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REPORT AND ACCOUNTS

2011

Lisbon, 2012

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ACTIVITY REPORT

AND ACCOUNTS FOR THE YEAR 2011

1. Within the scope of its powers, and under the terms of article 172 of the General Regime for Credit Institutions and Financial Companies, approved by Decree-Law no. , within the established legal deadline (until 31 March 2012), to the Minister of State and Finance, for approval, of the Fund's annual report and accounts for the 2011 financial year, accompanied by the opinion of the Audit Board of the Bank of Portugal (inspection body).

2. The Deposit Guarantee Fund's report and accounts were approved by Order No. 1217/12-SETF, of 26 July, issued by the Secretary of State for the Treasury and Finance.

DIRECTIVE COMMITTEE

Established in accordance with the provisions of Article 158 of the General Regime for Credit Institutions and Financial Companies.

PRESIDENT

Pedro Miguel de Seabra Duarte Neves[1]

VOWELS

João Maurício Fernandes Salgueiro[2]

Carlos Manuel Durães da Conceição[3]

GENERAL SECRETARY

João Filipe Soares da Silva Freitas[4]

1 Appointed by the Board of Directors of Banco de Portugal.

2 Designated by the Portuguese Banking Association.

3 Appointed by the Secretary of State for the Treasury and Finance, in the exercise of competence delegate .

4 Appointed by the Fund's Steering Committee and in office since 21 October of 2010.

AUDIT BOARD FROM BANCO DE PORTUGAL

Pursuant to article 171 of the General Regime for Credit Institutions and Financial Companies, the Audit Board of Banco de Portugal monitors the Fund's activity, ensures compliance with applicable laws and regulations and issues an opinion on the annual accounts.

PRESIDENT

Emílio Rui da Veiga Peixoto Vilar[5]

VOWELS

Rui José da Conceição Nunes[6]

Amiable Alberto Freixo Calhau[7]

5 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.

6 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.

7 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.

ACTIVITY REPORT

I

1. SUMMARY OF ACTIVITIES

DEPOSIT GUARANTEE FUND (FGD)

The year 2011 was marked by the request for financial assistance submitted by Portugal to the European Union (EU) and the International Monetary Fund (IMF), in April, which also resulted in implications in terms of the guarantee regime for the deposits. Indeed, Portugal committed itself to
Within the scope of the Financial Assistance Program agreed with the EU and the IMF, the legal framework applicable to the Deposit Guarantee Fund (FGD) and the Mutual Agricultural Credit Guarantee Fund (FGCAM) is intended to be strengthened. This reinforcement took place at the beginning of 2012, with the publication of Decree-Law no. . Bearing in mind the importance of the changes introduced in the legal regime for the deposit guarantee in Portugal, more detailed information on this matter is presented in Box 1.

Regarding the legislative changes that took place in 2011, it is also worth mentioning the publication, at the end of the year, of the Decree-Law that permanently establishes, at 100,000 euros, the legal limit for the guarantee of reimbursement of deposits made in credit participants in the FGD.

Throughout the year, and similarly to previous periods, the Fund also carried out the current activities that are inherent to the operation of a deposit guarantee system with an *ex-ante contributory regime,* among which the following stand out:

- The calculation of the amount of the annual contribution due by each institution participating in the Fund, for 2011, based on the declarations of the balances of deposits covered by the guarantee at the end of each of the months of 2010;
- 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 the 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 framework 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 the General Regime.

In addition to those activities, the FGD participated, in articulation with Banco de Portugal, in the work being carried out, at the community level, for the revision of the Directive on deposit guarantee systems, to which it contributed through technical support to the Representation Permanent Permanent of Portugal to the European Union. In this context, it is worth mentioning the presentation of a proposal so that the figure of irrevocable payment commitments becomes enshrined in the Directive (in Box 2, more detailed information on irrevocable payment commitments is presented).

The FGD also continued to participate in cooperation initiatives with other deposit guarantee schemes, particularly in the European Union Member States, namely within the scope of the European Forum of Deposit Insurers (EFDI), a body of which the Fund is a founding member.

The operation to reimburse the deposits made with Banco Privado Português, SA, currently in liquidation (BPP, SA), continued in 2011. It is recalled that the Fund's guarantee had been activated in April 2010, following the revocation, by the Bank of Portugal, of the authorization for the exercise of the activity of BPP, SA That same year, the FGD made payments in the total amount of 89.2 million euros. However, despite having complied with the legal reimbursement deadlines to which is linked[1] , the FGD did not complete the repayment operation during 2010, essentially cially because there was a group of holders for whom the Fund did not have the identification number of the account to which the sums owed for the reimbursement of deposits should be transferred, and because there were well-founded doubts as to the existence of an effective right to reimbursement by holders who were in the following situations:

- Owners in relation to whom there are well-founded doubts as to the verification of the causes of exclusion of the guarantee provided for in article 165 of the RGICSF;
- Amounts in relation to which there were well-founded doubts as to whether they fall within the scope FGD coverage;
- Deposits whose holders had debts, overdue and payable, with BPP, SA, guaranteed or not by pledge of deposits, in the amount that was covered by the pledge or, in the absence thereof, in the amount corresponding to the respective debts, overdue and payable;
- Holders of accounts opened with BPP, SA after the date on which the bank made public its inability to meet its obligations and on which the Bank of Portugal adopted extraordinary reorganization measures, and in particular after the date on which BPP, SA definitively announced the cessation of payments;
- Account holders in which the addition of co-holders was verified after the date on which the bank made public its inability to meet its obligations and on which the Bank of Portugal adopted extraordinary reorganization measures.

During 2011, the FGD proceeded with the individual analysis of the processes of the holders covered by the situations described, having adopted decisions regarding the vast majority of cases.

In terms of reimbursements, the Fund made deposit payments totaling 8.2 million euros in 2011, in addition to the amount of 89.2 million euros disbursed in 2010.
Thus, as at 31 December 2011, the FGD had reimbursed deposits made at BPP, SA in the accumulated amount of 97.4 million euros.

Taking into account: (i) the cases of holders who, on that date, were not reimbursed for the simple reason that the Fund does not yet have the identification number of the account to which the amounts due under reimbursement of deposits, as well as (ii) a very small number of cases in which the transfers ordered by the Fund did not materialize for operational reasons beyond the scope of the Fund, the total value of deposits covered by the Fund's guarantee of the holders to which it was effectively recognized the right to reimbursement amounted, at the end of 2011, to 98.1 million euros.

There are also a number of situations in which the reimbursement by the Fund will occur in the future, although at 31 December 2011, it was not possible to determine the beneficiary of the payment.
This is the case of deposits pledged in favor of BPP, SA or deposits of holders who held debts, overdue and payable, with the bank, even if not supported by a pledge. In this context, the Fund recorded provisions for deposits under guarantee, the balance of which at the end of the year amounted to 5.2 million euros, so that, at the end of the 2011 financial year, it was estimated that the global cost of the repayment of the deposits made with BPP, SA will reach the amount of 103.3 million euros.

As described in more detail in chapter 4, at the end of 2011, the Fund's own resources reached the amount of 1,397.0 million euros, of which 444.4 million represented

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1 Pursuant to article 167 of the General Regime for Credit Institutions and Financial Companies (RGICSF), reimbursement by the FGD must take place within a maximum period of seven days, in the case of a first installment up to €10,000 of all covered deposits, and the remaining amount, up to the limit of the guarantee, must be reimbursed within a maximum period of 20 working days. The Fund may, however, suspend reimbursement if reasonable doubts arise as to the existence of a right to reimbursement.

by irrevocable payment commitments contractually assumed by the participating credit institutions and secured predominantly by public debt securities. In this exercise,
This gives rise to a trend towards a gradual strengthening of the Fund's financial capacity, after the deterioration observed in 2010, and justified by the repayment of deposits with BPP, SA In fact, own resources increased by 3.2% compared to the previous year, as a result of the receipt of annual contributions (39.4 million euros) and the incorporation of the results generated in the year (10.7 million euros), items that more than offset the amounts disbursed during 2011 , as a deposit refund. In 2012, the amount of own resources of the FGD should exceed that observed at the end of the year 2009, before the activation of the guarantee for the reimbursement of deposits made with BPP, SA, thus completing the replacement of the resources spent on that operation.

BOX 1 | REINFORCEMENT OF THE DEPOSIT GUARANTEE REGIME

At the end of 2011, Decree-Law no. 119/2011, of 26 December, was published which, as a result of the amendment introduced in the General Regime for Credit Institutions and Financial Companies, approved by Decree-Law no. 298/92, of 31 December, permanently establishes the legal limit for guaranteeing the reimbursement of deposits made with credit institutions participating in the Deposit Guarantee Fund at €100,000.

The limit of 100,000 euros had been introduced on a temporary basis by Decree-Law no. given the international conjuncture of the financial markets.

In this sense, that Decree-Law anticipated, in 2008, the initiative of community harmonization of the guarantee limit of deposit guarantee systems, which would translate into Directive 2009/14/EC of the European Parliament and of the Council, of 11 March 2009. This Directive established that the deposit guarantee limit in force in EU Member States would be €100,000 as of December 31, 2010.

Given that, under the terms of Decree-Law no. 211-A/2008, of 3 November, the guarantee limit of 100,000 euros expired on 31 December 2011, it was necessary to make a legislative change to establish the limit of the guarantee, definitively in that amount, which happened with the publication of Decree-Law no. 119/2011, of 26 December.

Although it constitutes a reinforcement – very significant, in fact – of the deposit guarantee system, the setting of the guarantee limit at 100 000 euros, on a defi nitive basis, corresponded, essentially, to the formalization of a requirement arising from Community harmonisation, which already in force in Portugal.

The initiatives that constitute an effective reinforcement of the guarantee of deposits in Portugal – to which the country has committed itself within the scope of the Financial Assistance Program agreed with the European Union and the International Monetary Fund – were eventually completed at the beginning of this year, 2012. , with the publication of Decree-Law no. 31-A/2012, of 10 February.

The aforementioned diploma carried out a profound alteration of the RGICSF, with regard, in particular, to the regime for intervention by Banco de Portugal with financial institutions in difficulties, in addition to reviewing some aspects of the legal regime applicable to the Guarantee Fund of Deposits and which, in fact, translate into a very significant reinforcement of the effectiveness of the deposit guarantee (Note: changes were also introduced in the legal regime applicable to FGCAM, which, in general, are identical to the changes made to the legal regime of the FGD.)

Delimitation of the FGD object

Firstly, the reinforcement of the deposit guarantee regime was promoted through the delimitation of the FGD's object, which made it impossible to use the Fund's resources for purposes other than the protection of deposits.

