

RELATÓRIO E CONTAS | 2009

Lisboa, 2010



Fundo de Garantia de Depósitos



REPORT AND ACCOUNTS

2009 fiscal year

Lisbon, March 2010

Deposit Guarantee Fund

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REPORT AND ACCOUNTS 2009

1. Within the scope of its powers, as provided for in paragraph n) of article 22 of the Regulation of the Deposit Guarantee Fund, approved by Ordinance no. 285-B/95 (2nd Series), of 19 September, the Executive Committee submitted, within the legal deadline (up to 31 March 2010), to the Minister of Finance, for approval, the Fund's Annual Report and Accounts for the year 2009, accompanied by the opinion of the Audit Board of the Bank of Portugal (inspection body).

2. The aforementioned Report and Accounts of the Fund were approved by Order No. 779/10/SETF, of 21 May 2010, of the Secretary of State for the Treasury and Finance, in accordance with the provisions of article 172.º of Decree-Law no. 298/92, of 31 December (General Regime for Credit Institutions and Financial Companies).

DIRECTIVE COMMITTEE

Established in accordance with the provisions of article 158 of Decree-Law no. 298/92, of 31 December (General Regime for Credit Institutions and Financial Companies).

president

Pedro Miguel de Seabra Duarte Neves (1)

Vowels

Joao Maurício Fernandes Salgueiro (2)

Carlos Manuel Durães da Conceição (3)

General secretary

António José Vieira Águas (4)

(1) Appointed, on 20 June 2006, by the Board of Directors of the Bank of Portugal.

(2) Appointed on 18 July 2003 by the Portuguese Banking Association.

(3) Appointed, on 28 April 2008, by Order No. 13084/2008 (2nd series), by Mr. Secretary of State for the Treasury and Finance.

(4) Appointed by the Fund's Steering Committee, and in office since 1 January 2001.

AUDIT BOARD OF BANCO DE PORTUGAL

Pursuant to article 171 of Decree-Law nº 298/92, of 31.12, concerning the supervision of the Fund, the Audit Board of Banco de Portugal monitors the respective activity, ensures compliance with the laws and issues an opinion on the accounts annual.

president

Emílio Rui da Veiga Peixoto Vilar (1)

Vowels

Rui José da Conceição Nunes (2)

Amável Alberto Freixo Calhau (3)

(1) Appointed member of the Audit Board, exercising the functions of Chairman, by Order No. 97/96-XIII, of 6 March, of the Minister of Finance. The mandate was renewed by Order nº 22 729/2007, DR (2nd series) nº 189, of the Minister of State and Finance, of 1 October 2007.

(2) Appointed member of the Audit Board, by Order No. 7/93-XII, of 26 February, of the Minister of Finance. The mandate was renewed by Order No. 22 640/2007, DR (2nd series) No. 188, of the Minister of State and Finance, of 28 September 2007.

(3) Appointed member of the Audit Board, as statutory auditor, by Order No. 12 230/2006 (2nd series), of 11 May, of the Minister of State and Finance. The mandate was renewed by Order No. 15 410/2009, DR (2nd series) No. 130, of the Minister of State and Finance, of 8 July 2009.

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2009 ANNUAL REPORT

Summary of the activities of the Deposit Guarantee Fund (FGD)

1. At the end of 2009, the Fund's own resources amounted to 1,408 million euros, of which 438 million represented by irrevocable payment commitments contractually assumed by the participating credit institutions and secured predominantly by debt securities public. The evolution that has been observed in own resources, compared to the volume of deposits covered by the guarantee, has allowed a growing improvement in the Fund's financial capacity indicators.

The current activities of the operation of a deposit guarantee system with the characteristics of the FGD (*ex-ante contributory system*) were carried out, among which the following stand out:

- The calculation of the amount of the annual contribution of each institution participating in the Fund, for 2009, based on the declarations of the balances of the deposits covered by the guarantee at the end of the months of 2008;
- The collection, at the end of April, of annual contributions and the conclusion with the participating institutions of contracts relating to the assumption of payment commitments, irrevocable and guaranteed by pledge of securities, on the part of contributions not paid in cash;
- Management of the Fund's resources, in compliance with the criteria set by the Steering Committee for financial investments, within the scope of the guidelines and management rules established in the plan agreed between the Fund and Banco de Portugal, in accordance with the provisions in art. 163 of Decree – Law no. 298/92, of 31 December (General Regime for Credit Institutions and Financial Companies);
- The preparation of Bank of Portugal rules and instructions that established the level of the base contribution rate to be applied in the calculation of periodic contributions for 2010 and the limit of irrevocable payment commitments to be observed in that same year;
- Participation in European Commission working groups related to the review of the deposit guarantee directive; and
- Cooperation with other deposit guarantee schemes, especially in European Union countries and within the scope of the *European Forum of Deposit Insurers (EFDI)*, an organization of which the Fund is a founding member.

In addition to these activities, several initiatives were developed and technical studies prepared related to the Fund's functioning and activity and its role as an instrument for protecting depositors and an element that can contribute to the stability of the

banking system.

Contributions from participants to the Fund

2. In determining the periodic contributions for 2009, the base rate of 0.03% (three base points) was applied, weighted by the capital adequacy indicator of each institution

participant, to the amount of deposits covered by the guarantee. In the same period, the reduced rate of 0.01% was maintained on deposits made at the foreign financial branches of the free zones of Madeira and Santa Maria Island. By decision of the Steering Committee, it was set at 17 500 euros the amount of the minimum contribution.

3. As can be seen from Table I, in 2009, the total contributions of the participating credit institutions reached the amount of 39,813 thousand euros, of which 90.3% was paid in cash and the remaining part paid through the assumption irrevocable payment commitments.

Table I. Contributions in 2009

Methods of payment and payment substitution used

thousands of euros

| Contributions delivered to the Fund in 2009 | Cash | commitments irrevocable payment | Total |
|---|--------|---------------------------------|--------|
| annual contributions | 35 965 | 3 848 | 39 813 |

Source: FGD

In addition to the annual contributions paid to the Fund by participating credit institutions, 50 thousand euros were also collected resulting from the payment of the initial contribution of a new credit institution that joined the Fund.

4. Distribution of total contributions for 2009 by type of participating credit institutions in the Fund is shown in Table II, with banks, savings banks and of mutual agricultural credit, 94.5%, 5% and 0.5%, respectively.

Table II. Contributions in 2009 by Type of Credit Institutions

thousands of euros

| contributions in 2009 | banks | boxes economic | Credit Boxes Mutual Agricultural(*) | Total |
|-----------------------|--------|----------------|-------------------------------------|--------|
| annual contributions | 37 605 | 2 003 | 205 | 39 813 |

Source: FGD

(*) Not belonging to the Integrated Agricultural Mutual Credit System (SICAM). The guarantee of deposits taken by mutual agricultural credit banks belonging to SICAM is governed by Decree-Law no. 345/98 of 9 November and is guaranteed by the Mutual Agricultural Credit Guarantee Fund.

5. In the year under review, irrevocable payment commitments amounted to 3.8 million euros, an amount corresponding to approximately 9.5% of total contributions, a percentage close to the maximum legally allowed for 2009 (10%).

6. In 2009, the establishment of the commercial pledge that guarantees the assumption of irrevocable payment commitments was almost entirely satisfied with Portuguese public debt bonds.

In cumulative terms, the irrevocable payment commitments assumed by the participating credit institutions are fundamentally guaranteed by Treasury Bonds and Treasury Bills, issued by the Portuguese State and by other euro area States.

7. In terms of periodic contributions for the year, 12 credit institutions benefited from the effect of weighting the capital adequacy *ratio* (80% and 90%), with adjusted base rates (1) of 0.024% and 0.027%, levels below the base rate of 0.03%, while for 11 credit institutions the weighting effect (110% and 120%) resulted in adjusted base rates of 0.033% and 0.036%, levels above the base rate of 0.03%. Twenty-three institutions paid the minimum annual contribution of €17,500 fixed by the Steering Committee.

