

Annual Report and Accounts

2009

As provided for in Article 21 of Decree-Law No 345/98 of 9 November, the Management Committee submitted the Annual Report and Accounts for the year 2009 for approval to the Minister of Finance, together with the opinion of the Board of Auditors of Banco de Portugal.

The Annual Report and Accounts of the Mutual Agricultural Credit Guarantee Fund were approved by Decision No 328/10-SETF of 16 April 2010 of the Secretary of State of Treasury and Finance.

Mutual Agricultural Credit Guarantee Fund

Annual Report and Accounts for 2009

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Annual Report

- 1. Introduction**
- 2. Activities of the Fund**
- 3. Information on banks belonging to SICAM**
- 4. Analysis of the Mutual Agricultural Credit Guarantee Fund's accounts for 2009**
- 5. Summary of the Mutual Agricultural Credit Guarantee Fund's plan of activities for 2010**
- 6. Proposal for profit distribution in 2009**

Accounts for the financial year 2009

- Balance sheet
- Profit and loss account

Annexes

- I. Notes on the financial statements
- II. Information on CREDIVALOR – 2009 fiscal year
- III. List of institutions that were members of the Mutual Agricultural Credit Guarantee Fund on 31 December 2009
- IV. Changes to the legal framework of the Mutual Agricultural Credit Guarantee Fund and Mutual Agricultural Credit

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 1987 and its legal framework was redefined by Decree-Law No 345/98 of 9 November 1998, as amended by Decree-Law No 126/2008 of 21 July, Decree-Law No 211-A/2008 of 3 November and Decree-Law No 162/2009 of 20 July. 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 System – 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 2009 and within the framework of its business purpose, the Fund signed two new financial assistance agreements, which did not imply the disbursement of funds. In the course of 2009, the Fund granted subsidies to mutual agricultural credit and continued 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 administrative 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.¹

¹ 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:

(i) 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;

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 Report and Accounts of the Fund for 2009 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.

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- (ii) Reappointed Licínio Manuel Prata Pina as member of the Management Committee, as the representative of the Central Mutual Agricultural Credit Bank; and
 - (iii) Appointed Maria Helena Maio Ferreira de Vasconcelos as member of the Management Committee.

2. Activities of the Fund

In 2009 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:

- Signed two new financial assistance agreements with agricultural banks. This, however, has not implied the disbursement of funds, but only the extension of subordinated loan maturities;
- Granted a subsidy to *Federação Nacional das Caixas de Crédito Agrícola Mútuo* – 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 2009 the financial assistance agreements in force involved loans granted by the Fund to the amount of €116.7 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 €107.9 million have been fully repaid by 33 agricultural banks, while two agricultural banks have made a partial repayment of their loans, to the amount of €15.2 million.

Financial assistance agreements as at 31 December 2009

unit: EUR thousands

Financial assistance agreements	Number of agricultural banks	FGCAM (subordinated loans)	CREDIVALOR (purchases of claims and/or capital)
In force	12	116,661	22,957
- <i>Partially repaid</i>	2	15,181	<i>n.a.</i>
Fully repaid	33	107,887	68,089
TOTAL	45	239,728	91,046

On a regular basis, the Fund assesses and monitors developments in agricultural banks that are members of SICAM, particularly those benefiting from the Fund's 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. The Fund also assesses other agricultural banks, monitoring their economic and financial situation 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 agricultural 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 lower multiplier being applied to agricultural banks with the higher 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	Average solvency ratio (SR)	2009			
		2007	2008	2009	
1.20	SR < 8%	5	1	1	1.0%
1.10	8% ≤ SR < 10%	2	6	2	2.2%
1	10% ≤ SR < 12%	12	6	5	5.4%
0.90	12% ≤ SR < 14%	18	20	13	14.0%
0.80	SR ≥ 14%	69	68	72	77.4%
TOTAL		106	101	93 *	100%

* As at 31 December 2009, 91 agricultural banks were members of SICAM; however, contributions for 2009 were calculated when 93 agricultural banks were operating, including the Central Mutual Agricultural Credit Bank.

With regard to the calculation of contributions for 2009, the minimum multiplier (0.80%) was applied to 72 (77.4%) of the 93 agricultural banks that were members of SICAM, which corresponds to the agricultural banks with a solvency ratio equal to or above 14%. Only 1 agricultural bank recorded an average solvency ratio below 8%. Compared with 2008, the number of agricultural banks to which the maximum multipliers were applied declined, while the number of agricultural banks to which the minimum multiplier (0.80%) was applied increased (from 68 in 2008 to 72 in 2009).

Every year, the Fund calculates the amount of guaranteed deposits on a semi-annual basis. As in previous years, in 2009 no situation of unavailability of deposits² was recorded in SICAM.

Other specialised 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 2009 the Fund participated in a number of projects with a view to collecting and processing information on deposit guarantee and cooperation with similar organisations.

² According to the provisions of Article 14 (4) of Decree-Law No 345/98 of 9 November 1998, 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 released, 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 2009 SICAM comprised the Central Mutual Agricultural Credit Bank and 90 associate agricultural banks³ (eight less than in the previous year, due to the completion of six merger processes, five of which had started in 2008, involving 14 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 2009 was as follows:

- Net assets of the Central Mutual Agricultural Credit Bank amounted to €4.7 billion, i.e. up by €188 million from 31 December 2008, and were broken down as follows:

CENTRAL MUTUAL AGRICULTURAL CREDIT BANK			(EUR millions)
Assets	31 Dec. 2009	31 Dec. 2008	Change
Cash and cash equivalents	211	282	-71
Investments in credit institutions	928	1,443	-515
(Net) claims on customers	1,762	1,747	15
Financial assets	1,525	832	693
Other assets	243	177	66
TOTAL NET ASSETS	4,669	4,481	188

Source: ProClarity.

- Claims on customers, to the amount of €1.8 billion, accounted for 38% of total assets, while credit overdue stood at €68 million, i.e. up by €15 million from 31 December 2008.

³ Annex III to this Report lists banks that were members of SICAM on 31 December 2009. According to the provisions of Article 3 of Decree-Law No 345/98 of 9 November 1998, these institutions are compulsory members of the Fund.

Provisions, to the overall amount of €104.6 million, include provisions for credit overdue, amounting to €43.4 million and accounting for 64% of the value of that credit (compared with 67% on 31 December 2008).

- Investments in credit institutions corresponded to €928 million, accounting for a decrease of €515 million from 2008.
 - Financial assets, to the amount of €1.5 billion, accounted for 33% of total net assets and increased by €693 million from 31 December 2008.
- As at 31 December 2009 the liabilities of the Central Mutual Agricultural Credit Bank accounted for 97% of assets, amounting to €4.5 billion, i.e. up by €186 million from 31 December 2008.

CENTRAL MUTUAL AGRICULTURAL CREDIT BANK

(EUR millions)

Liabilities	31 Dec. 2009	31 Dec. 2008	Change
Resources from credit institutions	4,069	3,911	158
Resources from customers	267	268	-1
Subordinated liabilities	102	88	14
Provisions	21	17	4
Other liabilities	60	50	10
TOTAL LIABILITIES	4,520	4,334	186

Source: ProClarity.