It is recalled that, under the terms of the regime in force until the recent amendment, in addition to guaranteeing the reimbursement of deposits, up to a limit of 100,000 euros, the FGD could also collaborate, on a transitional basis, in actions aimed at restoring the conditions of solvency and liquidity of participating credit institutions, within the scope of recovery and reorganization plans conducted by the Bank of Portugal, as well as providing financial support to the Investor Compensation System, in the form of loans or guarantees, namely in cases where the origin of the activation of that System were credit institutions participating in the FGD.

Under the terms of the current regime, the FGD can only be used in situations that directly aim at guaranteeing deposits, including, in addition to the reimbursement of deposits itself: i) the possibility of providing financial assistance to the Guarantee Fund of the Crédito Agrícola Mútuo, only for the purpose of reimbursement of deposits in institutions participating in that Fund; and ii) the possibility of financially supporting the transfer of deposits made with a credit institution in difficulties to another credit institution authorized to receive deposits or to an institution created especially for this purpose by Banco de Portugal, called bridge bank, provided that the cost associated with such financing does not exceed the cost of directly reimbursing depositors.

As for the possibility of providing financial assistance to FGCAM, which is reciprocal, it is only a matter of instituting a regime of solidarity between those that are the two deposit guarantee systems existing in Portugal and which, together, guarantee the deposits constituted with all credit institutions based in the country, which are authorized to take deposits, as well as with branches of credit institutions based in countries that are not members of the European Union.

The possibility of providing financial support for the execution of a deposit transfer process allows – in the event that a certain credit institution is in an unbalanced financial situation and at serious risk of not complying with the requirements for maintaining authorization for the exercise of its activity – is considered by Banco de Portugal, an alternative which, being more beneficial for depositors, may also imply a lower cost for the Fund. This alternative involves selling, to a second, healthy credit institution, or to an equally healthy bridge bank, the deposits covered by the Fund's guarantee, without the depositor suffering any losses with regard to the amount guaranteed by the Fund, and in addition to moreover, without being subject to a period of unavailability in accessing their deposits.

The transfer of deposits covered by the FGD guarantee, up to the limit of the guarantee, may be accompanied by the transfer of assets, of an amount and category to be defined according to the specific circumstances. In the event that the assets to be transferred are not sufficient to finance the deposits sold, the FGD may then finance this shortfall. It should be noted that, if a situation of effective unavailability of deposits in a bank in difficulties arises, which gives rise to the activation of the FGD, the amount to be spent on the reimbursement of deposits corresponds, as it should be, to the full nominal value of the covered deposits, up to the limit of the guarantee. As can be seen, from the FGD's point of view, the cost associated with the transfer of deposits will thus depend on the value of the assets susceptible of being sold to the bank receiving the deposits. However, under no circumstances will this cost exceed the amount that the FGD would have to disburse if it had directly repaid the deposits.

What stands out in the new regime is, therefore, the impossibility of using FGD resources for purposes other than guaranteeing deposits. Not only is the possibility for the FGD to participate in recovery operations of institutions participating in it extinguished, but the possibility of being mobilized to attend events that occur in the sphere of investors is also revoked, through loans to the SII.

Reinforcement of the means of financing in a scenario of insufficiency of available resources

Under the regime previously in force, the Fund could obtain loans and, in particular, provided that, under certain circumstances, the Fund could obtain temporary financial assistance from the Bank of Portugal.

However, should a situation arise in which the deposits to be reimbursed by the Fund exceed the financial resources available, the Fund's balance sheet would be practically empty, with no other assets that could be transformed into liquidity. In that case, the FGD's liabilities (ie the deposits to be repaid) would exceed its total assets. The use of special contributions by the participating institutions, already provided for in the previous regime, could reduce the financing gap, but in the event that even these contributions are not sufficient to fulfill the Fund's obligations - given the limit to which , by law, are subject – there were no real effective alternatives for obtaining funds.

Indeed, despite the fact that the possibility of resorting to loans had already been foreseen, the feasibility of this solution was very low, given that, in the circumstances described, the Fund would be in fl agrarian financial imbalance and therefore would inevitably face difficulties in obtaining of financing. Recourse to the Bank of Portugal, also provided for in the previous regime, could be the only alternative for obtaining financing from the FGD. However, even this hypothesis would require – and continues to require – the verification of some assumptions, among which we highlight the obligation that assistance by Banco de Portugal be made in compliance with the conditions defined in its Organic Law, and without disregarding the prohibition of monetary financing provided for in the Treaty on the Functioning of the EU. That is, among other requirements, the loan by the Bank of Portugal would have (and must) be granted upon delivery of collateral. However, in the hypothetical scenario - in which the Fund's liabilities would exceed its own resources, and in which, therefore, the Fund's balance sheet would be exhausted -, the possibility of resorting to the Bank of Portugal would be, in the previous regime, of applying unlikely.

In addition to clarifying and systematizing the list of financial resources available to the FGD, the new regime created mechanisms that make it possible to obtain financing in extreme situations, in which the existing resources are insufficient to repayment of deposits, and instituted alternative forms of financing.

In fact, the new regime clearly differentiates between the “primary” financial resources of the FGD, which include the initial contributions and annual contributions of the participating credit institutions, and the financial resources that the Fund can draw on when those resources prove to be insufficient (referred to as “complementary resources”).

Among the “complementary resources”, the possibility of obtaining loans is still foreseen. However, the Fund now has mechanisms that make it possible to use this means of financing, namely the use of guarantees, real or personal, provided by the participating credit institutions, which will be obligatorily made available if so determined by government ordinance. In addition, the Fund will now have the option of requesting loans from other deposit guarantee schemes officially recognized in Member States of the European Union.

This is a financing modality that can meet greater feasibility conditions, as the hypothetical situation of financial imbalance in which the Fund would find itself in the event of a scenario of insufficiency of resources, could be less of an impediment due to this is assistance provided between similar entities. Moreover, the possibility of reciprocal lending within the European Union between deposit guarantee schemes is being considered in the context of the preparation of the future Community Directive on Deposit Guarantee Schemes.

As a last resort, and in addition to obtaining loans from the Bank of Portugal – whose access conditions are now better explained and which now meets greater feasibility conditions, given that the FGD will be able to obtain guarantees from participating institutions – it has become enshrined in the law the possibility for the FGD to also obtain loans or guarantees from the State.

The complementary financing mechanisms of the FGD continue to observe a fundamental principle: it is up to the institutions participating in the Fund to ensure its financing and it will be necessarily by collecting contributions from the institutions that the Fund will accumulate the resources to honor the fi nance emergency funding that you may hypothetically need, whatever its modality.

Attribution of a credit privilege to credits for deposits covered by the guarantee of the FGD and credits titled by the FGD

The new regime also institutes credit privileges that will cover credits for deposits covered by the FGD guarantee, as well as credits held by the FGD itself following the reimbursement of deposits (and the consequent subrogation of the rights of the respective depositors) or the financing of operations transfer of deposits. This is an amendment that gives preference to these claims over all other competing rights to the assets of credit institutions entitled to receive deposits, with the exception of privileges for legal costs, for labor claims of the institution's employees and privileges by State tax credits, local authorities and social security bodies.

In practice, this change contributes to increasing the ability to recover the amounts disbursed by the Fund as reimbursement or transfer of deposits, from which it follows that the equity impact on the Fund resulting from an actual or imminent event will be substantially more limited. unavailability of deposits. In this way, the preservation of FGD resources is more effectively ensured, even when the Fund is used.

In addition, the institution of credit privileges is likely to have broader effects on the financial capacity of the FGD.

On the one hand, they help to maximize the amount of an institution's distressed assets that can be transferred to finance the disposal of deposits. In fact, in the absence of such privileges, it would be difficult to accompany the deposits to be sold to a “healthy” institution with an adequate amount of assets, as there would be questions of unequal treatment of creditors in the phase of probable prepayment. insolvency. Credit privileges therefore imply that the financing needs of a deposit transfer operation will be reduced.

On the other hand, as mentioned, the credit privileges substantially increase the expectation of recovery in the event of the FGD being activated. This expectation of recovery is especially important when the Fund needs to resort to “complementary” financial resources, as it strengthens the credibility of the FGD borrower, and in this way facilitates borrowing.

The participation in the FGD by credit institutions based in Portugal authorized to take deposits is mandatory, in accordance with the provisions of article 156 of the General Regime, with the exception of only agricultural banks belonging to the Integrated System of Credit Banks Agrícola Mútuo (SICAM), to which a specific deposit guarantee system is applied (Fund of Guarantee of Mutual Agricultural Credit – FGCAM).

The participation of credit institutions based in countries that are not members of the European Union is also mandatory, in relation to deposits taken by their branches in Portugal, unless these deposits are covered by a guarantee system in the country of origin in terms that the Bank of Portugal deems equivalent to those provided by the Deposit Guarantee Fund.

At the end of 2011, 47 credit institutions participated in the Fund, of which 37 banks, 5 savings banks and 5 mutual agricultural credit banks not belonging to SICAM, from which it follows that, during the course of the year, two credit institutions ceased to be participants in the Fund. In fact, the following have ceased to participate in the Fund: i) the branch of AS Privat Bank in Portugal, which participated in the Fund for the purpose of a complementary guarantee, which ceased to exist as a result of a legislative change in the Republic of Latvia that raised the guarantee limit for deposits covered by that Member State's guarantee system by €100,000; and ii) Deutsche Bank (Portugal), SA, following the cancellation of its registration with the Bank of Portugal, as a result of the cross-border merger of that institution with Deutsche Bank Europe GmbH and carried out as part of the process of transforming that bank into a branch of Deutsche Bank AG. The deposits made with the two aforementioned institutions are therefore no longer covered by the FGD guarantee, but instead are covered by the depositor protection systems existing in the respective countries of origin, the Latvian and German systems respectively.

Table I

CREDIT INSTITUTIONS PARTICIPATING IN THE FUND				
Participating Institutions	On 12-31-2010	Changes in 2011		On 12-31-2011
		Appetizer	outputs	
banks	39	-	two	37
savings banks	5	- -5		
Mutual agricultural credit boxes	5	- -5		
Total	49	-	two	47

Source: FGD

Pursuant to the provisions of article 22, paragraph c) of the Fund's Regulation, approved by Ordinance no. 285-B/95, of 19 September, the list of credit institutions participating in the Fund was published in the press (two large-print newspapers and a newspaper specializing in economic and financial information), on 3 October 2011. This information is permanently updated on the Fund's website at www.fgd.pt .

The FGD also published a summary of the activities in the press, as well as the Accounts for the year 2010, with a view to publicizing the Fund's activity and financial situation to the general public. These elements appear in the Annual Report and Accounts for the respective year, also available on the Fund's website.