Table III. Distribution of weights used in the calculation of annual contributions

| Basic contribution rate weights and minimum contribution | Number of participating institutions | | | Total |
|---|--------------------------------------|---------------|--------|-------|
| | banks | Savings Banks | CCAM'S | |
| Weight of 1.2 | — | 1 | — | 3 |
| Weighting of 1.1 | 8 | — | — | 8 |
| weight of 1 | 5 | — | — | 7 |
| Weight of 0.9 | 1 | — | — | 1 |
| Weight of 0.8 | 6 | — | 3 | 11 |
| minimum contribution | 22 | — | 1 | 23 |
| | 44 | 5 | 4 | 53 |

(*) Source: FGD

Contributions calculated at the reduced rate of 0.01%, applicable to deposits made in external financial branches of the free zones of Madeira and Santa Maria Island, continue to have residual expression in the total annual contributions, as can be seen in Table IV.

Table IV. Annual contributions to the FGD by type of contribution rate

thousands of euros

| Contribution rates | annual contributions | | |
|--------------------|----------------------|---------------|---------------|
| | 2007 | 2008 | 2009 |
| base rate | 33 128 | 35 838 | 39 024 |
| reduced rate | 914 | 881 | 789 |
| TOTALS | 34 042 | 36 719 | 39 813 |
| Of which: | | | |
| - Paid in cash | 29 033 | 33 167 | 35 965 |
| - Appointments | 5 009 | 3 552 | 3 848 |

Source: FGD

(1) The "adjusted base rate" is obtained by applying, at the base contributory rate of 0.03%, a multiplicative factor corresponding to the positioning of the average capital adequacy *ratio* on an individual basis for each participant in the five classes of the weighting grid contained in no. 5 of Notice no. 11/94.

8. In assessing the contributory financial effort, in cash, actually requested in each financial year from the participating institutions, the effect of weighting the solvency of each institution and the maximum permitted level of use of irrevocable payment commitments must be taken into account.

Table V. Contribution Rates, Effective in Cash and Weighted, in 2009

| Maximum level of commitments | part paid in cash | Rate in base | contribution rate effective in cash | classes of RMS(*) (solvency) | Weighting multiplicative factor | Rate weighted |
|------------------------------|-------------------|--------------|-------------------------------------|------------------------------|---------------------------------|---------------|
| (1) | (two) | (3) | (4)=(2)x(3) | | (5) | (6) = (4)x(5) |
| | | | | < 8 | 1.2 | 0.0324% |
| | | | | [8; 10 [| 1.1 | 0.0297% |
| 10% | 90% | 0.03% | 0.027% | [10 ; 12[| 1.0 | 0.027% |
| | | | | [12 ; 14[| 0.9 | 0.0243% |
| | | | | ≥ 14 | 0.8 | 0.0216% |

Source: FGD

(*) RMS (Average solvency ratio): average of the solvency ratios, calculated on an individual basis, with reference to 30 June and December 31 of the previous year.

As in 2008, in 2009 the effective cash contribution rate varied between 0.0216% and 0.0324%.

9. Table VI reflects the evolution of the structure of deposits covered and not covered by the guarantee(2). As at 31 December 2008, the ratio defined by the quotient between the amount of deposits covered by the guarantee and the amount of total deposits (deposits covered by the guarantee and deposits excluded from the guarantee) shows an increase resulting from a greater growth of deposits covered by the guarantee for deposits not covered by the Fund's guarantee.

Table VI. Evolution of the covered deposits/total deposits ratio

Millions of euros

| deposits | On 12.31.06 | On 12.31.07 | On 12.31.08 |
|-------------------------------------|-------------|-------------|-------------|
| Covered by the Fund's guarantee (A) | 123 478 | 130 120 | 144 680 |
| Not covered by the Fund's guarantee | 140 068 | 145 409 | 151 176 |
| Total deposits (B)(*) | 263 546 | 275 529 | 295 856 |
| Ratio (A) / (B) | 47% | 47% | 49% |

Source: FGD

(*) This total, calculated from the perspective of the Fund and covering deposits taken only by the credit institutions that participate in it, does not correspond to the aggregate of deposits contained in the monetary and financial statistics published by the Bank of Portugal. The balances of interbank deposits were not offset against each other, and in addition to the deposit accounts, other accounts representing transitory customer funds were included.

(2) The deposits covered by the guarantee correspond to the deposits that form the basis of the annual contribution to the Fund, not taking into account the guarantee limit of €100,000 per depositor established by law, in the event of unavailability of deposits.

In the aggregate of deposits excluded from the FGD guarantee, based on article 165 of the General Regime for Credit Institutions and Financial Companies, deposits held by credit institutions, financial companies, insurance companies and at administrative public sector.

Participating Credit Institutions

10. The participation in the FGD of credit institutions authorized to capture deposits is mandatory, in accordance with the provisions of article 156 of the General Regime for Credit Institutions and Financial Companies, with the exception of only agricultural funds belonging to the Integrated System of Caixas de Crédito Agrícola Mútuo, which have their own deposit guarantee regime.

During 2009, two new credit institutions (Banco Privado Atlântico – Europa, SA and the AS PrivatBank branch, the latter for the purposes of a complementary guarantee) joined the Fund, while three banks ceased to participate in the Fund (Banco Millennium BCP Investimento, SA, as it was merged into Banco Comercial Português, SA, Banco Banif and Comercial dos Açores, as it was merged into Banif – Banco Internacional do Funchal, SA and the branch of Banco do Brasil, which became dependent on a branch based in Austria).

Attached to this Annual Report, there is a list of the 53 institutions participating in the Fund on December 31, 2009.

Table VII. Credit institutions participating in the Fund

| Participating Institutions | On 12.31.2008 | Movement in 2008 | | On 12.31.2009 |
|----------------------------------|---------------|------------------|---------|---------------|
| | | Appetizer | outputs | |
| banks | 44 | two | 3 | 43 |
| savings banks | 5 | | - | 5 |
| Mutual agricultural credit boxes | 5 | | - | 5 |
| Total | 54 | two | 3 | 53 |

Source: FGD

11. In July and August 2009, it was published in the daily press (two major newspapers circulation and a newspaper specialized in economic and financial information), in compliance with established in article 19, paragraph c) of the FGD Regulation, approved by the Decree 285-B/95, of 19 September, the list of credit institutions participating in the Fund, as well as the Accounts for the 2008 financial year, with a view to publicizing them to the public in of the Fund's activity and financial situation.

Fund's Financial Resources

12. As at 31 December 2009, the Fund's own resources totaled 1 408 million euros, 51 million euros more than at the end of 2008, as shown in Table VIII. Such as in previous years, the increase in own resources in the year under analysis was caused by the

periodic contributions from participating institutions, including irrevocable commitments of payment assumed by the same institutions and the results of investments in the Bottom.

Table VIII. Evolution of Own Resources and Fund Results

thousands of euros

| Nature of Resources | balance in 12.31.2008 | balance in 12.31.2009 | Change in balances |
|--|--------------------------|--------------------------|-----------------------|
| Own Resources (contributions delivered to the Fund) | | | |
| – One-time initial contribution delivered by the Bank of Portugal | 97 824 | 97 824 | - |
| – Initial contributions delivered by participating institutions | 98 450 | 98 500 | 50 |
| – Periodic contributions (annual) (*) | 926 440 | 966 253 | 39 813 |
| Sum of contributions | 1 122 714 | 1 162 577 | 39 863 |
| Reservations (**) | 196 804 | 233 893 | 37 089 |
| Results | | | |
| - Transited results | - | - | - |
| – Net income for the year | 37 089 | 11 461 | -25 628 |
| Total Own Resources and Results | 1 356 607 | 1 407 931 | 51 324 |

Source: FGD

(*) Includes the part made in cash and the part corresponding to the irrevocable payment commitments assumed by the institutions participating credit.