- Resources from credit institutions, totalling €4.1 billion, accounted for 90% of total liabilities, corresponding mostly – 80% – to resources from associate banks.
- Subordinated debt amounted to €102 million, of which €12.3 million corresponded to subordinated loans granted by the Fund: €7.5 million related to the participation of the Central Mutual Agricultural Credit Bank in the financial reorganisation of agricultural banks in the Algarve region and €4.8 million to the Central Mutual Agricultural Credit Bank's intervention in the financial reorganisation of *Central Banco de Investimento*. In 2009 the Central Mutual Agricultural Credit Bank repaid the €6.3 million subordinated loan granted by the Fund in 2001, within the scope of the financial reorganisation of

agricultural banks in the Algarve region and partially repaid €7.2 million of the subordinated loan granted by the Fund in 2003, 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 €149 million, i.e. up by €2 million from 31 December 2008.

Equity capital, to the amount of €221 million, increased by €1 million from end-2008.

As at 31 December 2009, Loss brought forward stood at €72 million.

CENTRAL MUTUAL AGRICULTURAL CREDIT BANK

(EUR millions)

Equity	31 Dec. 2009	31 Dec. 2008	Change
Equity capital	221	220	1
Reserves	-1	-2	1
Profit / loss brought forward	-72	-76	4
Profit / loss for the year	1	5	-4
EQUITY	149	147	2

Source: ProClarity.

- In 2009 net profit for the year amounted to €1 million, i.e. down by €4 million from 2008.

- Profit 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	2009	2008	Change
Interest and similar income	156	220	-64
Interest expense and similar charges	109	169	-60
Net financial income	47	51	-4
Income from net services and commissions	15	14	1
Gains on financial operations	2	-4	6
Other operating income	3	6	-3
Gross income	67	67	0
Operating costs	44	43	1
- Staff costs	23	22	1
- Administrative costs	21	21	0
Depreciation	1	1	0
Changes in provisions, value adjustments and imparity	21	15	6
Income before taxes	1	8	-7
Taxes	0	3	-3
NET PROFIT / LOSS FOR THE YEAR	1	5	-4
Cash flow net of corporate income tax	23	21	2

Source: ProClarity.

In 2009 gross income amounted to €67 million, unchanged from 2008. Net financial income, totalling €47 million, was determined by interest and similar income, amounting to €156 million, and interest expense and similar charges, standing at around €109 million.

Operating costs, to the amount of €44 million, were up by €1 million from 2008, due to an increase of €1 million in staff costs. In 2009 the allocation to provisions amounted to €21 million, i.e. up by €6 million from 2008.

Net profit for the year totalled €1 million in 2009, i.e. down by €4 million from the previous fiscal year, while payable taxes stood at zero.

Net cash flow for the year amounted to €23 million, i.e. up by €2 million from 2008.

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 2009.

- As at 31 December 2009 the balance sheet resulting from the non-consolidated sum of individual balance sheets of the agricultural banks that belonged to SICAM⁴ amounted to €11.2 billion, i.e. €475 million more than on 31 December 2008. Assets were broken down as follows:

Mutual agricultural credit banks belonging to SICAM (EUR millions)

Assets	31 Dec. 2009	31 Dec. 2008	Change
Cash and cash equivalents	306	290	16
Investments in credit institutions	3,239	3,317	-78
(Net) claims on customers	6,706	6,273	433
Financial assets	180	141	39
Other assets	801	736	65
TOTAL NET ASSETS	11,232	10,757	475

Source: ProClarity.

- Claims on customers amounted to €6.7 billion, accounting for 60% of total net assets. Credit overdue, to the amount of €336 million, increased by €33 million from the previous year, and provisions for credit overdue, amounting to €212 million, increased by €39 million from 2008. 63% of credit overdue was thus provisioned, i.e. 6 p.p. more than in December 2008.

⁴ At the end of 2009, 90 agricultural banks belonged to SICAM, although there were two ongoing merger processes, involving 4 agricultural banks. Although in both cases a merger deed had been signed, the respective registration with Banco de Portugal had not been concluded. Given that, as at 31 December 2009, 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 88 agricultural banks.

- Investments in credit institutions totalled €3.2 billion and corresponded almost entirely to investments in the Central Mutual Agricultural Credit Bank, which accounted for 29% of total assets of agricultural banks and around 72% of total liabilities of the Central Mutual Agricultural Credit Bank.
- The item “Other assets” totalled €801 million, accounting for 7% of total net assets. This item includes other tangible and intangible assets, with a gross value of €419 million, accumulated depreciation, amounting to €161 million, and investment, with a gross value of €228.6 million, covering the share in the equity capital of the Central Mutual Agricultural Credit Bank – €221 million – and CREDIVALOR – €2,000. Investment was provisioned at €4.6 million.
- Cash and cash equivalents reached €306 million, accounting for 2.7% of assets.
- Total liabilities of agricultural banks belonging to SICAM attained €10.2 billion, i.e. up by €451 million from 31 December 2008, broken down as follows:

Mutual agricultural credit banks belonging to SICAM

(EUR millions)

Liabilities	31 Dec. 2009	31 Dec. 2008	Change
Resources from credit institutions	10	5	5
Resources from customers	9,802	9,341	461
Subordinated liabilities	184	187	-3
Provisions	68	66	2
Other liabilities	100	114	-14
TOTAL LIABILITIES	10,164	9,713	451

Source: ProClarity.

- Resources from customers, accounting for 96% of total liabilities, reached €9.8 billion, i.e. 5% more than on 31 December 2008.
- Subordinated liabilities stood at €184 million, of which €104.4 million corresponded to subordinated loans granted by the Fund to agricultural banks belonging to SICAM.

- Equity of total agricultural credit banks belonging to SICAM amounted to €1.1 billion on 31 December 2009, and the coverage of assets by equity was 9.5%, i.e. 0.2 p.p. lower than on 31 December 2008.

At the end of 2009, equity was broken down as follows:

Mutual agricultural credit banks belonging to SICAM (EUR millions)

Equity	31 Dec. 2009	31 Dec. 2008	Change
Equity capital	777	730	47
Reserves	307	279	28
Profit / loss brought forward	-59	-76	17
Profit / loss for the year	43	111	-68
EQUITY	1,068	1,044	24

Source: ProClarity.

- Equity capital totalled €777 million and reserves totalled €307 million;
- Loss brought forward stood at €59 million;
- Net profit for the year, to the amount of €43 million, was €68 million lower than in 2008.

Equity rose by €24 million, mainly due to the increase in equity capital, by €47 million, in reserves, by €28 million, and in the coverage of part of the loss brought forward, by €17 million.

- The profit and loss account, which is obtained by aggregating the operating accounts of total agricultural banks belonging to SICAM, posted a non-consolidated net profit of €43 million.

Mutual agricultural credit banks belonging to SICAM

(EUR millions)

Profit and loss account	2009	2008	Change
Interest and similar income	442	582	-140
Interest expense and similar charges	177	238	-61
Net financial income	265	343	-78
Income from net services and commissions	75	71	4
Gains on financial operations	0	0	0
Other operating income	14	18	-4
Gross income	354	432	-78
Operating costs	234	222	12
- Staff costs	131	124	7
- Administrative costs	103	98	5
Depreciation	14	13	1
Change in provisions, value adjustment and imparity	56	62	-6
Income before taxes	50	135	-85
Taxes	8	24	-16
NET PROFIT / LOSS FOR THE YEAR	43	111	-68
Cash flow net of corporate income tax	114	186	-72

Source: ProClarity.

