assets amounted to €264.4 million, i.e. up by €21 million from 31 December 2007, and were broken down as follows:

#### Mutual Agricultural Credit Guarantee Fund – Assets as at 31 December

(EUR thousands)

Assets	31 Dec. 2008	31 Dec. 2007	Change
(Net) financial fixed assets	0	0	0
(Gross) financial fixed assets	3,406	3,406	0
Provisions for financial fixed assets	3,406	3,406	0
Loans to SICAM	140,189	147,876	-7,687
(Net) additional capital granted	0	0	0
(Gross) additional capital granted	1,999	2,094	-95
Adjustment for additional capital granted	1,999	2,094	-95
Free investments	30,646	29,232	1,414
Investments for the guarantee of deposits	91,000	65,000	26,000
Accruals and prepaid expenses	2,553	1,210	1,343
<b>TOTAL GROSS ASSETS</b>	<b>269,793</b>	<b>248,819</b>	<b>20,974</b>
<b>TOTAL NET ASSETS</b>	<b>264,388</b>	<b>243,319</b>	<b>21,069</b>

- Financial fixed assets amounted to €3.4 million:
  - Share in the equity capital of CREDIVALOR: €46,000;
  - “Financing loans” to CREDIVALOR: €3,360,000 as additional payments.

The share in the equity capital of CREDIVALOR and the value of “financing loans” are fully adjusted.

- The overall outstanding amount of loans to SICAM reached €140.2 million, i.e. €7.7 million less than on 31 December 2007, given that in 2008 new loans were granted to the overall amount of €11 million and loans were repaid to the amount of €18.7 million.
- Additional capital granted to CREDIVALOR amounted to €2 million (fully adjusted). The €95,000 decline from 31 December 2007 was due to the fact that additional capital repaid by CREDIVALOR exceeded by the same amount additional capital granted by the Fund in 2008.
- Free investments, to the amount of €30.6 million, were broken down into demand deposits and fixed-term deposits.
- Investments for the guarantee of deposits with banks belonging to SICAM amounted to €91 million, i.e. up by €26 million from the end of 2007. Their value corresponded to approximately 1% of the average monthly value of the credit balances of eligible deposits<sup>6</sup> with banks belonging to SICAM in 2008. These investments were in compliance with and for the purposes of the provisions of Article 11 of Decree-Law No 345/98 of 9 November, according to which the Fund may cover, up to €100,000,<sup>7</sup> 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 – €26 million – includes €2.9 million corresponding to income generated in 2008 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 of these deposits, i.e. between 3 and 6 months, is chosen taking into account the Fund’s liquidity and profitability.

On 31 December 2008 the value of these investments for the guarantee of deposits complied with the minimum value established in Article 11 of Decree-Law No 345/98 of 9 November, corresponding to around 34% of the value of the Fund’s gross assets.

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<sup>6</sup> Eligible deposits correspond to deposits that are the incidence basis of the annual contribution to the Fund, not taking into account the €100,000 guarantee limit per depositor established by law.

<sup>7</sup> According to the provisions of Article 12 (1) of Decree-Law No 345/98 of 9 November in conjunction with Article 12 (1) of Decree-Law No 211-A/2008 of 3 November.

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

Own resources and liabilities	31 Dec. 2008	31 Dec. 2007	Change
<b>Own resources</b>			
Contributions	246,617	231,907	14,710
Reserves	11,141	7,014	4,127
Net profit / loss	6,119	4,127	1,992
	263,877	243,048	20,829
<b>Liabilities</b>			
Suppliers - current account	0	0	0
Accruals and income collected in advance	511	270	241
	511	270	241
<b>TOTAL OWN RESOURCES AND LIABILITIES</b>	<b>264,388</b>	<b>243,319</b>	<b>21,069</b>

- On 31 December 2008 the Fund's own resources amounted to €263.9 million:
  - Contributions<sup>8</sup> of €246.6 million, received from 1998 to 2008, of which €14.7 million were received in 2008, as annual contribution of 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 the 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 amount of €11.1 million.

The increase of €4,127,000 in the value of general reserves in 2008 corresponds to the transfer of profit for 2007, according to the proposal for profit distribution approved by a Decision of the Secretary of State for the Treasury and Finance.

- Profit for the year 2008: €6,119,000.

Profit for 2008 corresponds to a €1,992,000 rise from the value recorded in the previous year, according to the analysis of the profit and loss account.

<sup>8</sup> As of 1998 contributions are entered as own resources.

- On 31 December 2008 liabilities amounted to only €511,000 and corresponded in their near entirety to accruals and income collected in advance.
- Overall, the following developments were observed in 2008:
  - €20.8 million increase in the value of own resources;
  - €21 million increase in the value of assets:
    - loans to SICAM: €7.7 million decrease;
    - funds earmarked for the guarantee of deposits: €26 million increase;
    - value of free deposits: €1.4 million increase;
    - accruals and income collected in advance: €1.3 million increase.

Therefore, the overall situation of the Fund as at 31 December 2008 was as follows:

- Negligible amount of liabilities;
- Own resources to the amount of €263.9 million;
- Loans to SICAM totalling €140.2 million and deposits with credit institutions to the amount of €121.6 million.