(**) The reserves are constituted by the accumulation of the annual results obtained by the Fund.

13. The relationship between the Fund's resources and the deposits covered by the guarantee shows a stable evolution, although at the end of 2008, due to a significant increase in those deposits, that relationship has slowed down.

Table IX. Degree of coverage of deposits covered by the guarantee

Millions of euros

| | On 12.31.2006 | On 12.31.2007 | On 12.31.2008 |
|---------------------------------------|---------------|---------------|---------------|
| Fund Resources | | | |
| Including appointments (THE) | 1 221 | 1 283 | 1 357 |
| Deleting appointments (B) | 796 | 853 | 923 |
| Deposits covered by the guarantee (C) | 123 478 | 130 120 | 144 680 |
| ratios (A) / (C) | 0.99% | 0.99% | 0.94% |

Fund Financial Management**Macroeconomic Framework and Evolution of Financial Markets**

14. The year 2009 was marked by a worldwide recession, which affected most economies. According to preliminary data, the Euro Area registered a contraction of its product by around 4% in 2009, after a growth of 0.6% in 2008. The Harmonized Index of Consumer Prices showed a growth of 0.3% in 2009, significantly lower than the 3.3% inflation observed in the previous year.

The Portuguese economy suffered a contraction of 2.9% of its Gross Domestic Product during 2009, after having registered a zero variation in the previous year. The Harmonized Index of Consumer Prices decreased by 0.9%, after a positive variation of 2.7% in 2008.

In this recessive context, the Central Banks' actions were guided by measures to support the financial system and the economy. The European Central Bank gradually reduced the refinancing rate from 2.5% to 1% between January and May, keeping it at that level until the end of the year. Some exceptional measures were also introduced, in particular the long-term refinancing operations of an unlimited amount, with maturities of 3, 6 and 12 months and the program for the purchase of mortgage bonds. These measures resulted in a significant increase in the level of liquidity in the Euro Zone.

Thus, interest rates on short and medium-term public debt continued the downward movement that began in 2008, having registered very low values. This trend was accentuated in the second half of 2009, after the 1-year refinancing operations launched by the ECB.

On the contrary, in the longer maturities (5 to 10 years) there were rises in interest rates, reflecting expectations of some economic recovery and a moderate rise in the rate of inflation, as well as the effect of the increase in the supply of public debt, by several sovereign States, to finance the growing public deficits.

Table X. Evolution of the main interest rates in the euro area

| | Variation (percentage points) | December 2008 | December 2009 |
|-------------------------------------|----------------------------------|------------------|------------------|
| ECB intervention rate | | | |
| operator rate refinancing principal | -1.50 | 2.50% | 1.00% |
| Money Market Yield Rates (*) | | | |
| to 3 months | -1.39 | 1.74% | 0.35% |
| to 6 months | -1.34 | 1.79% | 0.45% |
| to 1 year | -1.00 | 1.82% | 0.82% |
| Treasury bond yields (**) | | | |
| to 2 years | -0.43 | 1.76% | 1.33% |
| to 5 years | +0.11 | 2.31% | 2.42% |
| to 10 years | +0.44 | 2.94% | 3.38% |

Source: REUTERS.

(*) Euro Area *Benchmark* : French Treasury Bills.(**) Euro Area *Benchmark* : German public debt securities.

In the private debt market, there was a significant narrowing of *spreads*. The Itraxx EUR 5 Years index, which reflects the cost of purchasing protection against the risk of default on commitments undertaken by issuers of 5-year bonds, fell from around 175 basis points at the end of 2008 to approximately 71 basis points base at the end of 2009.

With regard to the foreign exchange market, the euro appreciated against the dollar in the order of 2.5%. At the end of 2009, one euro was worth around 1.43 dollars, with the exchange rate fluctuating between a low of 1.25 (in February) and a high of 1.51 (in November).

Despite the unfavorable global economic climate, the main stock indices appreciated significantly, reflecting expectations of a recovery in economic growth and an abundance of liquidity in the market. The European index, DJ Eurostoxx 50, rose by around 21%; the US index, S&P 500, gained 23.5%, the Japanese index, Nikkei 225, appreciated 19% and the Portuguese index, PSI-20, gained 33.5%.

The price of oil recorded a strong increase during 2009, in the order of 116%. At the end of the year, a barrel of *brent* was quoted close to 78 dollars.

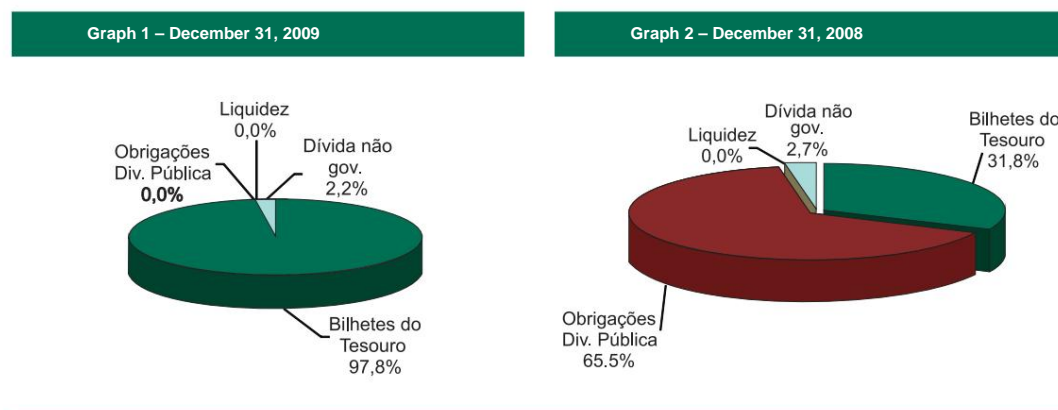
Portfolio structure and risk control

15. The investment policy of the Deposit Guarantee Fund maintained its conservative nature enshrined in the “Plan for the Application of Financial Resources from the Deposit Guarantee Fund” and reflected in the structure of the reference portfolio (*benchmark*) selected quarterly by the Investment Committee. investments. The stabilization of the financial markets felt throughout 2009 did not lead to changes in the orientation of the investment strategy, which remained focused on the objective of limiting the portfolio's exposure to credit risks,

market and liquidity.

The market value of the Deposit Guarantee Fund's asset portfolio, as at 31 December 2009, was 969.7 million euros, comprising mainly treasury bills (97.8%) and debt issued by a supranational entity (2.2%). Treasury bonds, which represented 65.5% of the portfolio at the beginning of the year, were progressively replaced by treasury bills, with shorter maturities.

Composition by instrument type



The deterioration of the budgetary situation in most euro area countries and the consequent resurgence, in the last quarter of the year, of the issue of sovereign credit risk implied an increased concern with the geographical diversity of issuers.

Table XI. Geographical breakdown

thousands of euros

| countries | 12.31.2009 | | 12.31.2008 | | Variation | |
|---------------|------------|------|------------|------|-----------|-------|
| | amount | % | amount | % | amount | pp(*) |
| Germany | 40 393 | 4.2 | 4 292 | 0.5 | 36 102 | 3.7 |
| Belgium | 88 260 | 9.1 | 30 527 | 3.3 | 57 733 | 5.8 |
| Spain | 173 634 | 17.9 | 19 931 | 2.1 | 153 702 | 15.7 |
| France | 65 175 | 6.7 | 71 814 | 7.7 | -6 638 | -1.0 |
| Greece | 9 932 | 1.0 | 138 258 | 14.9 | -128 366 | -13.9 |
| Netherlands | 87 340 | 9.0 | 134 201 | 14.5 | -46 861 | -5.5 |
| Ireland | 70 948 | 7.3 | 197 869 | 21.3 | -126 921 | -14.0 |
| Italy | 208 493 | 21.5 | 228 085 | 24.6 | -19 591 | -3.1 |
| Portugal | 204 748 | 21.1 | 81 798 | 8.8 | 122 950 | 12.3 |
| supranational | 21 538 | 2.2 | 20 985 | 2.3 | 553 | 0.0 |

(*) Variation, in percentage points, of the weight in the portfolio structure.