Gross income amounted to €354 million, i.e. €78 million lower than in 2008 (approximately 18%). Net financial income totalled €265 million, determined by interest and similar income to an amount of €442 million and interest expense and similar charges to an amount of €177 million.

In 2009 staff costs and administrative costs rose by €12 million, i.e. by approximately 5%, totalling €234 million.

Provisions increased by €56 million, i.e. €6 million less than in 2008, of which €51 million corresponded to provisions and value adjustments.

Income before taxes, totalling €50 million, decreased by €85 million from 2008, mainly due to a decrease in gross income and a rise in operating costs. The overall amount of payable taxes stood at around €8 million.

In 2009 total agricultural banks belonging to SICAM recorded a €43 million net profit,⁵ i.e. down by €68 million from 2008.

Net cash flow for the year amounted to €114 million, i.e. down by €72 million from 2008.

- The following table shows some indicators regarding the 88 agricultural banks belonging to SICAM (11 of which had signed a financial assistance agreement with the Fund at the end of

⁵ 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 released yet.

the year), grouped into classes according to the value of their net assets as at 31 December 2009.

88 MUTUAL AGRICULTURAL CREDIT BANKS BELONGING TO SICAM - 31 December 2009

(EUR millions)

	Value of net assets						
	[0;40[	[40;60[	[60;80[	[80;100[	[100;160[	>=160	Total
Number of agricultural banks	7	17	12	9	17	26	88
Number of agricultural banks with net loss for the year	1	1	0	0	0	3	5
Number of agricultural banks receiving financial assistance	0	1	1	0	5	4	11
Net assets * (EUR millions)	28	49	73	89	117	252	128
Range							
maximum	38	58	80	96	153	507	507
minimum	16	40	65	83	100	160	16
Equity * (EUR millions)	4	6	7	11	9	23	12
Range							
maximum	7	9	13	18	18	57	57
minimum	2	2	-3	6	-8	0	-8
Number of agricultural banks (% in total agricultural banks belonging to SICAM)	8%	19%	14%	10%	19%	30%	100%
Resources from customers / Resources from customers of agricultural banks belonging to SICAM (%)	2%	7%	8%	7%	18%	58%	100%
Total credit / Total credit of agricultural banks belonging to SICAM (%)	1%	7%	7%	7%	18%	60%	100%
Credit overdue / Credit overdue of agricultural banks belonging to SICAM (%)	2%	5%	11%	6%	21%	55%	100%
Total credit / Resources from customers * (%)	63%	66%	69%	69%	71%	73%	71%
Range							
maximum	72%	82%	86%	78%	82%	92%	92%
minimum	52%	51%	55%	56%	53%	59%	51%
Total credit / Assets * (%)	52%	57%	60%	59%	62%	64%	62%
Range							
maximum	61%	72%	71%	66%	73%	76%	76%
minimum	40%	45%	46%	46%	46%	44%	40%
Credit overdue / Total credit * (%)	7%	4%	7%	4%	6%	4%	5%
Range							
maximum	28%	9%	17%	8%	11%	19%	28%
minimum	1%	2%	3%	0.7%	2%	2%	0.7%
Operating costs / Gross income * (%)	65%	67%	63%	60%	68%	67%	66%
Range							
maximum	108%	89%	78%	82%	90%	89%	108%
minimum	52%	57%	49%	41%	55%	27%	27%

Source: ProClarity.

* Average value per class.

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

- Total average assets of all 88 agricultural banks amounted to €128 million; the assets of 7 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 7 agricultural banks with assets below €40 million account for 8% of total agricultural banks and for only 2% of resources raised and 1% of credit granted by SICAM, excluding the Central Mutual Agricultural Credit Bank. This class of agricultural banks also accounts for 2% of credit overdue of total agricultural banks belonging to SICAM.

This class also includes 1 of the 5 agricultural banks that recorded a loss in 2009 and which, however, does not receive financial assistance from the Fund.

- The 26 agricultural banks with assets over €160 million account for 30% of total agricultural banks and hold 58% of resources from customers, 60% of credit granted by the agricultural banks belonging to SICAM and 55% of total credit overdue. Of the 5 agricultural banks that recorded a loss in 2009, 3 banks have assets to an amount above €160 million.

This class includes the agricultural bank with the highest equity, i.e. €57 million.

4 of these agricultural banks have signed a financial assistance agreement with the Fund. 11% 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 62% of total agricultural banks belonging to SICAM and hold 40% of resources raised, 39% of credit granted and 43% of credit overdue of total agricultural banks belonging to SICAM. This class includes the remaining 7 of the 11 agricultural banks that have signed a financial assistance agreement with the Fund. Of the 5 agricultural banks that recorded a loss in 2009, 1 bank has assets between €40 million and €160 million.
- On average, the ratio of resources from customers to total credit granted was 71%.
- With regard to the indicators total credit / resources from customers, total credit / assets and credit overdue / total credit, the values recorded within each class were rather heterogeneous.
- Operating costs absorbed on average 66% of the gross income of agricultural banks. Again, there is great heterogeneity within each class. 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 class 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 88 agricultural banks belonging to SICAM, broken down into classes according to the value of their equity as at 31 December 2009.

88 MUTUAL AGRICULTURAL CREDIT BANKS BELONGING TO SICAM - 31 December 2009

(EUR millions)

	Equity value						Total
	< 0	[0;2.5[	[2.5;5[	[5;7.5[	[7.5;10[	>=10	
Number of agricultural banks	4	2	11	18	13	40	88
Number of agricultural banks with net loss for the year	0	1	1	0	0	3	5
Number of agricultural banks receiving financial assistance	4	0	3	1	1	2	11
Equity * (EUR millions)	-3	2	4	6	9	20	12
Range							
	maximum	0	2	5	7	10	57
	minimum	-8	2	3	5	8	-8
Net assets * (EUR millions)	123	29	57	60	87	196	128
Range							
	maximum	200	41	153	107	182	507
	minimum	76	16	21	26	53	16
Number of agricultural banks (% in total agricultural banks belonging to SICAM)	5%	2%	13%	20%	15%	45%	100%
Resources from customers / Resources from customers of agricultural banks belonging to SICAM (%)	4%	1%	5%	10%	10%	70%	100%
Total credit / Total credit of agricultural banks belonging to SICAM (%)	5%	1%	5%	9%	10%	70%	100%
Credit overdue / Credit overdue of agricultural banks belonging to SICAM (%)	6%	1%	8%	6%	14%	65%	100%
Total credit / Resources from customers * (%)	75%	67%	68%	68%	72%	72%	71%
Range							
	maximum	77%	71%	82%	82%	81%	92%
	minimum	71%	58%	51%	52%	56%	51%
Total credit / Assets * (%)	65%	59%	60%	59%	62%	63%	62%
Range							
	maximum	67%	63%	72%	72%	71%	76%
	minimum	60%	47%	45%	40%	47%	40%
Credit overdue / Total credit * (%)	7%	8%	7%	3%	7%	4%	5%
Range							
	maximum	13%	9%	28%	8%	15%	28%
	minimum	4%	2%	2%	0.7%	2%	0.7%
Operating costs / Gross income * (%)	68%	85%	71%	64%	66%	66%	66%
Range							
	maximum	77%	89%	108%	82%	78%	108%
	minimum	60%	79%	59%	52%	48%	27%

Source: ProClarity.

* Average value per class.