Attached to this Annual Report is the list of the 47 institutions participating in the Fund, with reference to 31 December 2011.

2. PARTICIPATING CREDIT INSTITUTIONS

3. DEPOSITS OF HOLDERS COVERED BY THE FUND'S GUARANTEE[2]

As at 31 December 2011, the total number of depositors covered by the FGD guarantee amounted to around 16.4 million[3] and the total amount of deposits covered by the FGD guarantee – ie deposits from covered holders, accounted for only up to the limit of 100,000 euros – amounted to around 111,570 million euros.

Table II

DEPOSITS COVERED BY WARRANTY, DEPOSITS COVERED AND COVERAGE RATIO

Coverage of deposits covered by the guarantee	deposits (millions of euros)	# holders covered
Deposits covered by the guarantee	158 154	16 439 705
Covered amount	111 570	
coverage ratio	71%	

Source: FGD

The coverage ratio of deposits from holders covered by the Fund's guarantee (ie ratio between the value of deposits up to the limit of the guarantee and the total value of these same deposits) was 71%, which means that the proportion of deposits that, although held by depositors covered by the FGD guarantee, they are not covered for exceeding the guarantee limit, which was 29%.

Table III

DISTRIBUTION OF DEPOSITS, BY INTERVALS OF DEPOSITED AMOUNTS

Intervals depending on the balance per depositor (D)	% depositors	% deposits
D =< 10 000	83.2%	14.5%
10,000 < D =< 25,000	9.6%	15.6%
25 000 < D = < 50 000	4.1%	14.6%
50 000 < D = < 100 000	1.9%	13.7%
D > 100 000	1.2%	41.5%

Source: FGD

However, it appears that, in terms of number of depositors, holders covered by the guarantee whose deposit is not fully covered represent only around 1% of the total covered deposits.

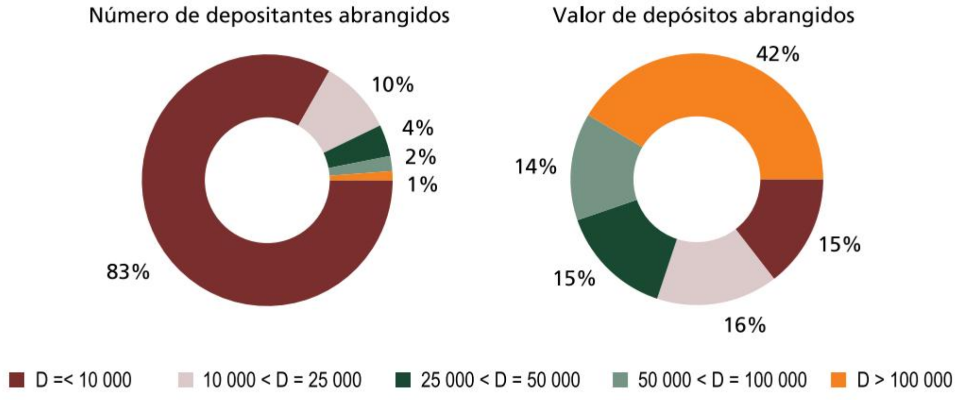
As can be seen in Graph 1 (orange series) and in Table III, although deposits from holders with balances above the guarantee limit represent 41.5% of the total amount of covered deposits, they correspond to only 1% in terms of number of depositors. In contrast, depositors with balances of less than €10,000 per institution represent around 83% of the total number of depositors, but hold only 14.5% of deposits (brown series in Graph 1).

2 The analysis presented in this chapter does not cover deposits that are excluded from the repayment guarantee by the Fund under the terms of article 165(1) of the RGICSF. In the aggregate of deposits excluded from the FGD guarantee, deposits held by credit institutions, financial companies, insurance companies and the general government sector, as well as deposits made outside the territorial scope of the guarantee and deposits held by companies that are in a controlling or group relationship with the credit institution.

3 Naturally, this is not about 16.4 million different holders, insofar as the same holder can hold deposits in different institutions.

Graphic 1

DISTRIBUTION OF DEPOSITS, BY INTERVALS OF DEPOSITED AMOUNTS



4. FINANCIAL RESOURCES OF THE FUND

As at 31 December 2011, the Fund's own resources4 totaled 1,397.0 million euros, which means an increase of 43.0 million euros (3.2%) compared to the end of 2010, as shown by the Table IV. The trend towards a gradual strengthening of the Fund's financial capacity was thus resumed, after the deterioration observed in 2010, and justified by the reimbursement of deposits with BPP, SA

The variation recorded in 2011 is justified by the receipt of annual contributions (39.4 million euros) and the incorporation of the results generated in the year (10.7 million euros), items that more than offset the amounts disbursed during the year. year 2011, as a deposit refund.

With regard to the results for the year, it should be noted that, as usual, the main contributions result from interest earned on investments made by the Fund and gains from sales and valuations of securities. Compared to 2010, there was an increase of 180% in net income. It is recalled that, in 2010, the net return on the FGD's securities portfolio was 0.4%, with this rate reaching 1.1% in 2011. This evolution can be explained by the upward shift in the interest rate curves of sovereign debt of several countries, which the Fund's portfolio took advantage of due to the diversification of investment by countries with different creditworthiness.

4 The Fund's “own resources” comprise initial contributions from Banco de Portugal, initial and periodic contributions from participating credit institutions and income from the application of the Fund's cash.

Table IV

EVOLUTION OF OWN RESOURCES AND RESULTS OF THE FUND			thousands of euros
Nature of resources	balance in 12-31-2010	balance in 12-31-2011	Variation of balances
Contributions delivered to the FGD			
One-time initial contribution delivered by BdP	97 824	97 824	-
Initial contributions delivered by the participating institutions	98 500	98 500	-
Periodic contributions (annual)*	1 005 263	1 044 627	39 364
Sum of contributions	1 201 587	1 240 951	39 364
Activation of the deposit guarantee	- 96 274	- 103 347	- 7073
Reservations**	244 935	248 743	3808
Results			
Retained earnings ---			
Net income for the year	3 809	10 663	6854
Total own resources and results	1 354 056	1 397 010	42 954

Source: FGD

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

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

The ratio between the Fund's own resources and the deposits actually covered by the guarantee5 was up by 1.3% at the end of 2011.

Considering the total amount of deposits from holders covered by the Fund's guarantee6 , the ratio coverage by the Fund's own resources was 0.9%, as at 31 December 2011, the same value as at the end of 2010. The maintenance of this ratio reflects the increase in own resources in the same proportion as the increase recorded in the value of the deposits of the holders covered by the guarantee.

Table V

DEGREE OF COVERAGE OF DEPOSITS		thousands of euros
	On 12.31.2010	On 12.31.2011
Fund's own resources		
Including appointments (A)	1 354 056	1 397 010
Deleting appointments (B)	912 662	952 576
Deposits covered by the guarantee (C)	154 130 704	158 154 036
Covered deposits, up to the limit (D)	AT	111 569 082
Ratio (A) / (C)	0.9%	0.9%
Ratio (A) / (D)	AT	1.3%

Source: FGD

5 That is, the amount refundable in the event of unavailability, and which corresponds to the deposits covered by the guarantee, up to to the limit of EUR 100 000.

6 The deposits of holders covered by the guarantee correspond to the deposits that constitute the basis for the annual contribution to the Fund, not taking into account the guarantee limit of 100,000 euros per depositor established by law, in the event of unavailability of deposits.

5. PARTICIPANTS' CONTRIBUTIONS TO THE FUND

In determining the periodic contributions for 2011, the contribution rate of 0.03% was applied to the amount of deposits covered by the guarantee, adjusted by a weighting factor, depending on the capital adequacy ratio of each participating institution. In the same period, the reduced rate of 0.01% was maintained on deposits made in the external financial branches of the free zones of Madeira and Santa Maria Island and the amount of the minimum contribution7 .

As can be seen from Table VI, in 2011, the total contributions of the participating credit institutions reached the amount of 39.4 million euros, of which 91% was paid in cash and the remaining part met through the assumption of irrevocable commitments. of payment.

Therefore, irrevocable payment commitments in the year under analysis amounted to 3.7 million euros, an amount corresponding to approximately 9% of total contributions, a percentage close to the maximum legally allowed for 2011 (10%). .

Table VI

CONTRIBUTIONS IN 2011	thousands of euros
PAYMENT METHODS AND PAYMENT REPLACEMENT USED	
Contributions delivered to the Fund in 2011	
Cash	35 703
Irrevocable payment commitments	3662
Total	39 365

Source: FGD

The distribution of total contributions in 2011 by type of credit institutions participating in the Fund is shown in Table VII, where it can be seen that contributions paid by banks correspond to 94.0% of total contributions. The proportion of contributions from savings banks and mutual agricultural credit banks is 5.4% and 0.6%, respectively.

Table VII

CONTRIBUTIONS IN 2011 BY TYPE OF CREDIT INSTITUTION	thousands of euros
Contributions in 2011	
banks	37 007
Savings Banks	2140
Mutual Agricultural Credit Boxes*	217
Total	39 365

Source: FGD

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

7 Cf. Bank of Portugal Instructions no. 22/2010 and no. 6/2011. It should be noted that the special contribution that applied to deposits constituted in the external financial branches of the free zones of Madeira and Santa Maria Island was extinguished during the course of 2011, but this change only applies to the calculation of contributions for 2012.

Regarding the distribution of the weights used in the calculation of contributions, 16 credit institutions obtained a benefit from the weighting effect according to the own funds adequacy ratio (weighting factors of 80% and 90%, due to having equal or higher ratios greater than 12%). In these cases, the adjusted base rates8 were 0.024% and 0.027%. On the other hand, for 6 credit institutions the weighting effect resulted in adjusted base rates of 0.033% and 0.036%, levels above the base rate of 0.03% (application of factors of 110% and 120%). The minimum contribution, fixed at 17,500 euros, was applied to 19 credit institutions.9

Table VIII

DISTRIBUTION OF WEIGHTING USED IN THE CALCULATION OF ANNUAL CONTRIBUTIONS9 — thousands of euros

Basic contribution rate weights and minimum contribution	Number of participating institutions			
	banks	boxes economic	CCAM's	Total
Weight of 1.2	1	- -1		
Weighting of 1.1	5	- -5		
weight of 1	61 -7			
Weight of 0.9	21 -3			
Weight of 0.8	7	3	3	13
minimum contribution	17	-	two	19
	38	5	5	48

Source: FGD

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

Table IX

ANNUAL CONTRIBUTIONS TO THE FGD BY TYPE OF CONTRIBUTION RATE — Thousands of euros

Contribution rates	annual contributions	
	2010	2011
base rate	38 300	38 782
reduced rate	710	583
totals	39 010	39 365
Of which:		
• Paid in cash	35 228	35 704
• Commitments	3782	3662

Source: FGD

8 The "adjusted base rate" is obtained by applying to the base contributory rate 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 set out in n. 5 of Bank of Portugal Notice no. 11/94."