The analysis is carried out from a transaction perspective, excluding taxes and other outstanding cash flows

The interest rate risk was managed according to the prospects for the evolution of the yield curve, with the modified duration of the portfolio oscillating, throughout the year, in the interval [0.21; 0.46]. At the end of December, the modified duration of the portfolio was 0.29.

The decrease in the modified duration of the portfolio reflects the expectation of an increase in interest rates in the relevant terms for the Deposit Guarantee Fund, given their historically low levels.

Concern about the risk of rising interest rates was also reflected in the change in the distribution of investments by the different maturity segments, with greater weight given to the "1 to 3 months" segment.

Table XII. Modified duration

| segments of Maturity | 12.31.2009 | | 12.31.2008 | |
|-------------------------|---------------|--|---------------|--|
| | Weight (%) | Duration modified each (years old) | Weight (%) | Duration modified each (years old) |
| up to 1 month | 29.2% | 0.06 | 17.7% | 0.05 |
| 1 to 3 months | 30.5% | 0.18 | 29.2% | 0.10 |
| 3 to 6 months | 19.6% | 0.36 | 42.6% | 0.37 |
| 6 months to 1 year | 20.7 | 0.72 | - | - |
| 1 to 3 years | - | - | 10.5% | 1.40 |
| more than 3 years | - | - | - | - |
| Total | 100.0% | 0.29 | 100.0% | 0.34 |

During 2009, the market risk of the financial assets portfolio, measured by the *Value-at-Risk (VaR)* for a time horizon of 1 month and with a confidence level of 95%, was significantly reduced, induced by the decrease in the volatility of the relevant interest rates and by the reduction of the modified duration. As at 31 December 2009, the *VaR* was 290 thousand euros, which corresponded to 0.03% of the portfolio's value.

Results

16. The return on the Deposit Guarantee Fund's portfolio reflected the downward shift in the euro area yield curve, which translated into increasing rates of return with the maturities of the securities.

Overall, the Fund's management provided a gross return of 1.41%, which corresponds to 1.14% in net terms.

Table XIII. Rates of return by maturity segment(4)

| | 2009 | Duration Modify each average | Average weight |
|---|--------------|------------------------------|----------------|
| | Rate (Twrr) | 2009 | 2009 |
| Gross return on the securities portfolio | | | |
| up to 1 month | 0.67% | 0.05 | 17.4% |
| 1 to 3 months | 0.96% | 0.17 | 26.9% |
| 3 to 6 months | 1.30% | 0.36 | 28.6% |
| 6 months to 1 year | 1.60% | 0.69 | 25.3% |
| 1 to 3 years | 3.75% | 0.79 | 1.8% |
| more than 3 years | - | - | - |
| Total | 1.41% | 0.36 | 100.0% |
| Impact of management costs | -0.02% | | |
| Impact of taxation | -0.24% | | |
| Net total of the FGD portfolio | 1.14% | | |

Within the scope of the analysis by asset class, non-governmental debt yielded higher than that achieved by public debt, which is explained by the differences in the time structure of the two portfolios, in a context of lower interest rates, as well as by the narrowing credit *spreads* .

Table XIV. Rates of return by asset class

| Asset Classes | Rate (Twrr) | Duration Modify each average | Average weight |
|-----------------------------------|--------------|------------------------------|----------------|
| Treasure obligations | 0.85% | 0.33 | 4.5% |
| Treasury Tickets | 1.00% | 0.35 | 93.0% |
| Public debt | 1.11% | 0.35 | 97.5% |
| credits | - | 0.35 | 0.0% |
| Supranationals and Para gov. | 3.52% | -0.82 | 2.5% |
| non-governmental debt | 3.52% | -0.82 | 2.5% |
| Total securities portfolio | 1.16% | 0.36 | 100.0% |
| Impact of Management Costs | -0.02% | - | - |
| Total | 1.14% | - | - |

Taking as a reference the rate of return on a “minimum risk” asset, defined as a 1-month public debt security, it appears that the rate of return on the Fund, net of taxes and management costs, was significantly higher, which was due to the drop in interest rates in the shorter terms.

(4) *Time weighted rate of return (Twrr)*; all rates of return shown are net of taxes, except for the cases where the contrary is expressly stated.

Table XIV. Net return on the portfolio compared to the Minimum Risk Asset(5)

| | FGD | Minimum risk asset | Profitability differential |
|-----------|-------|--------------------|----------------------------|
| Year 2009 | 1.14% | 0.52% | 0.61% |

Regulatory Legislative Changes

17. In the legislative field, amendments were approved to the legal regime of the Deposit Guarantee Fund, corresponding to the transposition of Directive no. 2009/14/EC, of the European Parliament and of the Council, of 11 March, which amended Directive no. 94/19/EC, on deposit guarantee systems, with the aim of, on the one hand, strengthening and harmonizing the coverage of deposits and, on the other hand, shortening repayment periods.

In regulatory terms, it is worth mentioning the publication of Notice of Banco de Portugal no. 9/2009, of 3 November, which stipulates that the credit institutions participating in the Fund must have an information system that at the moment, identify the deposits covered by the guarantee and excluded from the guarantee, in accordance with the provisions of the General Regime for Credit Institutions and Financial Companies and, as well as the respective depositors, whatever the type or nature of the deposits (aggregation of deposits per depositor). Pursuant to that Notice, Bank of Portugal Instruction no. 25/2009 was published, which defines the data model that, for this purpose, must be adopted by credit institutions.

By Ordinance no. 1462-B/2009, of 18 December, the Fund's Regulations were amended, in accordance with the legislative changes that have taken place in the meantime in the field of deposit guarantees.

Regarding the contributory regime for the Fund to which the participating institutions are subject, Instructions no. . irrevocable payment for the year 2010 at 0.03% and 10%, respectively, rates identical to those fixed for the previous year.

For 2010, by decision of the Executive Committee, of 5 August, the amount of the minimum contribution was maintained at 17,500 euros.

Inspection of the Deposit Guarantee Fund

18. The Audit Board of Banco de Portugal is the supervisor of the Fund's activity, in accordance with the provisions of article 171 of Decree-Law no. Credit and Financial Companies), and article 25 of the Fund's Regulations, approved by Administrative Rule no. 285-C/95, of 19 September.

The opinion of the Audit Board of Banco de Portugal on the Report and Accounts of the Fund for 2009 is included in the annex.

(5) The net return on the minimum risk asset is considered to be that resulting from investment in 1-month public debt securities, as this is the shortest term for which acceptable levels of liquidity still exist. For purposes of calculating taxation, it is assumed that the coupon rate of 1-month government bonds is equal to their *yield to maturity*.

The Fund's financial statements for the year 2009 were subject to an external audit carried out by the firm of statutory auditors Ernst & Young.

The Court of Auditors, which ensures the successive inspection of the Fund's activity, in accordance with the legal provisions in force, was sent all the required documentation for the 2008 financial year, namely the report and accounts, after approval by Order no. 574/09 - SETF, of June 25, 2009, of the Secretary of State for the Treasury and Finance.

Support from Banco de Portugal and collaboration of participating institutions

19. The Management Committee expresses its recognition to all the structures of Banco de Portugal which, within the framework of the collaboration provided for in the Protocol signed in January 1995, provided their technical and administrative support in 2009 for the proper functioning of the Fund, ensuring, namely, the accounting processing of operations and the preparation of annual financial statements, the management of financial resources, and participation in the procedures for collecting annual contributions to the Fund from participating credit institutions.