## 4.2. Profit and loss account for the year ending 31 December 2008

### Mutual Agricultural Credit Guarantee Fund

(EUR thousands)

Profit and loss account	2008	2007	Change
<b>(Net) financial income</b>			
Net interest of deposits with credit institutions	4,715	2,920	1,795
Net interest of loans to SICAM	1,564	1,393	171
	<b>6,279</b>	<b>4,313</b>	<b>1,966</b>
<b>Financial costs and losses</b>			
Other financial costs and losses	0	0	0
<b>Financial income</b>	<b>6,279</b>	<b>4,313</b>	<b>1,966</b>
Subsidies	250	288	-38
Operating costs	7	20	-13
Adjustments for additional capital (net of reversals)	-95	-115	20
	162	192	-30
<b>Current income</b>	<b>6,117</b>	<b>4,121</b>	<b>1,996</b>
<b>Extraordinary income</b>	<b>2</b>	<b>6</b>	<b>-4</b>
<b>NET PROFIT / LOSS FOR THE YEAR</b>	<b>6,119</b>	<b>4,127</b>	<b>1,992</b>

Net profit for 2008, which reached €6,119,000, resulted from financial income to the amount of €6,279,000, less subsidies granted and operating costs of the Fund.

In 2008 net income of the Fund amounted to €6,279,000, which was generated by investments in deposits with credit institutions and loans to SICAM. Profitability (before corporate income tax) of deposits with credit institutions was 5.76% (corresponding to 4.61% net profitability).

Financial costs were nil, as it was not necessary to raise provisions for “adjustments for additional capital” to CREDIVALOR in 2008, as the repayment of additional capital by CREDIVALOR was higher than the value of additional capital provided in the course of 2008, thus leading to a decrease in adjustments as a result of the difference between both values (€95,000).

Subsidies amounted to €250,000, corresponding to the subsidy granted to FENACAM for the conduct of the audits requested by the Fund.

Operating expenses to the amount of €7,000 covered supplies and services of third parties and other operational costs and losses (annual contribution to EFDI), as shown in the annex to the financial statements.

Extraordinary income totalled €2,000, as the accrual basis of accounting ceased to be used for the recognition of fees to be paid to the Court of Auditors related to previous years, which more than offset the repayment to the Central Mutual Agricultural Credit Bank of the difference regarding corporate income tax withheld at source on subordinated loans granted by the Fund.

By comparing the accounts for 2008 and 2007, it can be concluded that the difference between the results for both years, to the amount of €1,992,000, was explained by:

- €1,966,000 increase in financial income, due to both an increase in the average value of capital invested during the year and rising interest rates up to the third quarter of 2008;
- €38,000 decrease in subsidies granted in 2008;
- €13,000 decrease in the operating expenses of the Fund;
- lower reversal of adjustments (less €20,000);
- lower extraordinary income (less €4,000).

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

Net financial income was mainly determined by the return on investments in credit institutions, which was on average 1 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 21 years of existence:

- the Fund received contributions and interest to the overall amount of €381 million:
  - €111 million contributions by Banco de Portugal;
  - €265 million contributions by SICAM, of which:
    - €32 million by the Central Mutual Agricultural Credit Bank
    - €233 million by agricultural banks
  - €5 million interest paid by SICAM, within the scope of the financial assistance granted.
- SICAM received €277 million from the Fund as financial assistance:
  - €140 million loans not yet repaid, of which €26 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 the 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 €122 million, corresponded to:

- €104 million regarding the share of the total value of contributions by Banco de Portugal (€111 million) that was not transferred to SICAM;
- €18 million regarding income generated by the Fund, i.e. financial income from investments in deposits (€55 million) not absorbed by operating costs (€1 million), financing expenses of CREDIVALOR's current activities (€32 million) and subsidies to FENACAM (€4 million).

Investments in credit institutions, to the amount of €122 million, were broken down as follows:

- €91 million corresponding to investments for the guarantee of deposits with banks belonging to SICAM; and
- €31 million corresponding to free investments.

In 2008 the average monthly value of deposits with banks belonging to SICAM reached €8,990 million and the corresponding average value of eligible deposits is estimated to have reached around €8,768 million. Therefore, on 31 December 2008 the value of the deposit coverage ratio (ratio of the total value of investments to the average value of eligible deposits) was 1.39%, while the ratio of the value of investments for the guarantee of deposits to the average value of eligible deposits was 1% (0.29 p.p. and 0.28 p.p. more than in the previous year respectively).

## **5. Summary of the Mutual Agricultural Credit Guarantee Fund's plan of activities for 2009**

In 2009 the Fund will continue to support the financial reorganisation of SICAM, based on the proposals of the Central Mutual Agricultural Credit Bank, and in articulation with Banco de Portugal. Thus, the financial assistance granted to one agricultural bank will be extended, following its merger with another agricultural bank that does not benefit from financial assistance from the Fund.

A payment of approximately €250,000 to FENACAM is also foreseen, regarding audits to be conducted upon the request of the Fund.

The financial assistance to SICAM projected for 2009 will give rise to an allocation of the Fund's resources to the amount of €250,000.