9 Deutsche Bank (Portugal), SA was still a participant in the FGD at the date on which the annual contribution for 2011 was due.

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, as shown in the next frame.

X frame

CONTRIBUTIVE RATES, EFFECTIVE IN CASH AND WEIGHTED, IN 2011

Maximum level of commitments	Part paid in cash	base rate	contribution rate effective in cash	classes of RMS(*)	Weighting multiplicative factor	Rate weighted
(1)	(two)	(3)	(4)=(2)x(3)	(solvency)	(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%
				ÿ 14	0.8	0.0216%

Source: FGD

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

As in previous years, the effective cash contribution rate varied between 0.0216% and 0.0324% of the total deposits covered by the Fund's guarantee.

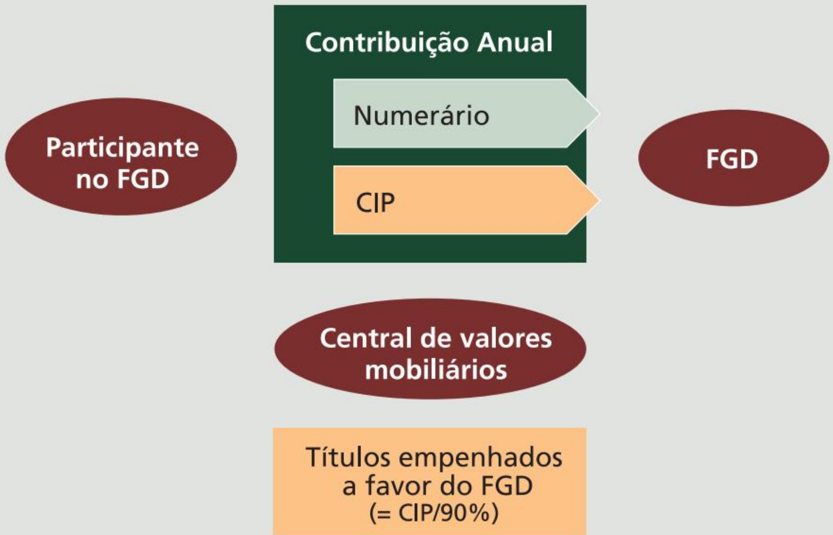
BOX 2 | THE IRREVOCABLE PAYMENT COMMITMENTS

Pursuant to paragraph 4 of article 161 of the General Regime for Credit Institutions and Financial Companies, credit institutions participating in the FGD may be exempted from paying the respective annual contribution within the period established by law, provided that 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 contribution amount that has not been paid in cash.

In practice, irrevocable payment commitments constitute a payment obligation on the part of credit institutions, duly formalized in a contract signed, in each year in which these commitments are assumed, between the Deposit Guarantee Fund and each of the institutions that use the option of replacing the payment of the contribution in cash with the assumption of this obligation.

This is a perpetual and irrevocable obligation, insofar as it is not extinguished or diminished under any circumstances, with the exception, of course, of the liquidation of the inherent liability to the Fund. They are, therefore, an asset of the Deposit Guarantee Fund, which, due to its characteristics, namely the fact that it can be "denounced" *on demand* and that it is collateralized under the conditions described below, presents a very low risk of devaluation and high liquidity. .

REPRESENTATIVE DIAGRAM OF THE FORM OF ASSUMING IRREVOCABLE COMMITMENTS OF PAYMENT (CIP)



Indeed, the terms in which the irrevocable payment commitments are contracted provide the Deposit Guarantee Fund with security as to the preservation of the amount assumed in debt by the institutions and give these assets the ability to be converted into liquidity within a period of time. Very short.

Firstly, the FGD reserves the right to determine the immediate settlement of the commitment, at any time, without the need to observe any conditions and without the need for prior notice.
Upon notification for payment of the outstanding contribution, institutions have up to 3 days to proceed with the settlement.

Furthermore, the FGD's right is supported by a pledge on securities.
Thus, in the event that the credit institution fails to settle the payment commitment, the FGD

has the faculty of appropriating the securities that were pledged. These securities, in turn, are deposited in a central securities, with registration of pledge in favor of the Fund, so their movement is subject to prior approval by the Fund.

The quality of securities delivered as pledge is regulated by Notice from the Bank of Portugal (Notice no. or guaranteed by entities with low credit risk, namely central governments, central banks and supranational entities with a risk considered to be minimal when determining capital requirements.

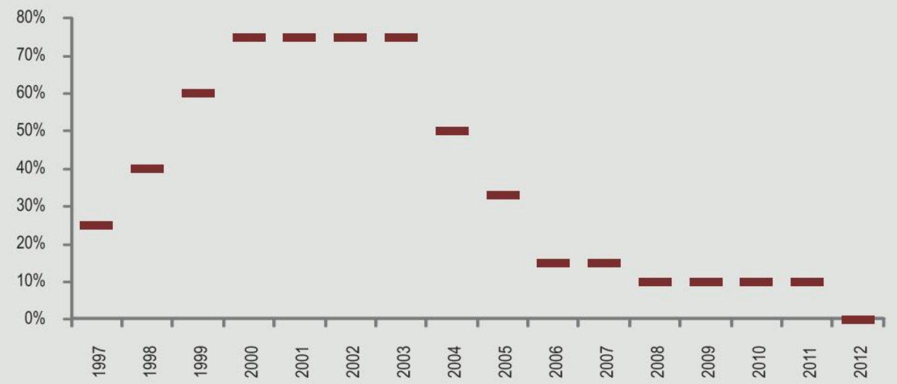
It should be noted that the coverage of the payment commitment by securities is permanent. In fact, credit institutions are not only obliged to replace the securities pledged when they are amortized by the issuer, but are also obliged to immediately reinforce the collateral when there is a devaluation in the securities that leads to that its value is lower than the value of the obligation to the Fund. Furthermore, the valuation of securities follows conservative criteria, which include the application of a *haircut* of 10% on the minimum value observed in the market in the preceding 30 days.

As can be seen, irrevocable payment commitments ensure, by virtue of legal and regulatory rules, but also by virtue of the contractual clauses that integrate each of the contracts signed between the Fund and the participating institutions, a set of important requirements, namely:

- They are quickly convertible into liquidity within a short period, either through their mandatory settlement within a period of up to 3 days after notification by the Fund, or through the appropriation, at the end of that period, of the pledged securities, which, by regulatory imposition, present high liquidity;
- They present low market risk, since the value of the commitment is fixed and the fluctuation in the value of the collateral is fully borne by the debtor institution through the mandatory reinforcement of the securities delivered.

Under the terms of the RGICSF, the use of irrevocable payment commitments may not, in each year, exceed a limit set annually by the Bank of Portugal and which, in no case, may exceed 75%. The 75% limit was effectively accepted by the Bank of Portugal between 2000 and 2003, with a progressive reduction in the limit up to which institutions could replace the payment of the annual contribution with the assumption of commitments. Between 2008 and 2011, the limit was fixed at 10% and in 2012, credit institutions participating in the FGD will not be able, for the first time, to resort to irrevocable payment commitments (see Chart).

REGULATORY LIMIT OF IRREVOCABLE PAYMENT COMMITMENTS



This decision was justified by the intention to reduce the proportion of these instruments in relation to the financial resources under the direct management of the FGD, bearing in mind the community initiatives to review the Directive on deposit guarantee systems, which, predictably, will translate into the setting of a target level for the capitalization ratio of the European Union guarantee schemes and a limit on the proportion of irrevocable payment commitments that can be included in the calculation of the guarantee schemes own resources for the purpose of calculating that *"target level".*

As at 31 December 2011, the total amount of irrevocable payment commitments accumulated over the years by the group of institutions participating in the FGD amounted to 444.4 million euros, which corresponds to approximately 32% of the total own resources of the Fund. Bottom.

On the same date, the securities pledged to guarantee those commitments essentially comprised Portuguese public debt, whose market value amounted to 539.1 million euros (which corresponds to 121% of the nominal value of the commitments).

6. FINANCIAL MANAGEMENT OF THE FUND10

6.1. MACROECONOMIC FRAMEWORK AND EVOLUTION OF FINANCIAL MARKETS

The year 2011 was marked by the worsening of the sovereign debt crisis in the Euro Area. In addition to Ireland and Greece, which had already done so in 2010, Portugal also requested financial assistance from the International Monetary Fund and the European Union in April 2011.

The Portuguese Economic and Financial Assistance Program comprises the provision of funds totaling 78 billion euros, guaranteeing funding until mid-2014, assuming that Portugal is able to access the capital market during the course of 2013.

As a condition for financing, the Government of Portugal committed itself to adopting measures to adjust macroeconomic and structural imbalances, contemplating the implementation of various measures to reduce public expenditure and to strengthen labor productivity and economic competitiveness, detailed in the Memorandum of Understanding signed in mid-May.

In 2011 there was a contraction in economic activity. It is estimated11 that the gross domestic product registered a negative real change of -1.6 per cent, which contrasts with the economic growth of 1.4 per cent recorded in 2010. The average annual infl ation was 3.6 per cent. percent, while in 2010 it was 1.4 percent. The increase in infl ation was largely due to the increase in indirect taxes.

In the remaining countries of the Euro Area, budgetary control policies were also implemented, which ended up having some impact on the evolution of economic activity and the level of consumer prices. According to preliminary estimates by Eurostat, the economy of the Euro Area should have grown by 1.4 percent during 2011, registering some deceleration compared to 2010 (the year in which it recorded growth of 1.9 percent). The average annual inflation was 2.7 percent, higher than the 1.6 percent level recorded in 2010.

In the particular case of Greece, several adjustment measures were successively implemented under the respective Economic and Financial Assistance Program, with the aim of controlling and cleaning up public accounts. Nevertheless, and given the difficulty in achieving budget control objectives, a debt renegotiation process was initiated, with the involvement of the private sector.

In this context, the decision-making bodies of the European Union began a negotiation process that aims to ensure greater discipline and budgetary control on the part of its member countries.

However, the risk of the crisis spreading to other Member States, namely Italy and Spain, and fears of its implications for the European financial sector and the real economy led, towards the end of the year, the Central Bank (ECB) to intervene significantly in the markets, through cuts in refinancing rates and Spanish and Italian public debt purchase operations. Thus, after an increase of 50 basis points (bp), recorded in the first half of the year, the ECB's reference rate underwent a reversal of the movement, ending the year at the same level as the beginning (1 percent).