These structures include, in particular, the Deposit Guarantee Fund Support Unit, the Accounting and Control Department, the Payment Systems Department, the Markets and Reserves Management Department, the International Relations Department, the Legal Services Department, the Support Services Department and the Banking Supervision Department.

The Steering Committee also expresses its appreciation for the good collaboration always shown by the credit institutions participating in the Fund and by the Portuguese Banking Association in their relationship with the Fund.

Steering Committee

president

Pedro Miguel de Seabra Duarte Neves

Vowel

Joao Mauricio Fernandes Salgueiro

Vowel

Carlos Manuel Durães da Conceição



ANNUAL ACCOUNTS

2009 fiscal year

Balance sheet as of December 31, 2009

(em euros)

| CÓDIGO DAS CONTAS | ACTIVO | Notas | EXERCÍCIOS | | | | CÓDIGO DAS CONTAS | PASSIVO, RECURSOS PRÓPRIOS E RESULTADOS | Notas | EXERCÍCIOS | |
|-------------------------|---|-------|----------------------|-----------------|----------------------|----------------------|---|---|-------|----------------------|----------------------|
| | | | 2009 | | 2008 | | | | | 2009 | 2008 |
| | | | ACTIVO BRUTO | AMORTE.E AJUST. | ACTIVO LÍQUIDO | ACTIVO LÍQUIDO | | | | | |
| | CORRENTE | | | | | | PASSIVO | | | | |
| | Dívidas de Terceiros | 2 | | | | | CORRENTE | | | | |
| 24 | Estado e Outros Entes Públicos | | 199 800 | | 199 800 | 199 800 | Dívidas a Terceiros | 7 | | 485 698 | 5 155 080 |
| 252 | Contribuições Periódicas - Compromissos Assumidos | | 437 612 220 | | 437 612 220 | 433 764 652 | Estado e Outros Entes Públicos | | | - | - |
| 2681 | Devedores Diversos | | - | | - | 634 | Consultores, Assessores e Intermediários Financeiros | | | | |
| | | | 437 812 020 | | 437 812 020 | 433 965 086 | | | | 485 698 | 5 155 080 |
| | Títulos Negociáveis | 3 | | | | | | | | | |
| 152 | Obrigações de Empresas e Títulos de Participação | | 21 522 182 | | 21 522 182 | 25 171 240 | Acréscimos de Custos | 5 | | 8 696 | 14 100 |
| 153 | Títulos da Dívida Pública | | 948 923 736 | | 948 923 736 | 892 319 540 | | | | | |
| | | | 970 445 918 | | 970 445 918 | 917 490 780 | | | | | |
| | Depósitos Bancários e Caixa | | | | | | Total do passivo | | | 494 394 | 5 169 180 |
| 12+13+14 | Depósitos Bancários | 4 | 152 608 | | 152 608 | 315 028 | | | | | |
| 11 | Caixa | | 374 | | 374 | 374 | | | | | |
| | | | 152 983 | | 152 983 | 315 402 | RECURSOS PRÓPRIOS | 8 | | | |
| | Acréscimos e Diferimentos | 5 | | | | | 511 Contribuições Iniciais | | | 196 323 880 | 196 273 880 |
| 271 | Acréscimos de Proventos | | 11 944 | | 11 944 | 10 001 976 | 512 Contribuições Periódicas Realizadas | | | 528 640 622 | 492 675 363 |
| 272 | Custos Diferidos | | 852 | | 852 | 868 | 513 Contribuições Periódicas - Compromissos | | | 437 612 220 | 433 764 652 |
| | | | 12 796 | | 12 796 | 10 002 844 | | | | 1 162 576 723 | 1 122 713 895 |
| | NÃO CORRENTE | | | | | | | | | | |
| | Imobilizado | | | | | | | | | | |
| 426 | Imobilizações Corpóreas | 6 | | | | | 57 Reservas | | | | |
| 429 | Equipamento Administrativo | | 5 397 | 4 158 | 1 239 | 1 695 | 574 Reservas Livres | | | 233 892 731 | 196 803 632 |
| | Outras Imobilizações Corpóreas | | 180 | 180 | - | - | | | | | |
| | | | 5 577 | 4 338 | 1 239 | 1 695 | 59 Resultados Transitados | | | | |
| | Total de amortizações | | | 4 338 | | | 88 Resultado Líquido do Exercício | | | 11 461 108 | 37 089 100 |
| | Total de ajustamentos | | | 4 338 | | | | | | | |
| | Total do activo | | 1 408 429 295 | 4 338 | 1 408 424 957 | 1 361 775 807 | Total dos recursos próprios e resultados | | | 1 407 930 563 | 1 356 606 627 |
| | | | | | | | Total do passivo, recursos próprios e resultados | | | 1 408 424 957 | 1 361 775 807 |

CONTAS DE ORDEM

Garantias Recebidas

11

469 997 823

The Director of the Accounting and Control Department

Jose Pedro Silva Ferreira

The Steering Committee

stump 6002

Income Statement

(em euros)

| CÓDIGO DAS CONTAS | | Notas | EXERCÍCIOS | | | |
|-------------------------|---|-------|------------|-------------------|------------|-------------------|
| | | | 2009 | | 2008 | |
| | CUSTOS E PERDAS | | | | | |
| 62 | Fornecimentos e Serviços Externos | 9 | 171 953 | | 168 667 | |
| 64 | Custos com o Pessoal | | | | | |
| 641 | Remuneração da Comissão Directiva | | 20 949 | | 29 413 | |
| 65 | Outros Custos e Perdas Operacionais | | 850 | | 850 | |
| 66 | Amortizações do Imobilizado Corpóreo e Incorpóreo | | 456 | | 456 | |
| 63 | Impostos | | | | | |
| 6317 | Taxas | | - | | - | |
| 6321 | IRC - Imposto sobre Capitais Retido na Fonte | | 155 218 | | 88 886 | |
| 6322 | IRC - Imposto sobre Capitais Não Retido na Fonte | | 1 903 985 | 2 253 412 | 5 074 067 | 5 362 339 |
| | | (A) | | 2 253 412 | | 5 362 339 |
| 68 | Custos e Perdas Financeiros | 10 | | | | |
| 6819 | Outros Juros | | - | | - | |
| 6871 | Perdas Realizadas em Títulos Negociáveis | | 134 855 | | 155 921 | |
| 6872 | Perdas Potenciais em Títulos Negociáveis | | 62 181 | | 12 506 | |
| 688 | Outros | | 697 | 197 733 | 489 | 168 916 |
| | | (C) | | 2 451 144 | | 5 531 255 |
| 69 | Custos e Perdas Extraordinários | | | | | |
| 697 | Correcções Relativas a Exercícios Anteriores | | - | | 99 | |
| 6988 | Arredondamentos | | 1 | | 1 | |
| 6989 | Outros Custos e Perdas | | - | 1 | - | 100 |
| | | (E) | | 2 451 145 | | 5 531 355 |
| | TOTAL DOS CUSTOS E PERDAS | | | 2 451 145 | | 5 531 355 |
| 88 | Resultado Líquido do Exercício | | | 11 461 108 | | 37 089 100 |
| | TOTAL DOS CUSTOS E PERDAS + RLE | | | 13 912 253 | | 42 620 454 |
| | PROVEITOS E GANHOS | | | | | |
| 78 | Proveitos e Ganhos Financeiros | 10 | | | | |
| 781 | Juros Obtidos | | 1 908 166 | | 24 660 189 | |
| 7871 | Ganhos Realizados em Títulos Negociáveis | | 9 335 493 | | 8 013 172 | |
| 7872 | Ganhos Potenciais em Títulos Negociáveis | | 2 636 091 | | 9 947 092 | |
| 788 | Outros Proveitos e Ganhos Financeiros | | - | 13 879 751 | - | 42 620 453 |
| | | (D) | | 13 879 751 | | 42 620 453 |
| 79 | Proveitos e Ganhos Extraordinários | | | | | |
| 791 | Receitas de Contra-Ordenações | | 32 500 | | - | |
| 797 | Correcções Relativas a Exercícios Anteriores | | - | | - | |
| 7988 | Arredondamentos | | 3 | 32 503 | 1 | 1 |
| | | (F) | | 13 912 253 | | 42 620 454 |
| | TOTAL DOS PROVEITOS E GANHOS | | | 13 912 253 | | 42 620 454 |