In 2009 the amount of contributions by SICAM, the major financing source of the Fund's activities, is estimated to reach approximately €15.2 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 2009, the Fund's financial assistance to the winding-up of CREDIVALOR is expected to amount to around €600,000, which will be fully adjusted.

Cooperation with EFDI is also expected to continue in 2009.

## **6. Proposal for profit distribution in 2008**

Profit for 2008 amounted to €6,119,187. Pursuant to the proposal of the Management Committee, profit shall be transferred in full to general reserves.

Porto, 17 March 2009

Management Committee

José António da Silveira Godinho

Licínio Manuel Prata Pina

Maria Helena Maio Ferreira de Vasconcelos

## **Accounts for the financial year 2008**

(EUR)

<b>BALANCE SHEET</b>											
CODE OF THE ACCO UNITS	ASSETS	NOT ES	FISCAL YEARS				CODE OF THE ACCO UNITS	OWN RESOURCES AND LIABILITIES	NOT ES	FISCAL YEARS	
			2008		2007					2008	2007
			GROSS ASSETS	ADJUSTMENTS	NET ASSETS	NET ASSETS					
	<b>Fixed assets</b>						<b>Own resources, reserves and profit and loss</b>				
	<b>Financial fixed assets</b>						<b>Own resources</b>				
411	Capital shares	1	46,000	46,000	-	-	Contributions by Banco de Portugal	6	78,411,349	78,411,349	
413	Financing loans	1	3,360,000	3,360,000	-	-	Contributions by the Central Mutual Agricultural Credit Bank		15,279,471	15,121,377	
415	Other financial investments		-	-	-	-	Contributions by agricultural banks		152,925,983	138,374,477	
			3,406,000	3,406,000	-	-			246,616,802	231,907,202	
	<b>Debts of third parties</b>						<b>Reserves</b>				
251	Loans granted to SICAM	2	140,188,801	-	140,188,801	147,875,984	General reserves	7	11,141,161	7,013,847	
252	Contributions by debtors		-	-	-	-	Other reserves		-	-	
254	Additional capital granted	2	1,999,000	1,999,000	-	-			11,141,161	7,013,847	
24	State and other public entities		-	-	-	-					
26	Other debtors		-	-	-	-	Profit and loss brought forward		-	-	
			142,187,801	1,999,000	140,188,801	147,875,984	Net profit and loss for the year		6,119,187	4,127,314	
	<b>Cash investments</b>						<b>Total own resources</b>		<b>263,877,150</b>	<b>243,048,363</b>	
16	Investments for the guarantee of deposits	3	91,000,000	-	91,000,000	65,000,000					
18	Other cash investments		-	-	-	-	<b>Liabilities</b>				
			91,000,000	-	91,000,000	65,000,000	Provisions		-	-	
12+13+14	<b>Bank deposits and cash</b>						<b>Accounts payable</b>				
11	Bank deposits	4	30,645,985	-	30,645,985	29,232,273	Claims of creditors for contributions paid in excess		-	-	
	Cash		-	-	-	-	Suppliers		152	-	
			30,645,985	-	30,645,985	29,232,273	Loans received		-	-	
							State and other public entities		-	-	
							Other creditors		-	-	
	<b>Accruals and income collected in advance</b>								152	-	
271	Accruals	5	2,552,889	-	2,552,889	1,210,467					
272	Prepaid expenses		-	-	-	-	<b>Accruals and income collected in advance</b>				
			2,552,889	-	2,552,889	1,210,467	Accruals	5	510,373	270,361	
							Income collected in advance		-	-	
							<b>Total liabilities</b>		<b>510,373</b>	<b>270,361</b>	
	<b>Total adjustments</b>			<b>5,405,000</b>							
	<b>Total assets</b>		<b>269,792,675</b>	<b>5,405,000</b>	<b>264,387,675</b>	<b>243,318,724</b>	<b>Total own resources and liabilities</b>		<b>264,387,675</b>	<b>243,318,724</b>	

(EUR)

PROFIT AND LOSS ACCOUNT				
CODE OF THE ACCOUNTS		NOTES	FISCAL YEARS	
			2008	2007
<b>COSTS AND LOSSES</b>				
61	Subsidies to mutual agricultural credit	8	250,000	287,500
62	Supplies and services of third parties	9	6,133	2,617
64	Staff costs		-	-
67	Adjustments and provisions		-	-
63	Taxes	10	1,557,116	975,896
65	Other operating costs and losses	11	850	17,188
		<b>A</b>	<b>1,814,098</b>	<b>1,283,200</b>
68	Financial costs and losses		76	54
		<b>C</b>	<b>1,814,174</b>	<b>1,283,254</b>
69	Extraordinary costs and losses	12	30,055	69
		<b>E</b>	<b>1,844,229</b>	<b>1,283,323</b>
88	Net profit / loss for the year		<b>6,119,187</b>	<b>4,127,314</b>
			<b>7,963,416</b>	<b>5,410,637</b>
<b>INCOME AND GAINS</b>				
76	Other operating income and gains		-	-
77	Reversal of adjustments	13	95,000	115,000
		<b>D</b>	<b>95,000</b>	<b>115,000</b>
78	Financial income and gains	14	7,836,462	5,289,293
		<b>F</b>	<b>7,931,462</b>	<b>5,404,293</b>
79	Extraordinary income and gains	15	31,954	6,344
		<b>G</b>	<b>7,963,416</b>	<b>5,410,637</b>