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

- The average equity of agricultural banks is €12 million, although the equity of 20% of total agricultural banks belonging to SICAM still stood below €5 million.
- 4 agricultural banks belonging to SICAM recorded negative equity, all of which have signed a financial assistance agreement with the Fund.

Agricultural banks with negative equity held 6% 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 80% of total agricultural banks belonging to SICAM. They also hold 90% of resources from customers, 89% of credit granted and 85% of the credit overdue portfolio.
- 40 agricultural banks hold equity above €10 million, accounting for 45% of the total, of which 3 recorded a loss in 2009 and 2 banks have a financial assistance agreement with the Fund.

The analysis of the information as at 31 December 2009 for the group of 88 agricultural banks belonging to SICAM shows favourable developments in the following indicators:

- €11 million increase in the average value of assets;
- 6% increase in equity capital, i.e. €47 million;
- 6 p.p. increase in the coverage of credit overdue by specific provisions;
- €3 million decline in the overall level of insufficient equity, which amounted to €19 million on 31 December 2009.

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

- 61% decline in profit for the year, i.e. €68 million compared with 2008;
- 18% decline in gross income, i.e. €78 million, and 39% decline in the cash flow, i.e. €72 million;
- the number of banks that recorded a loss for the year increased by 2;
- 11% increase in credit overdue, i.e. €33 million;
- 0.2 p.p. increase, to 4.8%, in the average value of the credit overdue / total credit indicator;
- 1% increase, i.e. €5 million, in asset write-offs.

4. Analysis of the Mutual Agricultural Credit Guarantee Fund's accounts for 2009

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

4.1. Balance sheet as at 31 December 2009

As at 31 December 2009 and according to the balance sheet included in the annex:

- The Fund's net assets amounted to €283.9 million, i.e. up by €19.5 million from 31 December 2008, and were broken down as follows:

Assets	31 Dec. 2009	31 Dec. 2008	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	116,661	140,189	-23,528
(Net) additional capital granted	0	0	0
(Gross) additional capital granted	2,269	1,999	270
Adjustments for additional capital granted	2,269	1,999	270
Free investments	48,950	30,646	18,304
Investments for the guarantee of deposits	117,000	91,000	26,000
Accruals and prepaid expenses	1,255	2,553	-1,298
TOTAL GROSS ASSETS	289,541	269,793	19,748
TOTAL NET ASSETS	283,866	264,388	19,478

- Financial fixed assets amounted to €3.4 million:
 - Share in the equity capital of CREDIVALOR: €46,000;
 - “Financing loans” to CREDIVALOR: €3.36 million 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 €116.7 million, i.e. €23.5 million less than on 31 December 2008, given that in 2009 loans were repaid to the amount of €23.5 million and no new loans were granted.
- Additional capital granted to CREDIVALOR amounted to €2.3 million (fully adjusted). In 2009 additional capital granted by the Fund stood at €270,000.
- Free investments, to the amount of €48.95 million, were broken down into demand deposits and fixed-term deposits as well as investments in short-term special debt certificates⁶ (Portuguese acronym: CEDIC).
- Investments for the guarantee of deposits with banks belonging to SICAM amounted to €117 million, i.e. up by €26 million from end-2008. Their value corresponded to approximately 1.25% of the average monthly value of the credit balances of eligible deposits⁷ with banks belonging to SICAM in 2009. 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 1998, according to which the Fund may cover, up to €100,000,⁸ per depositor and 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 €2.7 million corresponding to income generated in 2009 by the investment of capital earmarked for the guarantee of deposits.

These investments have taken the form of fixed-term deposits with credit institutions and investments in CEDICs. The maturity of these investments, i.e. between 3 and 6 months, is chosen taking into account the Fund's liquidity and profitability.

On 31 December 2009 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 1998, corresponding to around 40% of the value of the Fund's gross assets.

⁶ Issued under Resolution of the Council of Ministers No 157/2006.

⁷ 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.

⁸ According to the provisions of Article 12 (1) of Decree-Law No 345/98 of 9 November 1998 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. 2009	31 Dec. 2008	Change
Own resources			
Contributions	260,915	246,617	14,298
Reserves	18,065	11,141	6,924
Net profit / loss	4,634	6,119	-1,485
	283,614	263,877	19,737
Liabilities			
Debts to third parties	1	0	1
Accruals and income collected in advance	251	511	-260
	252	511	-259
TOTAL OWN RESOURCES AND LIABILITIES	283,866	264,388	19,478

- On 31 December 2009 the Fund's own resources amounted to €283.6 million:
 - Contributions⁹ of €260.9 million, received from 1998 to 2009, of which €15.1 million were received in 2009, as annual contribution of SICAM. In 2009 €805,000 were transferred to general reserves related to contributions paid by 1 agricultural bank that left SICAM in 2003.

Pursuant to Article 9 of Decree-Law No 345/98 of 9 November 1998, 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 €18 million.

The increase of €6,924,000 in the value of general reserves in 2009 was broken down into: €6,119,000 corresponding to the transfer of profit for 2008, according to the proposal for profit distribution approved by a Decision of the Secretary of State for the Treasury and Finance, and €805,000 corresponding to the transfer of contributions paid by 1 agricultural bank that left SICAM in 2003.

⁹ As of 1998 contributions are entered as own resources.

- Profit for the year 2009: €4,634,000.

Profit for 2009 corresponds to a €1,485,000 decline from the value recorded in the previous year, according to the analysis of the profit and loss account.

- On 31 December 2009 liabilities amounted to only €252,000 and corresponded almost entirely to accruals and income collected in advance.
- Overall, the following developments were observed in 2009:
 - €19.7 million increase in the value of own resources;
 - €19.5 million increase in the value of assets:
 - loans to SICAM: €23.5 million decrease;
 - funds earmarked for the guarantee of deposits: €26 million increase;
 - value of free investments: €18.3 million increase;
 - accruals and prepaid expenses: €1.3 million decrease.

Therefore, the overall situation of the Fund as at 31 December 2009 was as follows:

- Negligible amount of liabilities;
- Own resources to the amount of €283.6 million;
- Loans to SICAM totalling €116.7 million and financial investments to the amount of €165.95 million.

4.2. Profit and loss account for the year ending 31 December 2009

Mutual Agricultural Credit Guarantee Fund

(EUR thousands)

Profit and loss account	2009	2008	Change
(Net) financial income			
Net interest of financial investments	4,008	4,715	-707
Net interest of loans to SICAM	1,215	1,564	-349
	5,223	6,279	-1,056
Financial costs and losses			
Other financial costs and losses	0	0	0
Financial income	5,223	6,279	-1,056
Subsidies	250	250	0
Operating costs	41	7	34
Adjustments for additional capital (net of reversals)	270	-95	365
	561	162	399
Current income	4,662	6,117	-1,455
Extraordinary income	-28	2	-30
NET PROFIT / LOSS FOR THE YEAR	4,634	6,119	-1,485

Net profit for 2009, which reached €4,634,000, resulted from financial income to the amount of €5,223,000, less subsidies granted, operating costs of the Fund and adjustments for additional capital granted.

In 2009 net income of the Fund amounted to €5,223,000, which was generated by financial investments and loans to SICAM. Profitability (before corporate income tax) of financial investments was 3.69% in 2009 (corresponding to 2.95% net profitability).

Financial costs were nil and subsidies amounted to €250,000, corresponding to the subsidy granted to FENACAM for the conduct of the audits requested by the Fund.