RESUMO

| | | |
|---|---|-------------|
| Resultados Operacionais: - (A) | = | - 2 253 412 |
| Resultados Financeiros: (D) - (C - A) | = | 13 682 018 |
| Resultados Correntes: (D) - (C) | = | 11 428 606 |
| Resultado Líquido do Exercício: (F) - (E) | = | 11 461 108 |

The Director of the Accounting and Control Department

Jose Pedro Silva Ferreira

The Steering Committee

Pedro Miguel de Seabra Duarte Neves - President

João Maurício Fernandes Salgueiro - Member

Carlos Manuel Durães da Conceição - Member

Statement of Cash Flows

(em euros)

| | Exercícios | | | |
|--|-------------------|---------|-------------------|---------|
| | 2009 | | 2008 | |
| Actividades Operacionais: | | | | |
| Recebimentos de instituições participantes | 36 015 259 | | 33 317 196 | |
| Pagamentos a fornecedores | 178 837 | | 161 388 | |
| Pagamentos ao pessoal | 19 453 | | 29 413 | |
| Fluxo gerado pelas operações | 35 816 969 | | 33 126 394 | |
| Pagamento de impostos | 6 728 586 | | 3 931 581 | |
| Outros recebimentos relativos à activ.operacional | 21 233 692 | | 37 393 374 | |
| Outros pagamentos relativos à activ.operacional | 50 516 996 | | 66 654 525 | |
| Fluxos gerados antes das rubricas extraordinárias | - 194 921 | | - 66 338 | |
| Recebimentos relacionados com rubricas extraordinárias | 32 503 | | 1 | |
| Pagamentos relacionados com rubricas extraordinárias | 1 | | 100 | |
| Fluxo das actividades operacionais [1] | - 162 419 | | - 66 437 | |
| Actividades de Investimento: | | | | |
| <i>Recebimentos provenientes de:</i> | | | | |
| Imobilizações corpóreas | - | | - | |
| <i>Pagamentos respeitantes a:</i> | | | | |
| Imobilizações corpóreas | - | | 1 634 | |
| Fluxo das actividades de investimento [2] | - | | - 1 634 | |
| Actividades de Financiamento: | | | | |
| <i>Recebimentos provenientes de:</i> | | | | |
| Empréstimos obtidos | - | | - | |
| <i>Pagamentos respeitantes a:</i> | | | | |
| Empréstimos obtidos | - | | - | |
| Juros e custos similares | - | | - | |
| Fluxo das actividades de financiamento [3] | - | | - | |
| Variação de caixa e seus equivalentes (4)=(1)+(2)+(3) | - 162 419 | | - 68 070 | |
| Efeito das diferenças de câmbio | - | | - | |
| Caixa e seus equivalentes no início do período | 315 402 | | 383 472 | |
| Caixa e seus equivalentes no fim do período | 152 983 | | 315 402 | |
| Discriminação dos componentes de caixa e s/ equivalentes: | | | | |
| Numerário | | 374 | | 374 |
| Depósitos Bancários | | 152 608 | | 315 028 |

The Director of the Accounting and Control Department

Jose Pedro Silva Ferreira

The Steering Committee

Pedro Miguel de Seabra Duarte Neves - President

João Maurício Fernandes Salgueiro - Member

Carlos Manuel Durães da Conceição - Member

Notes to the Financial Statements

Note 1. Basis of presentation and main accounting policies

1.1 Basis of presentation

The financial statements of the Deposit Guarantee Fund (Fund) were prepared in accordance with the Fund's Chart of Accounts, which is based on the Official Accounting Plan, adapted to the specific nature of the Fund's activity.

1.2 Summary of the main accounting policies and valuation criteria

The main accounting policies and valuation criteria used in the preparation of the financial statements for the year 2009 are as follows:

a) Periodic contributions

Participating institutions make a contribution to the Fund, on an annual basis, the amount of which is determined in accordance with contribution brackets fixed by the Bank of Portugal, based on the average balance of deposits from the previous year.

Participating institutions may make this contribution in cash or be exempted from making the respective payment, up to a limit of 75% (for the 2009 financial year, the limit of 10% was set by Bank of Portugal Instruction 15/2008), provided that they undertake, irrevocably and guaranteed by a pledge of securities, to pay the Fund, at any time when it so requests, of all or part of the amount of the contribution that has not been paid in cash.

According to the Fund's Regulation⁽¹⁾, periodic contributions are, in their entirety, part of its Own Resources, with the portion corresponding to irrevocable commitments being recognized against the active item "Periodic Contributions – Commitments assumed", recorded in the aggregate of "Third-Party Debts".

b) Negotiable Securities

The marketable securities portfolio is valued at market prices, for quoted securities. Upon acquisition, the securities in the portfolio are carried at their total acquisition value, including direct transaction costs. These securities are revalued daily based on the market price, with revaluation differences recorded in the income statement.

Securities for which there is no market quotation are valued at "fair value", based on the amount calculated by discounting future financial flows, using interest rates that suit the time structure of the flows and the issuers risk.

c) Tangible Fixed Assets

Tangible Fixed Assets are recorded at acquisition value. Amortizations are calculated on an annual basis, according to the straight-line method, applying the historical cost rates

(1) Approved by Ordinance No. 285 – B/95 (2nd Series), of 19 September, with the changes introduced by Ordinance No. 530/2003, of 14 April.

annual maximums allowed for tax purposes, which reflect the life periods of the assets from the bottom.

d) Specialization of exercises

The Fund follows the accounting principle of accruals accounting, namely with regard to interest on asset and liability operations that are recorded as they are generated, irrespective of the time of payment or collection.

e) Tax on profits

The Fund, as a legal person governed by public law, is exempt from IRC, under the terms of article 9 of the CIRCE, with the exception of capital income as defined for the purposes of IRS (article 5 of the CIRS – Category E) .

In relation to capital income earned abroad, which is not subject to withholding, the Fund is subject to taxation by means of a declaration to the Portuguese Tax Administration. In the event that there is no taxation of these capital income in the country of origin, a 20% release tax applies. In the event of withholding in the country of origin, the amount subject to taxation corresponds to the difference between the tax rate applied in Portugal and the withholding rate applied abroad.

Note 2. Third-Party Debts

The item “**State and Other Public Entities**” records the withholding tax made by the Spanish State on income from Spanish government bonds. The respective reimbursement request should result in the refund of the amount withheld during the 2010 financial year.

The amount recorded under “**Periodic Contributions – Commitments Assumed**” refers to the irrevocable payment commitments assumed by the participating Credit Institutions before the Fund. The increase of 3,847,569 euros verified in the current year is justified by the commitments assumed during the annual contributions, made in April 2009.

Note 3. Negotiable Securities

The aggregate “**Tradable Securities**” records debt securities acquired by the Fund as part of its investment policy.

| | (euros) | |
|----------------------------------|--------------------|--------------------|
| | 12-31-2009 | 12-31-2008 |
| Company Obligations | 21 522 182 | 25 171 240 |
| Public Debt Securities | | |
| Treasure obligations | - | 597 052 913 |
| Treasury bonds (zero coupon) | 22 500 019 | - |
| treasure tickets | 926 423 717 | 295 266 627 |
| Total Tradable Securities | 970 445 918 | 917 490 780 |

All issuers of government bonds that are part of the Fund's portfolio are eurozone countries. Corporate bonds comprise mortgage debt securities issued by the European Investment Bank, maturing in June 2010.