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10 Under the terms of the Investment Plan for the Financial Resources of the Deposit Guarantee Fund, provided for in article 163 of the General Regime for Credit Institutions and Financial Companies, the FGD is only allowed to make investments in instruments denominated in euros.

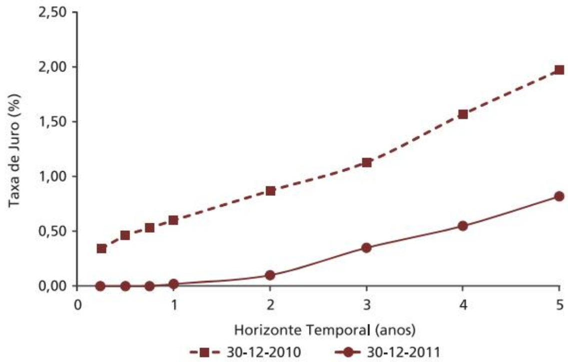
11 Source: Eurostat.

At the last meeting of the Governing Council of the ECB, which took place on 8 December, in addition to a 25 bp cut in the refinancing rate, it was decided to carry out two liquidity-providing operations, of an unlimited amount, for a period of 3 years . In the first of these operations, which took place on 22 December, 489 billion euros were allotted.

The abundant liquidity provided by monetary policy, the attribution by investors of a *safe haven* status to German public debt, as well as the expectation of maintaining the refi rate -
ECB funding at historically low levels, contributed to the considerable declines in interest rates on Euro Area public debt securities, ending the year with variations between 32 bp (short term) and 115 bp (5 years) (Graph 2).

Graph 2

EVOLUTION OF INTEREST RATE CURVES IN THE EURO AREA DURING 2011

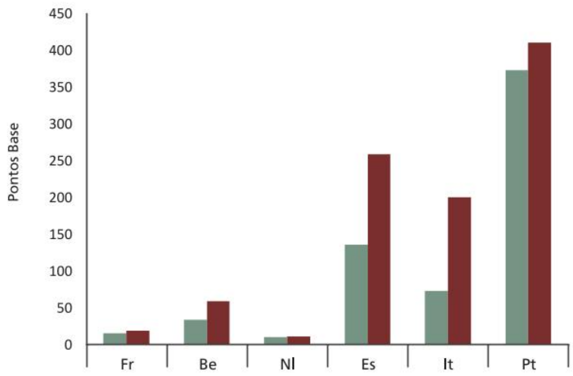


Source: *Bloomberg* and FGD

This evolution was not felt in a large number of Euro Area countries, whose public debt financing interest rates increased relative to German rates, in some cases very sharply (Charts 3 and 4). In particular, countries perceived as having weaker public accounts or whose financial systems were weaker continued, throughout most of the year, under strong pressure from investors. Despite everything, the pressure eased somewhat towards the end of the year, as a result of the 3-year liquidity-providing operation decided by the ECB.

Graph 3

INTEREST RATE DIFFERENTIAL BETWEEN EUROPEAN AND GERMAN PUBLIC DEBT (3 Months)

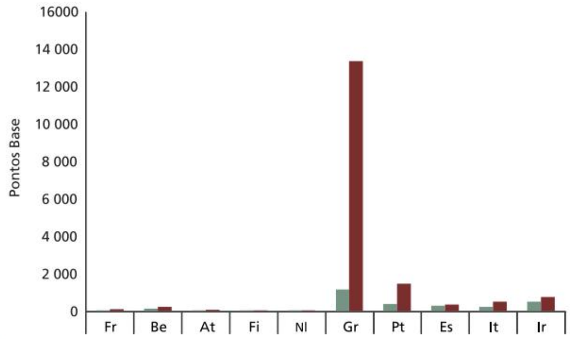


	Fr	Be	Nl	Es	It	Pt
30-12-2010	15	34	10	136	73	373
30-12-2011	19	59	11	259	200	410

Source: Thomson Reuters and UAFGD

Graph 4

INTEREST RATE DIFFERENTIAL BETWEEN EUROPEAN AND GERMAN PUBLIC DEBT (2 Years)



	Fr	Be	At	Fi	Nl	Gr	Pt	Es	It	Ir
30-12-2010	15	110	36	11	15	1148	370	278	196	495
30-12-2011	69	210	62	33	24	13335	1442	317	475	744

Source: Thomson Reuters and UAFGD

Note: Given the lack of securities within the relevant terms for the analysis, and taking into account that, for the 2-year term, differences of a few months have a material impact, we chose to present the graph based on linear interpolations between real securities of the countries under review.

6.2. PORTFOLIO STRUCTURE AND RISK CONTROL

The investment policy of the Deposit Guarantee Fund maintained its conservative nature, enshrined in the “Plan for the Application of Financial Resources of the Deposit Guarantee Fund” and reflected in the structure of the reference portfolio *(benchmark)* selected by the Investment Committee.
Therefore, in a context of deteriorating budgetary situation in most Euro Area countries, the investment strategy continued to be guided by limiting the portfolio's exposure to credit, market and liquidity risks.

The market value of the Deposit Guarantee Fund's asset portfolio, as at 31 December 2011, was 958.5 million euros, which represents an increase of 4.2 percent compared to the value recorded as at 31 December 2010 (919.5 million euros). This variation includes the receipt of annual contributions paid by credit institutions participating in the Fund, in the amount of 35.7 million euros, the settlement of irrevocable payment commitments by a credit institution, in the amount of 0.6 million euros, euros, and the payment to BPP depositors, which in 2011 totaled 8.2 million euros. Excluding these factors, the market value of the Deposit Guarantee Fund portfolio increased by 1.1 percent.

As at 31 December 2011, the Deposit Guarantee Fund's portfolio consisted of bonds and treasury bonds from countries in the Euro area (86.8 percent) and deposits with the Bank of Portugal (13.2 percent).

Table XI

GEOGRAPHICAL BREAKDOWN AS OF DECEMBER 31, 2011		
Contribution rates	**Amount (€)**	**Weight**
Germany	194 039 103	20.2%
Belgium	38 778 475	4.0%
France	272 503 163	28.4%
Netherlands	199 356 748	20.8%
Portugal (*)	216 868 441	22.6%
supranational	36 971 957	3.9%

(*) Includes deposits at the Bank of Portugal and tax deductions to be paid.

The conservative nature of the investment policy, adjusted to the objective of guaranteeing deposits, also translated into a reduced exposure to interest rate risk. The modified duration of the portfolio was, on average, 0.3 throughout 2011, with around 64% of the portfolio corresponding to applications with a residual maturity of no more than 3 months.12

Table XII

MODIFIED DURATION AND PROFITABILITY RATES BY MATURITY SEGMENT 12			
Maturity Segments	**Average weight (%)**	**Modified duration Average (years)**	**Rate *(Twrr)***
up to 1 month	26.9%	0.0	0.9%
1 to 3 months	37.0%	0.1	1.3%
3 to 6 months	22.5%	0.3	2.2%
6 months to 1 year	13.2%	0.7	1.0%
1 to 3 years	0.4%	0.6	0.1%
Total	100%	0.3	1.5%
Transaction cost impact			0.0%
Impact of taxation			-0.3%
Net total of the FGD portfolio			**1.1%**

The market risk of the Deposit Guarantee Fund portfolio, measured by VaR (Value-at-Risk) for a time horizon of 1 month and with a confidence level of 95 percent, was situated throughout 2011 , at 1.5 million euros, which corresponds to an average level of 0.16 percent of the portfolio's value.

12 *Time weighted rate of return (Twrr);* all rates of return presented are annualized and net of taxes except in cases where the contrary is expressly indicated.

6.3. RESULTS

In a context of great instability in the financial markets of the Euro Area, two distinct movements of the yield curves were observed, in the relevant terms for the Deposit Guarantee Fund portfolio: downward displacement of the curves of Germany, France, the Netherlands and of supranational institutions to which there is exposure and upward movement of the curves of Belgium, Spain, Italy and Portugal.

Overall, in 2011, the Fund's management provided a gross return of 1.5 percent. Profitability net of taxes and management costs was 1.1 percent.

The return on the portfolio did not show a clear relationship between the investment period and the return obtained, given the different distribution of issuers by maturity segments (Table XII).

Since the FGD's investment policy involves maintaining investments until maturity, and there has been no default on the instruments in the portfolio, there was a positive correlation between the profitability achieved and the level of risk perceived by the market. for each issuer (Table XIII).13

Table XIII

RETURN RATES PER ISSUER 13

	Rate *(Twrr)*	Modified duration Average	Average weight
Germany	0.9%	0.3	9.8%
Belgium	1.7%	0.3	13.7%
Spain (*)	1.9%	0.2	10.4%
France	0.8%	0.2	24.7%
Netherlands	0.8%	0.3	16.4%
Italy (*)	1.5%	0.2	11.8%
Portugal	4.4%	0.4	13.1%
supranational (*)	-1.1%	0.8	0.1%
Total	1.5%	0.3	100.0%
Transaction cost impact	0.0%		
Impact of taxation	-0.3%		
Net total of the FGD portfolio	**1.1%**		

(*) As there was exposure to the debt of these issuers only for part of the year, annualized rates of return are presented.

The Deposit Guarantee Fund’s rate of return, net of taxes and management costs, was higher than that of a “minimum risk” asset, which was mainly due to the diversification of investment by countries with different credit qualities. .

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

Table XIV

NET PROFITABILITY OF THE PORTFOLIO AS A MINIMUM RISK ASSET 14			
	FGD (Ç)	Minimum risk asset (ARM)	Excess Profitability (C-ARM)
2011	1.1%	0.6%	0.6%

7. LEGISLATIVE AND REGULATORY CHANGES 14

At the end of 2011, the guarantee limit was definitively fixed at 100 thousand euros. In addition, legislative changes were prepared to strengthen the legal framework applicable to the FGD, which were published in early 2012. These changes are detailed in Box 1.

Regarding the contributory regime for the Fund to which the participating institutions are subject, Banco de Portugal made changes to the regime applicable in 2012 (Instructions no. 24/2011 and 25/2011). While maintaining the base contribution rate at 0.03%, Banco de Portugal abolished the reduced rate of 0.01% that applied to deposits made at the external financial branches of the free zones of Madeira and Santa Maria Island. In addition, Banco de Portugal determined that, in 2012, credit institutions participating in the FGD cannot replace the payment of their annual contribution to the Fund with irrevocable payment commitments, which contributes to reducing the proportion of these instruments in relation to financial resources. financial resources under the direct management of the FGD (it is recalled that, in accordance with the contributory regime defined in 2010, in 2011 the participating institutions had the option of paying up to 10% of the annual contribution in the form of a irrevocable payments). As for the minimum contribution, it remained at €17,500.