**SUMMARY**

Operational profit / loss: (D - A)	=	-1,719,098
Financial profit / loss: (F - D) - (C - A)	=	7,836,386
Current profit / loss: (F - C)	=	6,117,288
Net profit / loss for the year: (G - E)	=	6,119,187

Head of the Control and Accounting Department

Management Committee

## **Annexes**

**I. Notes on the financial statements**

**II. Information on CREDIVALOR – 2008 fiscal year**

**III. List of institutions that were members of the Mutual Agricultural Credit Guarantee Fund on 31 December 2008**

**IV. Changes to the legal framework of the Mutual Agricultural Credit Guarantee Fund and Mutual Agricultural Credit**

## I. NOTES ON THE FINANCIAL STATEMENTS

## NOTE 1 – FINANCIAL FIXED ASSETS

The item “**Capital shares**” records the share of 92% in the equity capital of CREDIVALOR – *Sociedade Parabancária de Recuperação de Créditos, S.A., Sociedade em liquidação* (in the process of winding up), corresponding to 9,200 shares with a nominal value of €5, entered at acquisition cost. The value recorded in this item is fully adjusted.

The item “**Financing loans**” represents loans granted to CREDIVALOR as additional payments. The total amount of this item is fully adjusted.

## NOTE 2 – DEBTS OF THIRD PARTIES

Compared with 31 December 2007, “**Debts to third parties**” records an overall decrease of €7,687,183, mainly due to the decrease in the item “**Loans granted to SICAM**”. Movements in this item in the 2008 fiscal year are broken down as follows:

						(EUR)
	Start - End	Maturity	31 Dec. 2007	Loans granted	Repayments	31 Dec. 2008
<b>Loans granted to mutual agricultural credit banks</b>						
Albergaria e Sever	2002 - 2010	8 years	4,500,000	-	-	4,500,000
Alcácer do Sal e Montemor-o-Novo	2006 - 2015	9 years	12,000,000	-	-	12,000,000
Alcobaça	1996 - 2011	15 years	14,963,937	-	-	14,963,937
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 Agueira	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	-
Costa Azul	2007 - 2011	4 years	7,000,000	-	7,000,000	-
Costa Verde	2008 - 2018	10 years	-	11,000,000	-	11,000,000
Entre Tejo e Sado	1996 - 2014	18 years	20,956,724	-	-	20,956,724
Moravis	2005 - 2015	10 years	8,000,000	-	-	8,000,000
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
			<b>114,379,790</b>	<b>11,000,000</b>	<b>10,990,383</b>	<b>114,389,407</b>
<b>Loans granted to the Central Mutual Agricultural Credit Bank</b>						
	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
			<b>33,496,194</b>	<b>-</b>	<b>7,696,800</b>	<b>25,799,394</b>
<b>Total</b>			<b>147,875,984</b>	<b>11,000,000</b>	<b>18,687,183</b>	<b>140,188,801</b>

“Additional capital granted” corresponds to credit granted to CREDIVALOR as additional capital, which recorded a net decline of €95,000 compared with 31 December 2007. This decline translated into a reversal of adjustments for additional capital granted, to the same amount (see Note 13).

	(EUR)	
	<u>31 Dec. 2008</u>	<u>31 Dec. 2007</u>
<b>Additional capital granted to CREDIVALOR</b>		
Opening balance	2,094,000	2,209,000
Value granted	105,000	115,000
Value repaid	<u>200,000</u>	<u>230,000</u>
Closing balance	<u><b>1,999,000</b></u>	<u><b>2,094,000</b></u>
<b>Adjustments</b>		
Opening balance	2,094,000	2,209,000
Reversals	<u>95,000</u>	<u>115,000</u>
Closing balance	<u><b>1,999,000</b></u>	<u><b>2,094,000</b></u>

### NOTE 3 – INVESTMENTS FOR THE GUARANTEE OF DEPOSITS

In accordance with the provisions laid down in the first part of Article 2 (1) of Decree-Law No 345/98 of 9 November, this item recorded an amount of €91,000,000 (2007: €65,000,000) on 31 December 2008 regarding investments with an average maturity of 5 months for the guarantee of deposits with agricultural banks that are members of the Fund.

### NOTE 4 – BANK DEPOSITS

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

	(EUR)	
	<u>31 Dec. 2008</u>	<u>31 Dec. 2007</u>
Demand deposits	245,985	282,273
Fixed-term deposits	<u>30,400,000</u>	<u>28,950,000</u>
	<u><b>30,645,985</b></u>	<u><b>29,232,273</b></u>

## NOTE 5 – ACCRUALS AND INCOME COLLECTED IN ADVANCE

	(EUR)	
	<u>31 Dec. 2008</u>	<u>31 Dec. 2007</u>
<b>Accrued income</b>		
Interest receivable		
Subordinated loans	435,105	396,321
Bank deposits	909,027	387,169
Investments for the guarantee of deposits	1,208,758	426,977
<b>Total</b>	<b><u>2,552,889</u></b>	<b><u>1,210,467</u></b>
<b>Accrued costs</b>		
Corporate income tax on interest received		
Subordinated loans	87,021	59,448
Bank deposits	181,600	77,226
Investments for the guarantee of deposits	241,752	85,395
Other accrued costs	-	48,292
<b>Total</b>	<b><u>510,373</u></b>	<b><u>270,361</u></b>