Note 4. Bank Deposits

The item **"Bank Deposits"** includes demand deposits with Banco de Portugal and various financial institutions, in the total amount of 152,608 euros (2008: 315,028 euros).

Note 5. Additions and Deferrals

The item **"Accrued Income"** reflects the interest receivable from negotiable securities with coupon that are in the portfolio as at 31 December 2009.

The heading **"Deferred Costs"** basically records the payment, in December 2009, of the rent for the premises referring to the month of January 2010.

The amount presented under the heading **"Accrued Costs"** comprises (i) the amount corresponding to 50% of the fees payable for the audit of the Fund's financial accounts for the year 2009 and (ii) remunerations due in December but paid only in January 2010.

Note 6. Fixed assets

The aggregate **"Fixed assets"** is broken down as follows:

| | (euros) | | |
|----------------------------------|------------------|-------------------------------------|--------------|
| | Office equipment | Others Fixed assets corporeal | Total |
| gross assets | | | |
| Opening balance | 5 397 | 180 | 5 577 |
| increases | - | - | - |
| slaughter | - | - | - |
| Final balance | 5 397 | 180 | 5 577 |
| Accumulated amortizations | | | |
| Opening balance | 3 702 | 180 | 3 882 |
| Amortizations for the year | 456 | - | 456 |
| slaughter | - | - | - |
| Final balance | 4 158 | 180 | 4 338 |
| net assets | 1 239 | - | 1 239 |

Note 7. Debts to Third Parties

The amount recorded in the liability item **"State and Other Public Entities"** essentially refers to the calculation of the tax, not withheld at source, on income from Public Debt Securities, in accordance with the accounting policies set out in Note 1.2. and).

Note 8. Own Resources

The item “**Initial Contributions**” includes the amount of contributions for the start of activity, made by the participating Credit Institutions. The increase of 50 000 euros verified in this item refers to the entry, in the year under analysis, of Banco Privado Atlântico - Europa, SA.

The item “**Periodic Contributions – Made**” shows the amount of contributions made by the participating Credit Institutions.

The item “**Periodic Contributions – Commitments**” refers to the part of the contributions whose payment, under the terms of the law, was replaced by the assumption, by the Credit Institutions participating in the Fund, of irrevocable payment commitments, guaranteed by a commercial pledge of securities eligible for this purpose (see Notes 2 and 11).

The increases verified in 2009 in these last two items are due to the annual contributions of the participating Credit Institutions, for the respective amounts of 35,965,259 euros and 3,847,569 euros.

Note 9. Supplies and External Services

The aggregate “**External Supplies and Services**” comprises the following items:

| | (euros) | |
|-----------------------------------|----------------|----------------|
| | 12-31-2009 | 12-31-2008 |
| Books and Technical Documentation | 93 | 25 |
| office supplies | 148 | 62 |
| Incomes and rents | 11 611 | 11 358 |
| Communication | 1 197 | 1 152 |
| Travel and Stays | 3 810 | 1 010 |
| commissions | 109 568 | 104 148 |
| Fees | 25 761 | 24 823 |
| Litigation and Notary | 17 | - |
| Conservation and Repair | 644 | 566 |
| publicity | 4 680 | 4 562 |
| Specialized jobs | 14 416 | 20 952 |
| Other Supplies and Services | 10 | 7 |
| Total | 171 953 | 168 667 |

The amounts presented under the heading “**Commissions**” reflect the expenses paid to the securities settlement system, within the scope of the Fund's operational activity.

Note 10. Financial Results

This aggregate breaks down as follows:

| | (euros) | |
|--|-------------------|-------------------|
| | 12-31-2009 | 12-31-2008 |
| interest margin | 1 908 166 | 24 660 189 |
| Realized Results in Negotiable Securities | 9 200 639 | 7 857 251 |
| Potential Results in Marketable Securities | 2 573 910 | 9 934 586 |
| Other Financial Results | -697 | -489 |
| Total | 13 682 018 | 42 451 537 |

“Financial Results ” are considerably lower than those generated in 2008, which is due to (i) the much lower levels of interest rates (more than 2 pp lower than those recorded at the beginning of 2008) and (ii) the decrease in the rate of interest rate reduction compared to that observed in 2008, given the stabilization of the financial markets and the consequent interruption of the pronounced movement of refuge in lower risk assets. However, the financial results achieved in 2009 benefited from the positive slope of the euro area sovereign risk interest rate curve and its downward movement, and were therefore higher than those that would have resulted from the adoption of a of minimal risk.

Note 11. Guarantees Received

The off-balance sheet item “**Guarantees Received**” records the commercial pledge received as a guarantee of the irrevocable payment commitment by the Credit Institutions to the Deposit Guarantee Fund, in the global amount of 469,997,823 euros (see Notes 2 and 8).

PROPOSAL FOR APPLICATION OF RESULTS

It is proposed that the result for the year 2009, in the amount of 11,461,107.97 euros, be allocated to Free Reservations.

Lisbon, February 26, 2010

The Steering Committee

president

Pedro Miguel de Seabra Duarte Neves

Vowel

Joao Mauricio Fernandes Salgueiro

Vowel

Carlos Manuel Durães da Conceição



**OPINION OF THE AUDIT BOARD
FROM BANCO DE PORTUGAL**

OPINION OF THE AUDIT BOARD OF BANCO DE PORTUGAL

In accordance with article 171 of the General Regime for Credit Institutions and Financial Companies (RGICSF) and with the provisions of paragraph d) of article 25 of the Regulation of the Deposit Guarantee Fund (FGD), the Audit Board of Banco de Portugal issues its opinion on the FGD's Report and Accounts for the year 2009.

The FGD's financial statements were prepared taking into account the provisions of article 170 of the RGICSF on the organization of the FGD's chart of accounts. This is based on the Official Accounting Plan with the implicit adjustments to the specific nature of the Fund's activity.

The purpose of the FGD is to guarantee, within the fixed limits (this limit, which was 25,000 euros, was changed by Decree-Law no. 2011), the reimbursement of deposits made at the Credit Institutions (IC) that participate in it, under the conditions and in accordance with the provisions of the RGICSF and the respective regulatory documents.

The FGD may also collaborate, on a transitional basis, in actions aimed at restoring the solvency and liquidity conditions of participating credit institutions, as well as providing financial support to the Investor Compensation System.

During this year, the Fund was not called upon to collaborate in any of the aforementioned actions previously.

As at 31 December 2009, the universe of institutions participating in the FGD (53 in total) consisted of 43 Banks, 5 Savings Banks and 5 Mutual Agricultural Credit Banks not belonging to the Integrated System of Mutual Agricultural Credit.

The Audit Board, within the scope of the powers assigned to it, systematically monitored the FGD's activity through the analysis of documentation periodically sent by the Management Committee, complemented with additional information and clarifications requested.

In determining the periodic contributions for 2009, the base rate of 0.03% (same as in 2008), weighted by the solvency indicator of each participating institution, was applied to the amount of deposits covered by the guarantee. In the same period, the reduced rate of 0.01% was maintained on deposits made at the external financial branches of the free zones of Madeira and Santa Maria Island. The minimum contribution was also maintained at €17,500.

The deposits covered by the Fund's guarantee represented, at the end of 2008, 49% of the total deposits taken by the CIs participating in the Fund. In the aggregate of deposits excluded from the FGD guarantee, based on article 165 of the RGICSF, deposits held by the general government, credit institutions, financial companies and insurance companies continue to have a relevant position.

Total contributions from participating CIs reached around 39.8 million euros, compared to 36.7 million euros in 2008. The degree of coverage of deposits guaranteed by FGD resources, defined as the ratio between FGD (contributions delivered, including irrevocable payment commitments, plus retained earnings) and deposits covered by the FGD guarantee, dropped to 0.94% in 2008.

In the year under review, irrevocable payment commitments amounted to around 3.8 million euros, corresponding to 9.7% of total contributions.