8. SUPERVISION OF THE DEPOSIT GUARANTEE FUND

The Audit Board of Banco de Portugal is the supervisor of the Fund's activity, in accordance with the provisions of article 171 of the General Regime and article 25 of the Fund's Regulations.

The opinion of the Audit Board of Banco de Portugal on the Fund's Annual Report and Accounts for 2011 is included in the annex.

The Fund's financial statements for the year 2011 were also 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 2010 financial year, including the report and accounts, after approval by Order no. 459/11/SETF, of 2 April 2011, of the Secretary of State for the Treasury and Finance.

14 The net return on the minimum risk asset is considered to be that resulting from investment in 1-month French 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.*

9. SUPPORT FROM BANCO DE PORTUGAL AND COLLABORATION OF PARTICIPATING INSTITUTIONS

Pursuant to article 168 of the General Regime for Credit Institutions and Financial Companies, Banco de Portugal is responsible for ensuring the technical and administrative services essential for the proper functioning of the Deposit Guarantee Fund.

In 2011, Banco de Portugal continued to provide the necessary collaboration for the Fund to develop its activity, within the framework of the Protocol signed with the FGD in January 1995, which was updated in 2010. The support provided by Banco de Portugal includes, essentially, the provision of human resources that provide the Secretariat of the FGD, the accounting processing of operations and the preparation of annual financial statements, the management of the Fund's financial resources, participation in the procedures for collecting annual contributions and legal support whenever necessary.

The Fund's Steering Committee thanks all the structures of Banco de Portugal that gave their technical and administrative support to the Fund. Among these structures, 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 Services Department Legal, the Support Services Department, the Prudential Oversight Department and the Behavioral Oversight Department.

The Management Committee expresses its recognition for the special collaboration provided to the Fund by the Department of Legal Services, within the scope of the operation of reimbursement of deposits made with BPP, SA.

Once again, the Steering Committee notes the already usual good collaboration shown by the participating credit institutions and the Portuguese Banking Association, within the scope of its current relationship with the FGD, namely with regard to the application of the contributory regime.

Lisbon, March 7, 2012

Steering Committee

president

Pedro Miguel de Seabra Duarte Neves

Vowel

Joao Mauricio Fernandes Salgueiro

Vowel

Carlos Manuel Durães da Conceição

FINANCIAL STATEMENTS

II

AND NOTES TO ACCOUNTS

10. FINANCIAL STATEMENTS

SWING			thousands of euros
	Grades	12-31-2011	12-31-2010
Active			
current asset			
Financial investments			
Financial assets held for trading	3	835 232.5	920 385.6
Cash and bank deposits	4	126 108.1	60.6
State and other public entities	5	0.9	199.8
Other accounts receivable	6	39.6	38.8
		961 381.0	920 684.8
non-current asset			
Participating Institutions			
Contributions - Contr. irrevocable commitment	7	444 433.9	441 356.5
Tangible fixed assets	8	3.7	4.7
		444 437.6	441 361.2
total assets		1 405 818.6	1 362 046.0
Own resources	9	1 397 010.3	1 354 056.0
Passive			
Current liabilities			
Creditors for refundable deposits	10	703.5	1 482.7
State and other public entities	5	1 831.6	628.0
Other bills to pay	11	28.5	8.3
		2,563.6	2,119.0
non-current liabilities			
provisions	12	5 215.0	5 575.4
Deferred tax liabilities	15	1 029.7	295.6
		6 244.7	5 871.0
Total liabilities		8 808.3	7 990.0
Total own resources and liabilities		1 405 818.6	1 362 046.0

RESULTS REPORT			thousands of euros
	Grades	12-31-2011	12-31-2010
Result of interest and similar income and expenses	13	226.8	143.2
Gains/losses in financial applications	14	13 706.0	5 083.3
Income tax	15	2 912.6	1 088.5
Result of the application of available resources		11 020.2	4 137.9
Staff expenses	16	38.0	33.3
Supplies and external services	17	276.7	283.3
Other income and earnings	18	153.0	0.0
Other expenses and losses	18	194.3	11.6
Result before provisions, impairment, depreciation and amortization		10 664.4	3 809.9
Depreciation and amortization expenses/reversals	8	1.0	1.2
net income		10 663.3	3 808.7

Machine Translated by Google

42

OWN resources

liquid

Result

-419.1

808.7

3808.7

-1.6

-1.6

CASH FLOW STATEMENT thousands of euros	12-31-2011	12-31-2010
Cash flows from operating activities		
Receipts of contributions	35 703.5	35 228.0
Settlement of irrevocable payment commitments	584.4	-
Contribution returns	- 1.6	-
Refund of deposits under guarantee	- 8 212.4	- 89 216.3
Payment of income tax	- 1 163.9	- 1,072.7
Other receipts/payments	33.3	- 330.1
Cash flows from operating activities [1]	26 943.3	- 55 391.1
Cash flows from investing activities		
Payments relating to:		
Financial investments	-2 755 397.4	-3 545 132.9
Receipts from:		
Financial investments	2 854 481.4	3 600 276.5
Interest and similar income	20.1	156.1
Cash flows from investing activities [2]	99 104.2	55 299.7
Cash flows from financing activities		
Payments relating to:		
Other financing operations	-	- 1.0
Cash flows from financing activities [3]	-	- 1.0
Cash variation and its equivalents [4]=[1]+[2]+[3]	126 047.5	- 92.4
Cash and cash equivalents at the beginning of the period	60.6	153.0
Cash and its equivalents at the end of the period	126 108.1	60.6

11. EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

(Amounts expressed in thousands of euros, unless otherwise indicated)

NOTE 1 FGD ACTIVITY

The Deposit Guarantee Fund (FGD or Fundo) is a legal person governed by public law endowed with administrative and financial autonomy, created by the General Regime for Credit Institutions and Financial Societies (RGICSF), approved by Decree-Law nº 298/ 92, of 31 December, and has its head office in Lisbon, working with the Bank of Portugal, which is responsible for ensuring the technical and administrative services essential for the proper functioning of the Fund.

The purpose of the FGD is to guarantee the reimbursement of the total value of the cash balances of each depositor, up to a limit of 100 thousand euros, in accordance with certain conditions, in the event that the deposits of the respective credit institution become unavailable. Following the most recent amendment to the RGICSF[15], the Fund's purpose also includes the provision of financial assistance to the Fundo de Garantia do Crédito Agrícola Mútuo, when its financial resources prove to be insufficient for the fulfillment of its obligations related to the reimbursement of deposits, as well as intervention in the context of the implementation of resolution measures, namely the sale of guaranteed deposits or the transfer of guaranteed deposits to a bridge bank.

NOTE 2 BASIS OF PRESENTATION AND MAIN ACCOUNTING POLICIES

2.1. presentation bases

In view of the provisions of article 170 of the RGICSF, the accounting principles that guide the preparation of the Fund's financial statements are established in its own Chart of Accounts. Thus, the FGD's financial statements as at 31 December 2011 were prepared in accordance with its Chart of Accounts, which is based on the International Accounting Standards (NIC), approved in European Union regulation 1606/2002/ EC, with updates to the rules until January 1, 2010. The specific provisions defined in that Plan prevail over the IAS, insofar as they aim at an appropriate framework for the legal and operational nature of the Fund. In this context, the recognition and measurement criteria established in the applicable IAS were adopted, unless there are specific provisions defined in the Plan.

The FGD Chart of Accounts defines the models of the financial statements and the minimum content of disclosures in the explanatory notes. The financial statements were prepared in accordance with the historical cost principle, with the exception of assets recorded at fair value, namely financial assets held for trading.

2.2. Main accounting policies

The main accounting policies and valuation criteria used in the preparation of the financial statements for the year 2011 are as follows:

a) Own Resources: Contributions and irrevocable commitment contracts

Contributions made in favor of the Fund constitute a component of its Own Resources, in addition to reserves arising from the application of results from previous periods, and are recognized as such on the dates set out in article 161 of the RGICSF.

15 The RGCISF was amended on 10 February 2012 by Decree-Law No. 31-A/2012.

Participating institutions make a contribution to the Fund for the registration of their start of activity and, subsequently, a contribution, on an annual basis, the value of which is determined in accordance with contribution scales fixed by the Bank of Portugal, according to 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 to be fixed annually by Banco de Portugal and which cannot exceed 75%, provided that they assume the irrevocable commitment and collateralized by a pledge. of securities, payment to the Fund, at any time it requests, of all or part of the contribution amount that has not been paid in cash. In accordance with the Fund's Regulations, periodic contributions are, in their entirety, an integral part of the Fund's Own Resources. The portion corresponding to irrevocable commitments is recognized against an asset. This asset is measured at cost less impairment losses.

In exceptional cases, the participating institutions make special contributions, as provided for in article 162 of the RGICSF.

b) Financial assets held for trading

Financial assets are classified as held for trading at the time of their acquisition, when they are acquired with the main objective of being traded in the short term.

Acquisitions and disposals of financial assets held for trading are recognized on the *trade date,* reflecting the moment in which the Fund commits to acquire or dispose of the asset. These financial assets are initially recognized at fair value, with transaction costs directly recognized in profit or loss. After their initial recognition, changes in fair value are recognized in profit or loss.

c) Reimbursement of deposits under guarantee

Within the scope of its activity, the Fund may be called upon to reimburse deposits made with a participating institution. In this situation, a liability is recognized against a decrease in the Fund's Own Resources. The carrying amount relating to that liability is measured at the nominal value of the amount to be reimbursed and is reduced to the extent that depositors receive the respective reimbursement. If it is not possible for the FGD to reimburse for reasons attributable to the depositor, the remainder of the liability is canceled against the corresponding increase in Own Resources.

Pursuant to article 167 of the RGICSF, the Fund will be subrogated to the rights of depositors to the extent of the reimbursements it has made. In the event that the Fund is reimbursed for the reimbursement of deposits under guarantee, an asset is recognized against an increase in Own Resources, only when the Fund has the legal guarantee of recovery and is aware of the amount to be recorded. This asset is measured at cost (nominal value) less impairment losses.

d) Provision for deposits under guarantee and contingent liabilities

The activation of the deposit guarantee may involve situations that give rise to legal doubts as to the existence of a right to reimbursement. These situations are subject to an assessment that seeks to determine whether (i) there is a present legal obligation arising from a past event, (ii) it is probable that an outflow of resources will occur to settle that obligation, and (iii) it is possible to make an estimate reliable. If these conditions are cumulatively met, a provision for deposits is set up.

under guarantee, in exchange for a reduction in the Fund's Own Resources, similar to the accounting policy described in paragraph c).