The item “**Other accrued costs**” recorded a zero balance, reflecting (i) fees paid to the Court of Auditors – related to the audit of the 2006 annual accounts (€16,338) – and (ii) the fact that fees to be paid to the Court of Auditors – related to the audit of the 2004 and 2005 annual accounts, whose amount was being brought forward from 2005 and 2006 (€15,858 and €16,096 respectively) – ceased to be recognised on an accrual basis, against the recognition of income from previous fiscal years (see Note 15). The different accounting procedure was due to the fact that it is not possible to anticipate with a reliable degree of assurance, at the end of the fiscal year, whether such amounts will be received by the Court of Auditors during the following year.

## NOTE 6 – CONTRIBUTIONS

The item “**Contributions**” records the contributions to the Fund since the beginning of 1998 by the following entities:

	(EUR)		
	Balance as at 31 Dec. 2007	Contributions in 2008	Balance as at 31 Dec. 2008
Banco de Portugal	78,411,349	-	78,411,349
Central Mutual Agricultural Credit Bank	15,121,377	158,094	15,279,471
Associate agricultural banks	138,374,477	14,551,506	152,925,983
<b>Total</b>	<b><u>231,907,202</u></b>	<b><u>14,709,599</u></b>	<b><u>246,616,802</u></b>

#### NOTE 7 – GENERAL RESERVE

In 2008 the item “**General reserve**” recorded an increase of €4,127,314 due to the distribution of net profit for 2007.

#### NOTE 8 – SUBSIDIES TO MUTUAL AGRICULTURAL CREDIT

This item represents compensatory subsidies granted to FENACAM, to the amount of €250,000, 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 Dec. 2008</u>	<u>31 Dec. 2007</u>
Travelling and accommodation expenses	6,133	2,508
Other services and supplies	-	108
<b>Total</b>	<b><u>6,133</u></b>	<b><u>2,617</u></b>

#### NOTE 10 – TAXES

This item represents the amount regarding the corporate income tax on capital investment income:

(EUR)

**31 Dec. 2008** **31 Dec. 2007**

**Corporate income tax on interest**

Subordinated loans	378,304	245,887
Bank deposits	441,324	233,410
Investments for the guarantee of deposits	737,488	496,600

**Total** **1,557,116** **975,896**

#### **NOTE 11 – OTHER OPERATIONAL COSTS AND LOSSES**

This item relates to the annual contribution of the Fund as member of the European Forum of Deposit Insurers (EFDI) (€850).

#### **NOTE 12 – EXTRAORDINARY COSTS AND LOSSES**

This aggregate consists mainly of: (i) the recognition on an accrual basis of corporate income tax on interest regarding loans to agricultural banks (corresponding to the 2007 fiscal year) in July 2008 (to the amount of €3,129) and (ii) the repayment to the Central Mutual Agricultural Credit Bank of corporate income tax withheld at source that the Directorate General for Taxation deems to be in default. This amount was calculated on the basis of interest paid by the Central Mutual Agricultural Credit Bank on subordinated loans, given that in 2005 the rate applied to the tax withheld at source was below the rate legally established (€26,925).

#### **NOTE 13 – REVERSAL OF ADJUSTMENTS**

The amount of €95,000 (31 December 2007: €115,000) corresponds to the reversal of adjustments for additional capital granted to CREDIVALOR (see Note 2).

#### **NOTE 14 – FINANCIAL INCOME AND GAINS**

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

	(EUR)	
	<u>31 Dec. 2008</u>	<u>31 Dec. 2007</u>
<b>Interest received</b>		
Subordinated loans	1,942,403	1,639,245
Bank deposits	2,206,621	1,167,049
Investments for the guarantee of deposits	3,687,438	2,482,999
<b>Total</b>	<u><b>7,836,462</b></u>	<u><b>5,289,293</b></u>

**NOTE 15 – EXTRAORDINARY INCOME AND GAINS**

This aggregate records the correction regarding previous fiscal years, to the amount of €31,954, as fees paid to the Court of Auditors related to the audit of the 2004 and 2005 annual accounts ceased to be recognised on an accrual basis (see Note 5).

## **II. INFORMATION ON CREDIVALOR – 2008 fiscal year**

CREDIVALOR is in the process of winding up. The majority of its capital (92%) is held by the Mutual Agricultural Credit Guarantee Fund.

## 1. CREDIVALOR's activities in 2008

CREDIVALOR – *Sociedade Parabancária de Valorização de Créditos, S.A., Sociedade em liquidação* – in the process of winding up, was set up following the authorisation granted by 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 and its staff was reduced to 2 employees.

In 2008, 5 credit files were closed, after being deemed unrecoverable, and 8 credit files were closed upon partial or full repayment of credits. 11 legal proceedings were initiated, 10 of which stemming from financial assistance agreements. During that fiscal year, CREDIVALOR acquired two buildings as a result of two credit recovery operations, to the overall amount of €263,000.