Additional capital granted to CREDIVALOR was fully adjusted in 2009, to the overall amount of €270,000.

Operating expenses to the amount of €41,000 covered staff costs (compensation of the Management Committee),¹⁰ supplies and services of third parties and other operating costs and losses (annual contribution to the EFDI), as shown in the annex to the financial statements.

Extraordinary losses totalled €28,000, due to 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, which was partly offset by an administrative fine imposed by Banco de Portugal to 1 agricultural bank, which is subject to proceedings for breach of regulations.

By comparing the accounts for 2009 and 2008, it can be concluded that the difference between the results for both years, to the amount of €1,485,000, was explained by:

- €1,056,000 decrease in financial income, mainly due to the significant fall in interest rates in 2009;
- greater adjustments for additional capital (€365,000 increase);
- €34,000 increase in the operating expenses of the Fund;
- lower extraordinary income (€30,000 decrease).

Net financial income was mainly determined by the return on financial investments, which was on average 2.3 p.p. above the Euribor rate.

¹⁰ The monthly compensation of the Fund's Management Committee was established by Decision of the Secretary of State for the Treasury and Finance No 7226/2009 of 10 March, which entered into force in April 2009.

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 22 years of existence:

- the Fund received contributions and interest to the overall amount of €397 million:
 - €111 million contributions by Banco de Portugal;
 - €280 million contributions by SICAM, of which:
 - €32 million by the Central Mutual Agricultural Credit Bank
 - €248 million by agricultural banks
 - €6 million net interest paid by SICAM, within the scope of the financial assistance granted.
- SICAM received €253 million from the Fund as financial assistance:
 - €117 million loans not yet repaid, of which €12.2 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 financial 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.

Financial investments, to the amount of €166 million, corresponded to:

- €111 million regarding total contributions by Banco de Portugal;
- €33 million regarding the share of the total value of contributions by SICAM (€280 million) that was not reinvested in SICAM;
- €22 million regarding income generated by the Fund, i.e. financial income from investments in deposits (€59 million) not absorbed by operating costs (€1 million), financing expenses of CREDIVALOR's current activities (€32 million) and subsidies to FENACAM (€4 million).

Financial investments by the Fund, to the amount of €166 million, were broken down as follows:

- €117 million corresponding to investments for the guarantee of deposits with banks belonging to SICAM; and
- €49 million corresponding to free investments.

In 2009 the average monthly value of deposits with banks belonging to SICAM reached €9,627 million and the corresponding average value of eligible deposits is estimated to have reached around €9,386 million. Therefore, on 31 December 2009 the value of the deposit coverage ratio (ratio of the total value of the Fund's investments to the average value of eligible deposits) was 1.77%, while the ratio of the value of investments for the guarantee of deposits to the average value of eligible deposits was 1.25% (0.38 p.p. and 0.21 p.p. more than in the previous year respectively).

5. Summary of the Mutual Agricultural Credit Guarantee Fund's plan of activities for 2010

In 2010 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, although the financial assistance granted to 1 agricultural bank will be extended, no funds will be disbursed by the Fund to this end.

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

Therefore, the financial assistance to SICAM projected for 2010, involving only the payment of the subsidy to FENACAM, will give rise to an allocation of the Fund's resources to the amount of €250,000.

In 2010 contributions by SICAM (established by Notice of Banco de Portugal No 14/2003), which are the major financing source of the Fund's activities, are estimated to reach approximately €16 million. The contribution base rate is 0.2%.

In the course of 2010, the Fund's financial assistance to the winding-up of CREDIVALOR is expected to amount to around €200,000, which will be fully adjusted.

Cooperation with the EFDI is also expected to continue in 2010.

6. Proposal for profit distribution in 2009

Profit for 2009 amounted to €4,634,019.82. Pursuant to the proposal of the Management Committee, profit shall be transferred in full to general reserves.

Porto, 17 March 2010

Management Committee

José António da Silveira Godinho

Licínio Manuel Prata Pina

Maria Helena Maio Ferreira de Vasconcelos

Accounts for the financial year 2009

(EUR)

BALANCE SHEET											
CODE OF THE ACCO UNTS	ASSETS	NOT ES	FISCAL YEARS				CODE OF THE ACCO UNTS	OWN RESOURCES AND LIABILITIES	NOT ES	FISCAL YEARS	
			2009		2008					2009	2008
			GROSS ASSETS	ADJUSTMENTS	NET ASSETS	NET ASSETS					
	Fixed assets						Own resources, reserves and profit and loss				
	Financial fixed assets						Own resources	7			
411	Capital shares	1	46,000	46,000	-	-	Contributions by Banco de Portugal		78,411,349	78,411,349	
413	Financing loans	1	3,360,000	3,360,000	-	-	511 Contributions by the Central Mutual Agricultural Credit Bank		15,453,013	15,279,471	
415	Other financial investments		-	-	-	-	512 Contributions by agricultural banks		167,050,625	152,925,983	
			3,406,000	3,406,000	-	-	513		260,914,986	246,616,802	
	Debts of third parties						Reserves				
251	Loans granted to SICAM	2	116,660,562	-	116,660,562	140,188,801	574 General reserves	8	18,065,242	11,141,161	
252	Contributions by debtors		-	-	-	-	576 Other reserves		-	-	
254	Additional capital granted State and other public entities	2	2,269,000	2,269,000	-	-			18,065,242	11,141,161	
24			-	-	-	-					
26	Other debtors		-	-	-	-	59 Profit and loss brought forward		-	-	
			118,929,562	2,269,000	116,660,562	140,188,801					
							88 Net profit and loss for the year		4,634,020	6,119,187	
	Cash investments						Total own resources		283,614,248	263,877,150	
16	Investments for the guarantee of deposits	3	117,000,000		117,000,000	91,000,000					
18	Other cash investments	4	1,500,000		1,500,000	-	Liabilities				
			118,500,000		118,500,000	91,000,000					
							29 Provisions		-	-	

PROFIT AND LOSS ACCOUNT				
CODE OF THE ACCOUNTS		NOTES	FISCAL YEARS	
			2009	2008
COSTS AND LOSSES				
61	Subsidies to mutual agricultural credit	9	250,000	250,000
62	Supplies and services to third parties	10	5,390	6,133
64	Staff costs	11	34,847	-
67	Adjustments and provisions	12	270,000	-
63	Taxes	13	1,305,910	1,557,116
65	Other operating costs and losses	14	850	850
		A	1,866,998	1,814,098
68	Financial costs and losses		67	76
		C	1,867,065	1,814,174
69	Extraordinary costs and losses	15	29,967	30,055
		E	1,897,032	1,844,229
88	Net profit / loss for the year		4,634,020	6,119,187
			6,531,052	7,963,416
INCOME AND GAINS				
77	Reversal of adjustments	12	-	95,000
		D	-	95,000
78	Financial income and gains	16	6,529,551	7,836,462
		F	6,529,551	7,931,462
79	Extraordinary income and gains	15	1,500	31,954
		G	6,531,052	7,963,416

SUMMARY

Operating profit / loss: (D - A)	=	-1,866,998
Financial profit / loss: (F - D) - (C - A)	=	6,529,484
Current profit / loss: (F - C)	=	4,662,487
Net profit / loss for the year: (G - E)	=	4,634,020

Head of the Accounting Department

Management Committee

Annexes

I. Notes on the financial statements

II. Information on CREDIVALOR – 2009 fiscal year

III. List of institutions that were members of the Mutual Agricultural Credit Guarantee Fund on 31 December 2009

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 each, 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 these loans is fully adjusted.