If it is considered that, in relation to the second condition mentioned, the outflow of resources to settle that obligation is possible (and not probable), the existence of a contingent liability is disclosed to the detriment of the constitution of a provision.

e) Cash and cash equivalents

For the purposes of the Cash Flow Statement, the aggregate "Cash and cash equivalents" comprises amounts relating to highly liquid short-term investments or investments that are readily convertible into known amounts of cash and that are subject to a risk of changes. of meaningless value. In this context, cash and bank deposits are included.

f) Income tax

The FGD, as a legal person governed by public law, is exempt from Corporate Income Tax (IRC), under the terms of article 9 of the Corporate Income Tax Code (CIRC), with the exception of income from capital as defined for the purposes of Personal Income Tax (IRS) in article 5 of the Personal Income Tax Code (CIRS) – Category E.

Capital income earned in Portugal is subject to withholding tax at the rate in force. Capital income obtained abroad is not subject to withholding in Portugal, so the Fund is subject to taxation by way of declaration to the Portuguese Tax Administration. In the event that there is no taxation of capital income in the country of origin of the income, the tax release in force in Portugal 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.

The income tax recognized in the Fund's results comprises current taxes and deferred taxes that arise from (i) the future recovery of the carrying amount of assets recognized in the balance sheet or (ii) from transactions and other events in the current period that are recognized in the financial statements of the Fund.

NOTE 3 FINANCIAL ASSETS HELD FOR TRADING

The item "Financial assets held for trading" includes debt securities acquired by the Fund within the scope of its investment policy.

FINANCIAL ASSETS HELD FOR TRADING		thousands of euros
	12-31-2011	12-31-2010
Obligations of supranational entities	36,965.4	-
Public debt securities		
Treasury Bonds (Zero Coupon)	161 817.2	-
Treasury Tickets	636 449.9	920 385.6
	835 232.5	920 385.6

As at 31 December 2011, the securities portfolio consists of public debt securities issued by Eurozone countries and securities issued by supranational entities. Its accounting treatment is described in Note 2.2, paragraph b). The Fund's management report details the portfolio structure and risk control.

NOTE 4 CASH AND BANK DEPOSITS

The item "Cash and bank deposits" includes the amount in cash and demand deposits at Banco de Portugal and at various financial institutions.

CASH AND BANK DEPOSITS		thousands of euros
	12-31-2011	12-31-2010
Cashier	0.4	0.4
Bank deposits	126 107.7	60.2
	126 108.1	60.6

As at 31 December 2011, deposits made with the Bank of Portugal amounted to 126,080 thousand euros.

NOTE 5 STATE AND OTHER PUBLIC BODIES

The item "State and other public entities" records as assets as at 31 December 2011 the credit for international double taxation related to income on Italian treasury bonds, which will be deducted from the amount of tax payable for the 2011 financial year. As of December 31, 2010, the amount recorded under this heading corresponds to the withholding tax made by the Spanish State on income from Spanish treasury bonds, whose reimbursement request was satisfied during 2011.

The item "State and other public entities" presented in liabilities essentially corresponds to the estimated tax payable on income from public debt securities not withheld at source obtained in 2011 and, residually, to withholding at source from self-employed income to be delivered to the State within the legal deadlines.

NOTE 6 OTHER ACCOUNTS RECEIVABLE

The item "Other accounts receivable" records, as at 31 December 2011, the nominal amount of the securities pledged to the FGD by BPP, representing the portion of contributions from previous years made through irrevocable payment commitments (38 thousands of euros), and (ii) the amount to be reimbursed to the Fund by the participating credit institutions, relating to custody fees on securities pledged in connection with the execution of irrevocable payment agreements.

NOTE 7 CONTRIBUTIONS - IRREVOCABLE COMMITMENT AGREEMENTS

The item “Contributions - Irrevocable Commitment Contr.”, presented in the Fund's assets, records the nominal value of the irrevocable payment commitments assumed by the participating credit institutions to the Fund, within the scope of annual periodic contributions, in accordance with the accounting policy described in Note 2.2, paragraph a). In chapter 5 of the FGD's management report, details about the contributions for the year are disclosed.

NOTE 8 TANGIBLE FIXED ASSETS

This item breaks down as follows:

TANGIBLE FIXED ASSETS						thousands of euros
	31 Dec 11			31 Dec 10		
	Active gross	Accumulated amortizations	Total	Active gross	Accumulated amortizations	Total
Office equipment	10.1	6.4	3.7	10.1	5.3	4.7
Other tangible assets	0.2	0.2	-	0.2	0.2	-
	10.2	6.6	3.7	10.2	5.5	4.7

The variation verified in the 2011 financial year results exclusively from the amortization costs of tangible fixed assets in use. Depreciation of tangible fixed assets is calculated using the straight-line method, applying the depreciation rates defined in tax terms, which are understood to reflect the expected useful life of the assets.

NOTE 9 OWN RESOURCES

The Fund's “Own Resources” comprise initial contributions from Banco de Portugal, initial and periodic contributions from participating credit institutions and income from the application of the Fund's resources. The composition and variation of this item are presented in the Statement of Changes in Own Resources.

Annual periodic contributions for 2011 amount to 39,365 thousand euros, referring to (i) contributions made in cash and (ii) contributions whose payment was, under the terms of the law, replaced by the contractualization of irrevocable payment commitments by the institutions participating credit institutions, which are guaranteed by a commercial pledge of securities eligible for this purpose (see Notes 7 and 19), in accordance with the accounting policy described in Note 2.2, paragraph a).

In 2011, the FGD returned part of the periodic annual contribution, made in excess by a participating institution in 2010, in the amount of 1.6 thousand euros.

In April 2010, Banco de Portugal revoked the authorization for the activity of Banco Privado Português, SA (BPP). In view of the unavailability of deposits verified at that time, the FGD proceeded to activate the guarantee on the deposits made in that credit institution, under the legal terms, having effectively recognized, in accumulated terms, the right to reimbursement in the amount of 98 132 thousand euros until 31 December 2011 (90 699 thousand until 31 December 2010). The amounts not yet settled are recorded under the heading "Creditors for deposits to be reimbursed" (see Note 10).

The FGD also recognizes the right to reimbursement in relation to deposits that, not being covered by any other reason of exclusion or doubt, (i) are committed, namely for the benefit of BPP, to guarantee financing contracted with that bank, or (ii) correspond to debts, overdue and payable, of the respective depositor before BPP. The right to reimbursement was also recognized in relation to other situations of a specific nature, which were initially suspended due to doubts as to the existence of the right to reimbursement, but in relation to which the declarative requirement on the part of depositors has meanwhile been satisfied, with the payment was made in 2012. For the situations described above, a provision for deposits under guarantee was set up, the amount of which amounts to 5,215 thousand euros as at 31 December 2011 (5,575 thousand euros as at 31 December 2010) – see Note 12.

The amounts for which the right to reimbursement was recognized in 2011 translate into a reduction in the caption "Own Resources" in the amount of 7,073 thousand euros, in accordance with the accounting policies described in Note 2.2, paragraphs c) and d). This amount, included in the Statement of Changes in Own Resources, results from the effective payment of the reimbursement of deposits in the amount of 8,212 thousand euros (shown in the Cash Flow Statement), deducted from the value of the reimbursement of deposits for which the FGD had already recognized the respective liability in 2010, but whose settlement took place only in 2011 (-779 thousand euros – see Note 10), and also the net change in the provision for deposits under guarantee (-360 thousand euros), detailed in Note 12.

NOTE 10 CREDITORS FOR DEPOSITS TO REFUND

This heading presents the amounts related to credits to BPP depositors whose right to reimbursement was recognized by the Fund (see Note 9) but whose respective settlement was not successful for operational reasons related to the unavailability of essential data for the correct execution of the transfer of funds.

NOTE 11 OTHER ACCOUNTS PAYABLE

The item "Other accounts payable" includes amounts related to (i) fees payable for the audit of the Fund's financial accounts for the year 2011 (18 thousand euros), (ii) amounts to be settled for the use in 2011 of the space where the Fund has its headquarters (5 thousand euros), and (iii) salaries for 2011 payable to remunerated members of the Management Committee of the Fund (5 thousand euros).

NOTE 12 PROVISIONS

Within the scope of the process of reimbursement of depositors at BPP, referred to in Note 9, certain amounts were not reimbursed which, although they were part of the list of deposits covered by the guarantee of the Fund delivered by BPP, raised doubts as to the existence of an effective right to reimbursement or, even when such a right was considered to exist, doubts were raised as to who should be the beneficiary of the reimbursement by the FGD.

As at 31 December 2011, the future payment of deposits over which a pledge was made and which are not covered by any other reason of exclusion or doubt, in relation to which the reimbursement has not yet been verified because there are doubts only as to the holder of the right to reimbursement by the FGD (ie whether reimbursement should be made to the depositor or the pledge creditor). The payment of deposits in the amounts corresponding to debts, overdue and payable, of the respective depositor with BPP is also considered probable, as well as other occasional situations, which were initially suspended due to doubts as to the existence of the right to reimbursement , but in relation to which the declarative requirement by depositors has in the meantime been satisfied, with the reimbursement in question having already taken place in 2012.

The provision for deposits under guarantee, initially constituted in 2010 with the purpose of covering the specific liabilities referred to herein, amounts to 5,215 thousand euros at the end of the 2011 financial year, in accordance with the accounting policy described in Note 2.2, subparagraph d), due to the following movements:

PROVISIONS		thousands of euros
	12-31-2011	12-31-2010
Deposits under guarantee		
Opening balance	5 575.4	-
reinforcements	2 361.2	5 575.4
uses	-2 721.6	-
Final balance	5 215.0	5 575.4

NOTE 13 RESULTS FROM INTEREST AND SIMILAR INCOME AND EXPENSES

The value of the item “Income from interest and similar income and expenses” comprises:

INTEREST RESULTS FROM INCOME AND SIMILAR EXPENSES		thousands of euros
	12-31-2011	12-31-2010
Interest earned		
Obligations of supranational entities	17.4	122.4
Teasure obligations	208.7	-
Demand deposits	0.8	21.7
Total interest earned	226.8	144.2
Total interest borne	-	1.0
	226.8	143.2

The item “Gains/losses on financial investments” consists of the reflection in results of changes in the fair value of financial assets held for trading, in accordance with the accounting policy described in Note 2.2, paragraph b). The value of this item comprises:

GAINS/LOSSES ON FINANCIAL INVESTMENTS						thousands of euros
	12-31-2011			12-31-2010		
	Total	Losses	Gains	Gains	Losses	**Total**
Obligations of Ent. paragovernmental / supranational	5.4	7.4	-2.0	-	22.2	-22.2
Public debt securities						
Teasure obligations	326.7	-	326.7	-	-	-
Treasury Bonds (Zero Coupon)	114.7	-	114.7	75.0	-	75.0
Treasury Tickets	13 307.6	40.9	13 266.7	5 183.3	152.8	5 030.5
	13 754.3	48.3	13 706.0	5 258.3	175.0	5 083.3

The amount of income tax recognized in profit or loss during the years 2011 and 2010 has the following origin:

INCOME TAX		thousands of euros
	12-31-2011	12-31-2010
current tax		
Demand deposits	0.2	4.2
Financial instruments held for trading	2 178.3	1 207.8
	2 178.5	1 212.0
deferred tax		
Financial instruments held for trading	734.2	-123.5
	734.2	-123.5
	2 912.6	1 088.5

The item “Deferred tax liabilities”, presented in liabilities, reflects taxation on income already recognized in the Fund's accounts, relating to financial assets held for trading, but whose tax will only be due in later periods, in accordance with accounting policy described in Note 2.2, paragraph f).