On 31 December 2008, the Fund's share in the equity capital of CREDIVALOR amounted to €46,000 (92%), and the cumulative value of additional capital and additional payments made by the Fund was €1,999,000 and €3,360,000 respectively. These values were fully adjusted.

In 2008 the Fund provided CREDIVALOR with additional capital to the amount of €105,000. In the course of the year, additional capital repaid by CREDIVALOR totalled €200,000.

## 2. Accounts of CREDIVALOR for 2008

CREDIVALOR		(EUR thousands)		
ASSETS				
	31 Dec. 08	31 Dec. 07	Change 2008/2007	
Cash and cash equivalents	137	63	74	
Investments in credit institutions	0	0	0	
(Net) Claims on customers	43	44	-1	
Gross value	25,608	26,118	-510	
Provisions	25,565	26,074	-509	
(Net) tangible and intangible assets	2	3	-1	
Gross value	440	438	2	
Depreciation	438	435	3	
(Net) non-current assets held for sale	2,942	2,756	186	
Gross value	9,535	9,315	220	
Provisions	6,593	6,559	34	
Other assets	120	116	4	
<b>GROSS ASSETS</b>	<b>35,840</b>	<b>36,050</b>	<b>-210</b>	
<b>NET ASSETS</b>	<b>3,244</b>	<b>2,982</b>	<b>262</b>	

As at 31 December 2008 CREDIVALOR's net assets amounted to €3.2 million, broken down as follows:

- €137,000 – cash and cash equivalents;
- €25.6 million - credits purchased to agricultural banks (€510,000 less than at end-2007), provisioned at 99.8% of their value;
- €25.6 million - provisions for claims on customers (€509,000 less than at end-2007);
- €9.5 million - non-current assets held for sale, provisioned at 69%, corresponding to real estate property received as a result of credit recovery operations.

In 2008 CREDIVALOR's net assets rose by €262,000, mainly accounted for by:

- €220,000 increase in the value of non-current assets held for sale;
- €74,000 increase in cash and cash equivalents.

## CREDIVALOR

(EUR thousands)

EQUITY AND LIABILITIES			
	31 Dec. 08	31 Dec. 07	Change 2008/2007
<b>EQUITY</b>	<b>851</b>	<b>541</b>	<b>310</b>
Equity capital (realised value)	50	50	0
Subordinated liabilities (a)	3,360	3,360	0
Reserves	0	0	0
Profit/loss brought forward	-2,869	-3,779	910
Profit/loss for the year	310	910	-600
<b>LIABILITIES</b>	<b>2,393</b>	<b>2,442</b>	<b>-49</b>
Other resources (b)	1,999	2,094	-95
Resources from customers	224	224	0
Provisions	35	35	0
Other liabilities	135	89	46
<b>EQUITY AND LIABILITIES</b>	<b>3,244</b>	<b>2,982</b>	<b>262</b>

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

(b) Additional capital provided by the Fund.

As at 31 December 2008 CREDIVALOR's liabilities totalled €2.4 million, broken down as follows:

- €2 million – other resources, with additional capital provided by the Fund (€95,000 less than at end-2007);
- €0.2 million – resources from customers as a result of debits to agricultural banks on account of credit purchases within the business area;
- €0.2 million – other liabilities and provisions.

As at 31 December 2008 equity, amounting to €851,000, related to:

- the value of subordinated liabilities – €3.4 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 for 2008 – €0.3 million; and
- the amount of losses brought forward – €-2.9 million.

## CREDIVALOR

(EUR thousands)

PROFIT AND LOSS ACCOUNT			
	2008	2007	Change 2008/2007
Interest and similar income	5	5	0
Interest expense and similar charges	0	0	0
<b>NET FINANCIAL INCOME</b>	<b>5</b>	<b>5</b>	<b>0</b>
Other operating profit	298	217	81
<b>GROSS INCOME</b>	<b>303</b>	<b>222</b>	<b>81</b>
Staff costs	69	66	3
Administrative costs	259	240	19
Depreciation for the year	3	4	-1
Changes in provisions, value adjustments and imparity	-343	-998	655
<b>INCOME BEFORE TAXES</b>	<b>315</b>	<b>910</b>	<b>-595</b>
Taxes	5	0	5
<b>NET PROFIT /</b>	<b>310</b>	<b>910</b>	<b>-600</b>

In 2008 CREDIVALOR recorded a profit of €310,000, down by €600,00 from the previous year, chiefly as a consequence of the unwinding of provisions, to the overall amount of €343,000 and of other operating results amounting to €298,000.

Net financial income totalled €5,000, having remained unchanged from 2007.

Operating costs (staff costs and administrative costs) amounted to €328,000, i.e. €22,000 more than in 2007.

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 losses brought forward.