The cumulative total of irrevocable payment commitments, relative to the group of participating CIs, amounted, on 12/31/2009, to approximately 437.6 million euros.

As mentioned in previous opinions, in the accounting disclosure of irrevocable payment commitments, entered into between the FGD and the participating CIs, there are different criteria for the recording of said commitments. While in the FGD these commitments are recorded as debts of third parties, in the CI they are treated as contingent liabilities with disclosure in the notes annexed to the annual accounts.

The Fund's own resources, as at 31 December 2009, totaled 1,407.9 million euros.

The variation compared to the previous year (+51.3 million euros) was caused by the initial and periodic contributions of the participating institutions, including irrevocable commitments (39.8 million) and by the Fund's results (11.5 million).

The management of the FGD's financial resources (arts. of

FGD".

The Fund's portfolio maintained a conservative risk profile, both in terms of maturities and in terms of the credit risk profile (concentration of investments in treasury bills, with shorter maturities, issued by Eurozone states, about 97.8%).

Pursuing the portfolio's profitability was guided by the objectives of safeguarding solvency and preserving the value of assets, as well as a high degree of liquidity of same.

The net return on the Fund's portfolio (1.14%) was higher than the return on minimum risk assets (0.52%) and therefore proved to be adequate.

The net income for the year amounted to 11,461,107.97 euros, an amount that the Executive Committee proposes to be allocated to Free Reserves.

Based on the analysis carried out, bearing in mind the above considerations, the Certification of Accounts issued by the External Auditor, and the report of the Audit Department of Banco de Portugal, the Audit Board has nothing to object to the approval of the Report and Accounts of the FGD referring to the 2009 financial year, as well as the proposal for the application of results, presented by the Executive Committee.

Lisbon, March 29, 2010

The Audit Board

Emilio Rui da Veiga Peixoto Vilar

Rui Jose da Conceicao Nunes

Amiable Alberto Freixo Calhau



OPINION OF THE EXTERNAL AUDITOR



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Certificação das Contas

Introdução

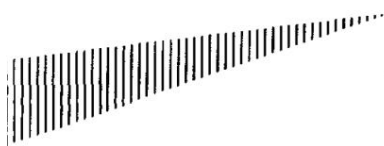
1. Examinámos as demonstrações financeiras anexas do Fundo de Garantia de Depósitos (Fundo), as quais compreendem o Balanço em 31 de Dezembro de 2009 (que evidencia um total de 1.408.424.957 Euros e um total de recursos próprios de 1.407.930.563 Euros, incluindo um resultado líquido de 11.461.108 Euros), a Demonstração dos Resultados por Natureza e a Demonstração de Fluxos de Caixa do exercício findo naquela data, e as correspondentes Notas.

Responsabilidades

2. É da responsabilidade da Comissão Directiva a preparação de demonstrações financeiras que apresentem de forma verdadeira e apropriada a posição financeira do Fundo, o resultado das suas operações e os fluxos de caixa, bem como a adopção de políticas e critérios contabilísticos adequados e a manutenção de um sistema de controlo interno apropriado.
3. A nossa responsabilidade consiste em expressar uma opinião profissional e independente, baseada no nosso exame daquelas demonstrações financeiras.

Âmbito

4. O exame a que procedemos foi efectuado de acordo com as Normas Técnicas e Directrizes de Revisão/Auditoria da Ordem dos Revisores Oficiais de Contas, as quais exigem que o mesmo seja planeado e executado com o objectivo de obter um grau de segurança aceitável sobre se as demonstrações financeiras estão isentas de distorções materialmente relevantes. Para tanto o referido exame incluiu:
 - a verificação, numa base de amostragem, do suporte das quantias e divulgações constantes das demonstrações financeiras e a avaliação das estimativas, baseadas em juízos e critérios definidos pela Comissão Directiva, utilizadas na sua preparação;
 - a apreciação sobre se são adequadas as políticas contabilísticas adoptadas e a sua divulgação, tendo em conta as circunstâncias;
 - a verificação da aplicabilidade do princípio da continuidade; e



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- a apreciação sobre se é adequada, em termos globais, a apresentação das demonstrações financeiras.
- 5. O nosso exame abrangeu também a verificação da concordância da informação financeira constante do relatório de gestão com as demonstrações financeiras.
- 6. Entendemos que o exame efectuado proporciona uma base aceitável para a expressão da nossa opinião.

Opinião

- 7. Em nossa opinião, as demonstrações financeiras referidas apresentam de forma verdadeira e apropriada, em todos os aspectos materialmente relevantes, a posição financeira do Fundo de Garantia de Depósitos em 31 de Dezembro de 2009, o resultado das suas operações e os fluxos de caixa no exercício findo naquela data, em conformidade com os princípios contabilísticos geralmente aceites em Portugal, com as adaptações referidas na Nota 1 às Demonstrações Financeiras.

Lisboa, 11 de Março de 2010

Ernst & Young Audit & Associados - SROC, S.A.
Sociedade de Revisores Oficiais de Contas (nº 178)
Representada por:

Ana Rosa Ribeiro Salcedas Montes Pinto (ROC n.º 1230)



ANNEXES

List of Credit Institutions Participating in the Fund
Deposit Guarantee on December 31, 2009

LIST OF CI PARTICIPANTS IN THE FGD(1)**banks**

Caixa Geral de Depósitos, SA

Banco ActivoBank (Portugal), SA

Banco Bilbao Vizcaya Argentaria (Portugal), SA

BAI Europa, SA Bank

Banco BIC Português, SA

Banco BPI, SA

Banco Cetelem, SA

Banco Comercial Português, SA

Banco Credibom, SA

Banco Efi sa, SA

Banco Espírito Santo, SA

Banco Espírito Santo dos Azores, SA

Banco Espírito Santo de Investimento, SA

Banque Privée Espírito Santo, SA (branch)

Banco Finantia, SA

Banco Invest, SA

Banco Itau Europa, SA

Banco de Investimento Imobiliário, SA

Banco de Investimento Global, SA

Bank LJ Carregosa, SA

Banco Madesant – Sociedade Unipessoal, SA

Banco Mais, SA

Banco Popular Portugal, SA

(1) Situation at 31 December 2009 in accordance with the special registration with the Bank of Portugal, referred to in article 65 of the General Regime of Credit Institutions and Financial Companies, approved by Decree-Law no. 298/92, of 31 December.

Banco Português de Gestão, SA

Banco Português de Investimento, SA

Banco Primus, SA

Banco Privado Atlântico – Europa, SA

Banco Privado Português, SA

Rural Bank of Europe, SA

Banco Santander Consumer Portugal, SA

Banco Santander Totta, SA

AS “PrivatBank” (branch) (*)

Banif – Banco de Investimento, SA

Banif - Banco Internacional do Funchal, SA

Best – Banco Eletrónico de Serviço Total, SA

BPN - Banco Português de Negócios, SA

BSN - Banco Santander de Negócios Portugal, SA

Caixa – Banco de Investimento, SA

Credifin – Consumer Credit Bank, SA

Deutsche Bank (Portugal), SA

Finibanco, SA

Hyposwiss Privat Bank (Genève), SA (branch)

Sanpaolo IMI Bank (International), SA

Savings Banks

Caixa Económica Montepio Geral

Savings Bank of the Association of Mutual Aid for Employees in Commerce of Lisbon

Angra do Heroísmo Mercy Savings Bank

Porto Savings Bank

Social Savings Bank

(*) Participates in the Fund as a supplementary guarantee.

Mutual Agricultural Credit Boxes()**

Caixa de Crédito Agrícola do Bombarral, CRL

Chamusca Mutual Agricultural Credit Bank, CRL

Leiria Mutual Agricultural Credit Bank, CRL

Mafra Mutual Agricultural Credit Bank, CRL

Caixa de Crédito Agrícola de Torres Vedras, CRL

(**) Not belonging to the Integrated Agricultural Mutual Credit System.