NOTE 2 – DEBTS OF THIRD PARTIES

Compared with 31 December 2008, the item “**Debts to third parties**” posted an overall decrease of €23,528,239, exclusively due to the decrease in the item “**Loans granted to SICAM**”. Movements in this item in the 2009 fiscal year are broken down as follows:

							(EUR)
	Start - End	Maturity	31 Dec. 2008	Loans granted	Repayments	Transfers arising from merger	31 Dec. 2009
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	-	4,987,979	-	9,975,958
Alentejo Central	1994 - 2015	21 years	-	-	-	9,477,160	9,477,160
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 - 2021	16 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
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
			114,389,407	-	9,987,979	-	104,401,428
Central Mutual Agricultural Credit Bank							
	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	-	7,200,000	-	4,800,000
			25,799,394	-	13,540,260	-	12,259,134
Total			140,188,801	-	23,528,239	-	116,660,562

Note: The agricultural bank of Alentejo Central was established as a result of a merger between the Alto Guadiana and Évora agricultural banks.

The item “**Additional capital granted**” corresponds to credit granted to CREDIVALOR as additional capital, which recorded a net increase of €270,000 compared with 31 December 2008.

This increase led to greater adjustments for additional capital granted, to the same amount (see Note 12).

	(EUR)	
	<u>31 Dec. 2009</u>	<u>31 Dec. 2008</u>
Additional capital granted to CREDIVALOR		
Opening balance	1,999,000	2,094,000
Value granted	270,000	105,000
Value repaid	-	200,000
Closing balance	<u>2,269,000</u>	<u>1,999,000</u>
Adjustments		
Opening balance	1,999,000	2,094,000
Increases	270,000	-
Reversals	-	95,000
Closing balance	<u>2,269,000</u>	<u>1,999,000</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 1998, this item recorded an amount of €117,000,000 (2008: €91,000,000) on 31 December 2009 regarding investments with an average maturity of 5 months for the guarantee of deposits with agricultural banks that are members of the Fund.

	(EUR)	
	<u>31 Dec. 2009</u>	<u>31 Dec. 2008</u>
Investments for the guarantee of deposits		
Fixed-term deposits	108,500,000	91,000,000
Short-term special debt certificates (see Note 4)	8,500,000	-
	<u>117,000,000</u>	<u>91,000,000</u>

NOTE 4 – OTHER CASH INVESTMENTS

The item “**Other cash investments**” records an investment in 2009 to the amount of €1,500,000 in the *Instituto de Gestão da Tesouraria e do Crédito Público* – IGCP (Portuguese Treasury and Government Debt Agency), in the form of short-term special debt certificates (Portuguese acronym: CEDIC) issued under the Resolution of the Council of Ministers No 157/2006.

NOTE 5 – BANK DEPOSITS

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

	(EUR)	
	<u>31 Dec. 2009</u>	<u>31 Dec. 2008</u>
Bank deposits		
Demand deposits	249,975	245,985
Fixed-term deposits	47,200,000	30,400,000
	<u>47,449,975</u>	<u>30,645,985</u>

NOTE 6 – ACCRUALS AND PREPAID EXPENSES/INCOME COLLECTED IN ADVANCE

The item “**Accruals and prepaid expenses/income collected in advance**” records the amounts regarding interest and the corresponding tax burden, recognised under profit/loss for the year receivable/payable in the following fiscal year:

	(EUR)	
	<u>31 Dec. 2009</u>	<u>31 Dec. 2008</u>
Accrued income		
Interest receivable		
Loans granted to SICAM	196,884	435,105
Bank deposits	396,242	909,027
Investments for the guarantee of deposits	661,691	1,208,758
Other cash investments	752	-
Total	<u>1,255,568</u>	<u>2,552,889</u>
 Accrued costs		
Corporate income tax on interest received		
Loans granted to SICAM	39,377	87,021
Bank deposits	79,163	181,600
Investments for the guarantee of deposits	132,338	241,752
Other cash investments	150	-
Total	<u>251,028</u>	<u>510,373</u>

NOTE 7 – CONTRIBUTIONS

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

(EUR)

	Balance as at 31 Dec. 2008	Movements in 2009		Balance as at 31 Dec. 2009
		Contributions	Transfer to reserves	
Banco de Portugal	78,411,349	-	-	78,411,349
Central Mutual Agricultural Credit Bank	15,279,471	173,542	-	15,453,013
Associate agricultural banks	152,925,983	14,929,536	- 804,893	167,050,625
Total	246,616,802	15,103,078	- 804,893	260,914,986

In 2009 the contributions made by the Mafra agricultural bank up to 2003 (€804,893) were transferred to reserves, given that this bank left SICAM and was integrated into the Deposit Guarantee Fund during that fiscal year.

NOTE 8 – GENERAL RESERVES

In 2009 the item “**General reserves**” recorded an increase of €6,924,081 due to the distribution of net profit for 2008 (€6,119,187) and the transfer of the contributions by the Mafra agricultural bank (€804,893), as mentioned in Note 7.

NOTE 9 – SUBSIDIES TO MUTUAL AGRICULTURAL CREDIT

The item “**Subsidies to mutual agricultural credit**” represents, in both fiscal years, compensatory subsidies granted to FENACAM (National Federation of Mutual Agricultural Credit Banks), 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 10 – SUPPLIES AND SERVICES OF THIRD PARTIES

The item “**Supplies and services of third parties**” includes travelling and accommodation expenses, to the amount of €5,390 (2008: €6,133).

NOTE 11 – STAFF COSTS

In accordance with Decision No 7226/2009 of the Ministry of Finance and Public Administration, the Management Committee receives compensation as from April 2009. Accordingly, the item “**Staff costs**” records expenditure with the compensation of the Management Committee members, as well as the corresponding Social Security charges.

	(EUR)	
	<u>31 Dec. 2009</u>	<u>31 Dec. 2008</u>
Staff costs		
Compensation of the Management Committee	31,500	-
Compensation charges	3,347	-
Total	<u><u>34,847</u></u>	<u><u>-</u></u>

NOTE 12 – ADJUSTMENTS AND PROVISIONS

In 2009 the increase in adjustments to additional capital granted to CREDIVALOR totalled €270,000 (see Note 2). In the previous fiscal year, given that repaid amounts exceeded amounts granted as additional capital, the reversal of these adjustments stood at €95,000.

NOTE 13 – TAXES

The item “**Taxes**” represents the costs with the tax on capital investment income:

	(EUR)	
	<u>31 Dec. 2009</u>	<u>31 Dec. 2008</u>
Tax on interest		
Loans granted to SICAM	303,784	378,304
Bank deposits	313,007	441,324
Investments for the guarantee of deposits	688,029	737,488
Other cash investments	1,090	-
Total	<u><u>1,305,910</u></u>	<u><u>1,557,116</u></u>

NOTE 14 – OTHER OPERATING COSTS AND LOSSES

The item “**Other operating costs and losses**” relates to the annual contribution of the Fund as member of the European Forum of Deposit Insurers (EFDI) (€850).

NOTE 15 – EXTRAORDINARY PROFIT / LOSS

The item “**Extraordinary income and gains**” records a fine received by the Fund (€1,500) in 2009, which was imposed by Banco de Portugal, in its banking supervisory capacity, to a bank belonging to SICAM. In 2008 this item recorded a correction regarding previous fiscal years (€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.