Of the €123 million provided to CREDIVALOR, €91 million were aimed at covering interventions within the scope of the 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 2008**

**List of institutions that were members of the Mutual Agricultural Credit Guarantee Fund on 31 December 2008**

- 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 FERREIRA DO ALENTEJO
- 44 Caixa de Crédito Agrícola Mútuo de FORNOS DE ALGODRES
- 45 Caixa de Crédito Agrícola Mútuo de GUIMARÃES
- 46 Caixa de Crédito Agrícola Mútuo de LAFÕES
- 47 Caixa de Crédito Agrícola Mútuo de LAMEGO E CASTRO DAIRE
- 48 Caixa de Crédito Agrícola Mútuo de LOURES, SINTRA E LITORAL
- 49 Caixa de Crédito Agrícola Mútuo de LOURINHÃ
- 50 Caixa de Crédito Agrícola Mútuo de MORAVIS
- 51 Caixa de Crédito Agrícola Mútuo de OLIVEIRA DE AZEMÉIS
- 52 Caixa de Crédito Agrícola Mútuo de OLIVEIRA DO BAIRRO
- 53 Caixa de Crédito Agrícola Mútuo de OLIVEIRA DO HOSPITAL
- 54 Caixa de Crédito Agrícola Mútuo de PAREDES
- 55 Caixa de Crédito Agrícola Mútuo de PERNES
- 56 Caixa de Crédito Agrícola Mútuo de POMBAL
- 57 Caixa de Crédito Agrícola Mútuo de PORTO DE MÓS
- 58 Caixa de Crédito Agrícola Mútuo de S. BARTOLOMEU DE MESSINES-S.MARCOS DA SERRA
- 59 Caixa de Crédito Agrícola Mútuo de S. JOÃO DA PESQUEIRA
- 60 Caixa de Crédito Agrícola Mútuo de SALVATERRA DE MAGOS
- 61 Caixa de Crédito Agrícola Mútuo de SANTO TIRSO
- 62 Caixa de Crédito Agrícola Mútuo de SÃO TEOTÓNIO
- 63 Caixa de Crédito Agrícola Mútuo de SÁTÃO E VILA NOVA DE PAIVA
- 64 Caixa de Crédito Agrícola Mútuo de SEIA
- 65 Caixa de Crédito Agrícola Mútuo de SILVES
- 66 Caixa de Crédito Agrícola Mútuo de SOBRAL DE MONTE AGRAÇO
- 67 Caixa de Crédito Agrícola Mútuo de SOUSEL
- 68 Caixa de Crédito Agrícola Mútuo de TAROUCA
- 69 Caixa de Crédito Agrícola Mútuo de TERRA QUENTE
- 70 Caixa de Crédito Agrícola Mútuo de TERRAS DE MIRANDA DO DOURO
- 71 Caixa de Crédito Agrícola Mútuo de TERRAS DE SOUSA, AVE, BASTO E TÂMEGA
- 72 Caixa de Crédito Agrícola Mútuo de TERRAS DE VIRIATO
- 73 Caixa de Crédito Agrícola Mútuo de TRAMAGAL
- 74 Caixa de Crédito Agrícola Mútuo de VAGOS
- 75 Caixa de Crédito Agrícola Mútuo de VALE DE CAMBRA

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

#### IV. CHANGES TO THE LEGAL FRAMEWORK OF THE MUTUAL AGRICULTURAL CREDIT GUARANTEE FUND AND MUTUAL AGRICULTURAL CREDIT

In 2008 some changes were introduced in the legal framework of the Fund and of mutual agricultural credit, in particular as a result of the publication of the following ordinances:

##### A) Changes regarding mutual agricultural credit:

- **Decree-Law No 1/2008, Ministry of Finance and Public Administration**, of 3 January, which introduces amendments in the Legal Framework of Credit Institutions and Financial Companies (*Regime Geral das Instituições de Crédito e Sociedades Financeiras*), establishing Banco de Portugal as the competent authority responsible for the market conduct supervision of credit institutions and financial companies.
- **Decree-Law No 126/2008, Ministry of Finance and Public Administration**, of 21 July, which introduces amendments in the Legal Framework of Credit Institutions and Financial Companies, intended to foster the convergence of criteria and procedures for assessing the suitability of the members of the management and auditing boards of a credit institution.
- **Notice of Banco de Portugal No 5/2008**, which establishes that credit institutions shall have an internal control system in order to ensure that their business activities are carried out in an efficient and profitable manner and that they provide comprehensive, reliable, relevant and timely financial and management information. This Notice revokes Notice of Banco de Portugal No 3/2006.
- **Notice of Banco de Portugal No 6/2008**, which introduces amendments in Notice of Banco de Portugal No 12/92 on the calculation of own funds.
- **Notice of Banco de Portugal No 7/2008**, which introduces amendments in Notice of Banco de Portugal No 12/2001, with regard to liabilities for retirement and survivors pensions, taking into account the adjustments resulting from the transition to the International Accounting Standards/Adjusted Accounting Standards and those resulting from the full adoption of IAS 19.
- **Notice of Banco de Portugal No 8/2008**, which updates the legal framework of the own funds and solvency ratio of institutions subject to the supervision of Banco de Portugal and introduces changes in Notice of Banco de Portugal No 14/2003, with regard to the ratio

applicable to the annual contribution to the Fund by the Central Mutual Agricultural Credit Bank.

- **Notice of Banco de Portugal No 9/2008**, which introduces amendments in Notice of Banco de Portugal No 12/92 on the calculation of own funds.
- **Notice of Banco de Portugal No 10/2008**, which lays down information and transparency requirements to be complied with by credit institutions and financial companies when advertising financial products and services.