NOTE 14 GAINS/LOSSES ON FINANCIAL INVESTMENTS

NOTE 15 INCOME TAX

NOTE 16 PERSONNEL EXPENSES

The item "Staff costs" includes the payment of the salary of the paid members of the Management Committee, as well as the respective Social Security charges of the Fund.

The increase compared to the same period of the previous year is justified by the payment of the salary to one more remunerated member of the Management Committee, following the change in the conditions that kept that payment in suspension, with effect from May 2010. This effect is mitigated by the 5% reduction in the base salary decided by the members of the Fund's Management Committee, effective as of June 2010, inclusive, and by the 10% reduction of one of the Management Committee members, due to the accumulation of positions public, with effect from January 2011.

NOTE 17 EXTERNAL SUPPLIES AND SERVICES

The composition of this item is as follows:

SUPPLIES AND EXTERNAL SERVICES		thousands of euros
	12-31-2011	12-31-2010
Specialized services	261.2	268.1
Travel, accommodation and transport	2.9	1.3
various services	12.5	13.9
	276.7	283.3

The heading "Specialized services" essentially encompasses the fees paid to the securities settlement system, within the scope of the Fund's operational activity, and consultancy and legal support work related to the activation of guarantees on BPP's deposits. The item "Miscellaneous services" essentially concerns expenses with communications and dispatch and expenses with the leasing of the facilities where the Fund operates.

NOTE 18 OTHER RESULTS

The caption "Other income and gains" records, as at 31 December 2011, (i) the amount of 134 thousand euros related to fines in favor of the FGD, imposed by Banco de Portugal in the exercise of its banking supervision functions to a institution participating in the Fund, and (ii) the amount of 19 thousand euros related to differences in the valuation, with reference to 31 December 2010, of the securities portfolio that derive from the change, on that date, of the methodology for calculating the value of the portfolio , following the replacement of the asset management operating system used by the Fund.

The caption "Other expenses and losses" essentially reflects, as at 31 December 2011, (i) the recognition of a loss of 191 thousand euros related to a non-recoverable tax credit referring to income from Portuguese treasury bills earned in 2010 and (ii) the payment of 2 thousand euros related to banking services related to transfers made to depositors reimbursed within the scope of the activation of the guarantee on deposits with BPP, referred to in Note 9.

NOTE 19 CONTINGENT ASSETS

As at 31 December 2011, the Fund has the following contingent assets:

- Securities delivered as a commercial pledge, received as a guarantee of the irrevocable payment commitment by the institutions participating to the Fund (see Notes 7 and 9), as well as by BPP, whose market value amounts to 466,281 thousand of euros;

- Rights on deposits reimbursed by the Fund within the scope of the activation of the guarantee on deposits made with BPP. Under the terms of no. 9 of article 167 of the RGICSF, the FGD is subrogated to the rights of depositors to the extent of the reimbursements it has made (97,429 thousand euros). Only when the Fund has the legal guarantee that it will be reimbursed for the reimbursement of deposits and knowing the final amount to be received will the corresponding asset be recognized in the balance sheet against Own Resources, on the understanding that, given the uncertainty As of December 31, 2011, as to the amount and timing of recovery of the amounts reimbursed, the referred amount represents a contingent asset and is not recorded in the balance sheet.

NOTE 20 CONTINGENT LIABILITIES

Within the scope of the reimbursement process for BPP depositors, referred to in Note 9, certain amounts were not reimbursed which, although they were part of the list of deposits covered by the guarantee of the Fund delivered by BPP, raised doubts as to the existence of an effective right to reimbursement .
Thus, contingent liabilities amount to 1,203 thousand euros (31 December 2010: 17,255 thousand euros), as it is considered possible to verify contingencies associated with deposits with the following characteristics, which are to be the object of individual analysis:

- Owner(s) in relation to whom there are well-founded doubts as to the verification of the causes of exclusion the guarantee provided for by law;
- Amounts for which there are reasonable doubts as to whether they fall within the scope of coverage by the FGD;
- Addition of co-holders after the date on which BPP made public its inability to comply with obligations, and on which Banco de Portugal adopted extraordinary reorganization measures.

There are also legal actions against the Deposit Guarantee Fund, in relation to which, however, it is considered that the probability of them representing liabilities for the Fund is remote.

12. PROPOSAL FOR APPLICATION OF RESULTS

It is proposed that the Net Profit for the year 2011, in the amount of 10,663,320 euros, be allocated to Reservations.

Lisbon, March 7, 2012

The Steering Committee

president

Pedro Miguel de Seabra Duarte Neves

Vowel

Joao Mauricio Fernandes Salgueiro

Vowel

Carlos Manuel Durães da Conceição

OPINION OF AUDIT BOARD FROM BANCO DE PORTUGAL

III

DEPOSIT GUARANTEE FUND

2011 YEAR

OPINION OF THE AUDIT BOARD

FROM 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 Report and Accounts of the Fund for the year 2011.

The purpose of the FGD is to guarantee, within the fixed limits (this limit was fixed by DL no.) that participate in it, under the conditions and in accordance with the provisions of the RGICSF and respective regulatory diplomas. The FGD can no longer collaborate in recovery actions of credit institutions participating in it, and it is no longer possible to grant loans to the Investor Compensation Service.

As at 31 December 2011, the universe of institutions participating in the FGD (47 in total) consisted of 37 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, monitored the Fund's activity by analyzing the documentation periodically sent by the Management Committee, supplemented with additional information and clarifications requested.

In determining the periodic contributions for 2011, the base rate of 0.03% (same as in 2010), 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 maintained at EUR 17 500.

Based on article 165 of the RGICSF, deposits held by the general government, credit institutions, financial companies and insurance companies continue to be excluded from the FGD guarantee.

Total contributions from participating CIs reached around 39.4 million (M) euros, practically identical to the contributions of 2010, of which 35.7 M in cash and 3.7 M in irrevocable payment commitments.

The degree of coverage of deposits guaranteed by FGD resources, defined as the ratio between FGD resources (contributions delivered, including irrevocable payment commitments, plus accrued earnings) and deposits covered by the FGD guarantee, fixed or up by 1.3%

The accumulated total of irrevocable payment commitments, relative to the group of participating CIs, amounted, on 12/31/2011, to approximately 444.4 M euros.

As mentioned in previous opinions, in the accounting record of irrevocable payment commitments, entered into between the Fund 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
attached to the annual accounts.

The Fund's own resources, as at 31 December 2011, totaled 1,397 M euros. The variation in relation to the previous year (+ 43 M euros) was caused by the initial and periodic contributions of the participating institutions, including irrevocable commitments, 39.4 M, by the Fund's results, 10.7 M, deducted from the reimbursement of depositors of the Portuguese Private Bank (BPP), - 7.1 M.

The management of the FGD's financial resources (art. of the FGD". The net return on the Fund's portfolio was 1.1% as a result of the conservative nature of the investment policy.

The net income for the year amounted to 10,663,320 euros, an amount that the Executive Committee proposes to be allocated to 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 2011 financial year, as well as the proposal for the application of results, presented by the Executive Committee.

Lisbon, March 27, 2012

THE AUDIT BOARD

Emilio Rui da Veiga Peixoto Vilar

Rui Jose da Conceicao Nunes

Amiable Alberto Freixo Calhau

OPINION OF EXTERNAL AUDITOR

IV

FUNDO DE GARANTIA
DE DEPÓSITOS
ENTRADA Nº 172 / FUD.C
15 / 03 / 12

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Certificação das Contas

Introdução

1. Examinámos as demonstrações financeiras anexas do Fundo de Garantia de Depósitos "(FGD)", as quais compreendem o Balanço em 31 de Dezembro de 2011, (que evidencia um total de 1.405.818,6 milhares de Euros e um total de Recursos Próprios no montante de 1.397.010,3 milhares Euros, incluindo um resultado líquido de 10.663,3 milhares de Euros), a Demonstração de Resultados por Natureza, a Demonstração de Alterações nos Recursos Próprios e a Demonstração de Fluxos de Caixa do exercício findo naquela data, e as correspondentes Notas Explicativas.

Responsabilidades

2. É da responsabilidade da Comissão Directiva do FGD a preparação de demonstrações financeiras que apresentem de forma verdadeira e apropriada à sua posição financeira e o resultado das suas operações, alterações nos recursos próprios, 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

- 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 2011, o resultado das suas operações, as alterações nos Recursos Próprios e os seus fluxos de caixa no exercício findo naquela data, em conformidade com os princípios contabilísticos adoptados no Plano de Contas do FGD (Nota 2 às Demonstrações Financeiras).

Lisboa, 9 de Março de 2012

Ernst & Young Audit & Associados - SROC, S.A.
Sociedade de Revisores Oficiais de Contas (n.º 178)
Representada por:

Ana Salcedas

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

ANEXOS

V

LIST OF CI PARTICIPANTS IN THE FGD*

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 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 ltau 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 BNP Paribas Personal Finance, SA
Banco Popular Portugal, SA
Banco Português de Gestão, SA
Banco Português de Investimento, SA
Banco Primus, SA
Banco Privado Atlântico – Europa, SA
Rural Bank of Europe, SA
Banco Santander Consumer Portugal, SA
Banco Santander Totta, SA
Banif – Banco de Investimento, SA
Banif - Banco Internacional do Funchal, SA
Best – Banco Eletrônico de Serviço Total, SA
BPN - Banco Português de Negócios, SA
Caixa – Banco de Investimento, SA
Finibanco, SA
Hyposwiss Privat Bank (Genève), SA (branch)

SAVINGS

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

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

* Situation as at 31 December 2011 in accordance with the special registration with the Bank of Portugal, referred to in Article 65 of the General Regime for Credit Institutions and Financial Companies.

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

Note: In 2011, the following are no longer participants in the FGD: (1) the branch in Portugal of AS Privat Bank, which participated in the Fund to supplementary guarantee effects; and (2) Deutsche Bank (Portugal), SA.