The item “**Extraordinary costs and losses**” records 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 received by the Fund on loans granted to the Central Mutual Agricultural Credit Bank, given that the rate applied to the tax withheld at source was below the rate legally established (2009: €29,967; 2008: €26,925). In 2008 this item also recorded the correction on an accrual basis of the tax on interest regarding loans to agricultural banks (corresponding to the 2007 fiscal year) in 2008 (€3,129).

NOTE 16 – FINANCIAL INCOME AND GAINS

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

	(EUR)	
	<u>31 Dec. 2009</u>	<u>31 Dec. 2008</u>
Interest received		
Loans granted to SICAM	1,518,922	1,942,403
Bank deposits	1,565,034	2,206,621
Investments for the guarantee of deposits	3,440,147	3,687,438
Other cash investments	5,448	-
Total	<u><u>6,529,551</u></u>	<u><u>7,836,462</u></u>

II. INFORMATION ON CREDIVALOR – 2009 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 2009

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.

Given that the winding-up of CREDIVALOR was not completed within the two-year period (which ended on 9 November 2008) established in Article 150 (1) of the Companies Act (*Código das Sociedades Comerciais*), this deadline was extended for an extra year, in accordance with Article 150 (2) of the Companies Act, by decision of the extraordinary general meeting of shareholders that took place on 31 October 2008.

As the winding-up process was not completed within the extended deadline (which ended on 9 November 2009), the Winding-up Committee requested *Conservatória do Registo Comercial* (Companies House) in Lisbon to instruct that the winding-up process be completed by administrative means, in accordance with Article 150 (3) of the Companies Act and Article 7 of Decree-Law No 199/2006.

Following the recommendation contained in the reply to that request, the Winding-up Committee sought guidance from Banco de Portugal as to how the winding-up should proceed. The Winding-up Committee has not yet received a reply on this matter.

In 2009, 47 credit files were closed, after being deemed unrecoverable, and 12 credit files were closed upon partial or full repayment of credits. 2 legal proceedings were initiated, both stemming from financial assistance agreements.

On 31 December 2009, 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 €2,269,000 and €3,360,000 respectively. These values were fully adjusted.

In 2009 the Fund provided CREDIVALOR with additional capital to the amount of €270,000.

2. Accounts of CREDIVALOR for 2009

CREDIVALOR		(EUR thousands)		
ASSETS				
	31 Dec. 09	31 Dec. 08	Change 2009/2008	
Cash and cash equivalents	100	137	-37	
Investments in credit institutions	0	0	0	
(Net) claims on customers	49	43	6	
Gross value	15,281	25,608	-10,327	
Provisions	15,232	25,565	-10,333	
(Net) tangible and intangible assets	1	2	-1	
Gross value	439	440	-1	
Depreciation	438	438	0	
(Net) non-current assets held for sale	2,872	2,942	-70	
Gross value	9,535	9,535	0	
Provisions	6,663	6,593	70	
Other assets	127	120	7	
GROSS ASSETS	25,482	35,840	-10,358	
NET ASSETS	3,149	3,244	-95	

As at 31 December 2009 CREDIVALOR's net assets amounted to €3.1 million, broken down as follows:

- €100,000 – cash and cash equivalents;
- €15.3 million – credits purchased to agricultural banks (€10.3 million less than at end-2008, of which only €173,000 were actual receipts), provisioned at 99.7% of their value;
- €15.2 million – provisions for claims on customers (€10.3 million less than at end-2008);
- €9.5 million – non-current assets held for sale, provisioned at 70%, corresponding to real estate property received as a result of credit recovery operations.

In 2009 CREDIVALOR's net assets fell by €95,000, mainly accounted for by:

- €70,000 decrease in the value of non-current assets held for sale;
- €37,000 decrease in cash and cash equivalents.

CREDIVALOR

(EUR thousands)

EQUITY AND LIABILITIES			
	31 Dec. 09	31 Dec. 08	Change 2009/2008
EQUITY	508	851	-343
Equity capital (realised value)	50	50	0
Subordinated liabilities (a)	3,360	3,360	0
Reserves	0	0	0
Profit / loss brought forward	-2,559	-2,869	310
Profit / loss for the year	-343	310	-653
LIABILITIES	2,641	2,393	248
Other resources (b)	2,269	1,999	270
Resources from customers	224	224	0
Provisions	35	35	0
Other liabilities	113	135	-22
EQUITY AND LIABILITIES	3,149	3,244	-95

(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 2009 CREDIVALOR's liabilities totalled €2.6 million, broken down as follows:

- €2.3 million – other resources, with additional capital provided by the Fund (€270,000 more than at end-2008);
- €0.2 million – resources from customers as a result of debits to agricultural banks on account of credit purchases within the business area;
- €0.1 million – other liabilities and provisions.

As at 31 December 2009 equity, amounting to €508,000, 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;
- loss for 2009 amounted to €0.3 million; and
- losses brought forward amounted to €2.6 million.

CREDIVALOR

(EUR thousands)

PROFIT AND LOSS ACCOUNT			
	2009	2008	Change 2009/2008
Interest and similar income	7	5	2
Interest expense and similar charges	0	0	0
NET FINANCIAL INCOME	7	5	2
Other operating profit	-27	298	-325
GROSS INCOME	-20	303	-323
Staff costs	121	69	52
Administrative costs	275	259	16
Depreciation for the year	1	3	-2
Changes in provisions, value adjustments and imparity	-74	-343	269
INCOME BEFORE TAXES	-343	315	-658
Taxes	0	5	-5
NET PROFIT / LOSS FOR THE YEAR	-343	310	-653

In 2009 CREDIVALOR recorded a loss of €343,000, which compares with a profit of €310,00 in the previous year.

Net financial income was €7,000, i.e. up by €2,000 from 2008.

Operating costs (staff costs and administrative costs) amounted to €396,000, i.e. €68,000 more than in 2008.

In 2009 net financial income and the net write-back of provisions was not sufficient to offset administrative costs and the negative value of other operating profit.

Since the setting up of CREDIVALOR to date, the Fund has transferred to it €123.6 million, net of repayments, as capital and additional capital. Subsequently, the latter has been used to a large extent in the conversion of additional payments and to cover losses brought forward.

Of the €123.6 million provided to CREDIVALOR, €91 million were aimed at covering interventions within the scope of the financial assistance agreements and €32.6 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 GURANTEE FUND ON 31 DECEMBER 2009**

List of institutions that were members of the Mutual Agricultural Credit Guarantee Fund on 31 December 2009

- 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 PÓVOA DE VARZIM, VILA DO CONDE E ESPOSENDE
- 10 Caixa de Crédito Agrícola Mútuo da REGIÃO DE BRAGANÇA E ALTO DOURO
- 11 Caixa de Crédito Agrícola Mútuo da REGIÃO DO FUNDÃO E SABUGAL
- 12 Caixa de Crédito Agrícola Mútuo da SERRA DA ESTRELA
- 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 AROUCA
- 25 Caixa de Crédito Agrícola Mútuo de ARRUDA DOS VINHOS
- 26 Caixa de Crédito Agrícola Mútuo de AZAMBUJA
- 27 Caixa de Crédito Agrícola Mútuo do BAIXO MONDEGO
- 28 Caixa de Crédito Agrícola Mútuo de BEJA E MÉRTOLA
- 29 Caixa de Crédito Agrícola Mútuo de BORBA
- 30 Caixa de Crédito Agrícola Mútuo de CADAVAL
- 31 Caixa de Crédito Agrícola Mútuo de CALDAS DA RAINHA, ÓBIDOS E PENICHE
- 32 Caixa de Crédito Agrícola Mútuo de CAMPO MAIOR
- 33 Caixa de Crédito Agrícola Mútuo de CANTANHEDE E MIRA
- 34 Caixa de Crédito Agrícola Mútuo de COIMBRA
- 35 Caixa de Crédito Agrícola Mútuo de CORUCHE
- 36 Caixa de Crédito Agrícola Mútuo de ELVAS