#### **B) Changes regarding the Fund:**

- **Decree-Law No 126/2008, Ministry of Finance and Public Administration**, of 21 July, which introduces amendments in the legal framework of the Deposit Guarantee Fund and the Mutual Agricultural Credit Guarantee Fund, according to which the members of the management committee may engage in any public or private occupation, provided that upon nomination they have been authorised for the purpose.
- **Decision of the Secretary of State for the Treasury and Finance No 22346/2008**, of 31 July, which appoints the current Management Committee of the Mutual Agricultural Credit Guarantee Fund.
- **Decree-Law No 211-A/2008, Ministry of Finance and Public Administration**, of 3 November, which introduces amendments in Decree-Law No 345/98 of 9 November, which regulates the operation of the Mutual Agricultural Credit Guarantee Fund, increasing the amount covered of eligible deposits and reducing the time limit for their repayment. Changes are also introduced in the Legal Framework of Credit Institutions and Financial Companies, in order to strengthen the reporting and transparency obligations that must be fulfilled, by financial sector institutions, towards both their clients and the supervisory authorities.

## **OPINION OF THE BOARD OF AUDITORS OF BANCO DE PORTUGAL**

Pursuant to the applicable provisions of the Legal Framework of Credit Institutions and Financial Companies and the provisions laid down in Articles 20 and 21 of Decree-Law No 345/98 of 9 November, the Board of Auditors of Banco de Portugal issued its opinion on the Annual Report and Accounts of the Fundo de Garantia do Crédito Agrícola Mútuo – FGCAM (Mutual Agricultural Credit Guarantee Fund) for 2008.

The financial statements of the Fund were prepared taking into account the provisions laid down in Article 19 of Decree-Law No 345/98 of 9 November on the drawing up of the Fund's chart of accounts. The latter is based on the official chart of accounts, as adjusted to the specific nature of the Fund's activities.

The major purpose of the Fund is to guarantee, within the established limits, the repayment of deposits with the Caixa Central de Crédito Agrícola Mútuo (Central Mutual Agricultural Credit Bank) and the associate agricultural banks, as well as to promote and carry out the actions deemed necessary to ensure the solvency and liquidity of these institutions, targeted at the protection of the Sistema Integrado de Crédito Agrícola Mútuo – SICAM (Integrated Mutual Agricultural Credit Scheme).

On 31 December 2008 SICAM comprised the Central Mutual Agricultural Credit Bank and 98 associate agricultural banks.

The Board of Auditors, within its field of competence, monitored the Fund's activities, analysing the documents regularly sent by the Management Committee, together with data and additional information deemed necessary for the performance of its tasks.

During the preceding year, the Fund continued to monitor and to provide financial assistance to SICAM.

In 2008 the Fund granted one loan amounting to €11 million to one mutual agricultural credit bank, and loans were repaid to the amount of €18.7 million.

On 31 December 2008 the financial assistance agreements in force involved loans granted by the Fund to the amount of €140.2 million (€114.4 million to mutual agricultural credit banks and €25.8 million to the Central Mutual Agricultural Credit Bank).

The Fund's investments aimed at guaranteeing the repayment of deposits with the Central Mutual Agricultural Credit Bank and the associate agricultural banks, according to the provisions laid down in Article 2 (1) and in Article 11 of Decree-Law No 345/98 of 9 November amounted to €91 million; these investments correspond to approximately 1% of the average value of deposits within the scope of SICAM covered by the Fund's guarantee.

Free investments consist of demand deposits (€246,000) and 3 to 6-month fixed-term deposits (€30.4 million) with credit institutions, selected with a view to diversifying risk and maximising profitability, in compliance with the provisions of Article 11 of Decree-Law No 345/98, and reach approximately 34% of the Fund's gross assets.

With regard to the share in the equity capital of CREDIVALOR, the Fund holds 9,200 shares with a nominal value of €5 each, totalling €46,000 and accounting for 92% of the equity capital of CREDIVALOR. This share is fully adjusted.

Loans granted refer exclusively to CREDIVALOR, and are fully adjusted (additional payments with a subordination clause to the amount of €3,360,000 and additional capital to the amount of €1,999,000). In 2008 loans were granted to the amount of €105,000. In the same period CREDIVALOR repaid €200,000.

The Management Committee continued to monitor the liquidation activities of CREDIVALOR.

The Fund's own resources amount to €263.9 million, including contributions by Banco de Portugal, the Central Mutual Agricultural Credit Bank and the associate agricultural banks to the amount of €246.6 million, the general reserve (€11.2 million) and the €6.1 million profit for 2008.

The Management Committee proposes that the net profit for the year, to the amount of €6,119,187, be transferred in full to general reserves.

On the basis of the analysis carried out, and in view of the above considerations and of the report prepared by the Audit Department of Banco de Portugal, the Board of Auditors raises no objection to the approval of the Report and Accounts of the Fund for 2008, nor to the proposal for profit distribution submitted by the Management Committee.

Lisbon, 24 March 2009

BOARD OF AUDITORS

Emílio Rui da Veiga Peixoto Vilar

Rui José da Conceição Nunes

Sérgio António Gonçalves Nunes

Amável Alberto Freixo Calhau