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

- 76 Caixa de Crédito Agrícola Mútuo de VILA NOVA DE FAMALICÃO
- 77 Caixa de Crédito Agrícola Mútuo de VILA VERDE E TERRAS DE BOURO
- 78 Caixa de Crédito Agrícola Mútuo do ALENTEJO CENTRAL
- 79 Caixa de Crédito Agrícola Mútuo do ALGARVE
- 80 Caixa de Crédito Agrícola Mútuo do ALTO CÔRGO, TÂMEGA E BARROSO
- 81 Caixa de Crédito Agrícola Mútuo do BAIXO VOUGA
- 82 Caixa de Crédito Agrícola Mútuo do CARTAXO
- 83 Caixa de Crédito Agrícola Mútuo do GUADIANA INTERIOR
- 84 Caixa de Crédito Agrícola Mútuo do MINHO
- 85 Caixa de Crédito Agrícola Mútuo do NORDESTE ALENTEJANO
- 86 Caixa de Crédito Agrícola Mútuo do NOROESTE
- 87 Caixa de Crédito Agrícola Mútuo do NORTE ALENTEJANO
- 88 Caixa de Crédito Agrícola Mútuo do RIBATEJO NORTE
- 89 Caixa de Crédito Agrícola Mútuo do RIBATEJO SUL
- 90 Caixa de Crédito Agrícola Mútuo do SOTAVENTO ALGARVIO
- 91 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 2009 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 the Mutual Agricultural Credit Guarantee Fund:

- **Decree-Law No 162/2009** of 20 July, **Ministry of Finance and Public Administration**, transposing into Portuguese law Directive 2009/14/EC of the European Parliament and of the Council of 11 March (amending Directive No 94/19/EC of the European Parliament and of the Council of 30 May) on deposit-guarantee schemes aimed at strengthening and harmonising the coverage level of deposits and shortening payout delays.
- **Decision No 7226/2009** of 10 March, **Secretary of State for the Treasury and Finance**, establishing the monthly compensation of the members of the Management Committee of the Mutual Agricultural Credit Guarantee Fund.

B) Changes regarding mutual agricultural credit:

- **Decree-Law No 142/2009** of 16 June, **Ministry of Finance and Public Administration**, amending the Legal Framework of Mutual Agricultural Credit, with a view to adapting the management model of agricultural banks to the structures laid down in the Companies Act (*Código das Sociedades Comerciais*). The main changes were the extension of mutual agricultural credit bank membership and the possibility of banks to conduct credit operations with non-associate institutions and/or with non-agricultural purposes. With regard to the Central Mutual Agricultural Credit Bank, the scope of lending operations is broadened, minimum capital requirements are raised and its powers are widened as regards the registration of governing bodies of associate agricultural banks and interventions. This Decree-Law also requires agricultural banks belonging to SICAM to present the legal certification of accounts and hire a statutory auditor.
- **Executive Order No 746/2009** of 14 July, **Ministry of Finance and Public Administration**, amending Executive Order No 95/94 of 9 February, raising the minimum equity capital applicable to the Central Mutual Agricultural Credit Bank.

- **Notice of Banco de Portugal No 1/2009**, amending Notice of Banco de Portugal No 5/2007 on the regulatory framework governing own funds requirements and solvency ratio.
- **Notice of Banco de Portugal No 2/2009**, amending Notice of Banco de Portugal No 12/92 on the calculation of own funds.
- **Notice of Banco de Portugal No 4/2009**, laying down the information requirements to be observed by credit institutions when taking simple bank deposits from the public. It also defines a standardised information form for deposits.
- **Notice of Banco de Portugal No 5/2009**, laying down the information requirements to be observed by credit institutions in the trading of complex financial products and defines templates of information brochures, which must be made available to customers.
- **Notice of Banco de Portugal No 6/2009**, laying down rules regarding the characteristics of bank deposits, updating rules regarding value dates and the availability date of operations arising from deposit agreements.
- **Notice of Banco de Portugal No 7/2009**, determining that credit shall not be granted to entities having their head office in an offshore jurisdiction considered an non-cooperative or whose ultimate beneficial owner is unknown. It also defines offshore jurisdiction and non-cooperative offshore jurisdiction.
- **Notice of Banco de Portugal No 8/2009**, laying down the minimum information requirements that must be complied with in the disclosure of the general conditions of priced financial products and services made available to the public by credit institutions and financial companies having their head office or branch in Portugal. Revokes Notice of Banco de Portugal No 1/95.
- **Notice of Banco de Portugal No 12/2009**, amending Notice of Banco de Portugal No 6/99, rewording the conditions under which authorisation is granted for carrying out the operations envisaged in Article 36-A (1) of the Legal Framework of Mutual Agricultural Credit.

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 1998, 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, hereinafter referred to as “the Fund”) for 2009.

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 1998 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 2009 SICAM comprised the Central Mutual Agricultural Credit Bank and 90 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 2009 loans were repaid to the Fund to the amount of €23.5 million and two new financial assistance agreements were signed, although no funds were disbursed, as these agreements concerned maturity extensions for existing loans. At the end of 2009 the financial assistance agreements in force involved loans granted by the Fund to the amount of €116.7 million (€104.4 million to mutual agricultural credit banks and €12.3 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 1998 amounted to €117 million; these investments correspond to approximately 1.25% of the average value of deposits within the scope of SICAM covered by the Fund's guarantee and represent more than 40% of the Fund's gross assets, in accordance with the lower limit laid down in Article 11 of Decree-Law No 345/98 of 9 November 1998.

Free investments, which consist of demand deposits (€250,000) and 3 to 6-month fixed-term deposits (€47.2 million) with credit institutions, as well as short-term special debt certificates (CEDICs) (€1.5 million), are selected with a view to diversifying risk and maximising profitability.

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 provisioned.

Loans granted to CREDIVALOR are fully provisioned (additional payments with a subordination clause to the amount of €3,360,000 and additional capital to the amount of €2,269,000). In 2009 loans (additional capital) were granted to CREDIVALOR to the amount of €270,000.

The Management Committee continued to monitor the ongoing liquidation procedure of CREDIVALOR.

The Fund's own resources amount to €283.6 million, including contributions by Banco de Portugal, the Central Mutual Agricultural Credit Bank and the

associate agricultural banks to the amount of €260.9 million, the general reserves (€18.1 million) and the €4.6 million profit for 2009.

The Management Committee proposes that the net profit for the year, to the amount of €4,634,019.82, 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 2009, nor to the proposal for profit distribution submitted by the Management Committee.

Lisbon, 29 March 2010

BOARD OF AUDITORS

Emílio Rui da Veiga Peixoto Vilar

Rui José da Conceição Nunes

Amável Alberto Freixo Calhau