

ANNUAL REPORT AND  
ACCOUNTS  
2010



**LISBON, 2011**



*Fundo de Garantia de Depósitos*



# ANNUAL REPORT AND ACCOUNTS

**2010**



*Lisbon, 2011*

*Fundo de Garantia de Depósitos*

**Banco de Portugal**

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ANNUAL REPORT  
AND ACCOUNTS FOR 2010







## ANNUAL REPORT AND ACCOUNTS 2010

1. In accordance with the provisions laid down in Article 22 (m) of the Regulations governing the Deposit Guarantee Fund, approved by Executive Order No. 285-B/95 (Series II) of 19 September 1995, the Management Committee in fulfilment of its duties, has submitted, within the legal deadline (31 March 2011), to the Minister of Finance, for approval, the Annual Report and Accounts of the Deposit Guarantee Fund for year 2010, together with the Opinion of the Board of Auditors of Banco de Portugal.

2. The Annual Report and Accounts of the Fund have been approved by Decision No. 459/11/SETF of April 2, 2011 of State Secretary of the Treasury and Finance, in accordance with the provisions laid down in Article 172 of Decree-Law No. 298/92 of 31 December 1992 (Legal Framework of Credit Institutions and Financial Companies).





## MANAGEMENT COMMITTEE

In compliance with the provisions laid down in Article 158 of Decree-Law No 298/92 of 31 December 1992 (Legal Framework of Credit Institutions and Financial Companies), the Management Committee is composed as follows:

### CHAIRMAN

Pedro Miguel de Seabra Duarte Neves<sup>1</sup>

### MEMBERS

João Maurício Fernandes Salgueiro<sup>2</sup>

Carlos Manuel Durães da Conceição<sup>3</sup>

### SECRETARY GENERAL

João Filipe Soares da Silva Freitas<sup>4</sup>

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<sup>1</sup> Appointed on 20 June 2006 by the Board of Directors of Banco de Portugal.

<sup>2</sup> Appointed on 18 July 2003 by Associação Portuguesa de Bancos (Portuguese Banking Association).

<sup>3</sup> Appointed on 28 April 2008 by Decision No 13084/2008 of the Secretary of State for the Treasury and Finance.

<sup>4</sup> Appointed by the Fund's Management Committee; in office since 21 October 2010.





## BOARD OF AUDITORS OF BANCO DE PORTUGAL

In accordance with the provisions laid down in Article 171 of Decree-Law No 298/92 of 31 December 1992 on the auditing of the Deposit Guarantee Fund, the Board of Auditors of Banco de Portugal shall monitor the Fund's activities and the observance of the applicable laws and regulations and shall issue its opinion on the annual accounts.

### CHAIRMAN

Emílio Rui da Veiga Peixoto Vilar<sup>1</sup>

### MEMBERS

Rui José da Conceição Nunes<sup>2</sup>

Amável Alberto Freixo Calhau<sup>3</sup>

- 
- <sup>1</sup> Appointed member of the Board of Auditors, performing his duties as Chairman, by Decision No 97/96-XIII of 6 March of the Minister of Finance. His term of office was renewed by Decision No 22729/2007 of the Minister of Finance, published in Official Gazette No 189 (Series II) of 1 October 2007.
  - <sup>2</sup> Appointed member of the Board of Auditors by Decision No 7/93-XII of 26 February of the Minister of Finance. His term of office was renewed by Decision No 22640/2007 of the Minister of Finance, published in Official Gazette No 188 (Series II) of 28 September 2007.
  - <sup>3</sup> Appointed member of the Board of Auditors, performing his duties as statutory auditor, by Decision No 12230/2006 (Series II) of 11 May of the Minister of Finance, published in Official Gazette No 113 (Series II) of 12 June 2006. His term of office was renewed by Decision No 15410/2009 of the Minister of Finance, published in Official Gazette No 130 (Series II) of 8 July 2009.



# REPORT OF THE FUND'S ACTIVITIES





## 1. SUMMARY OF ACTIVITIES OF THE DEPOSIT GUARANTEE FUND

In 2010 the Fundo de Garantia de Depósitos – FGD (Deposit Guarantee Fund) (hereinafter referred to as “the Fund” or “FGD”) was called on for the first time since its establishment. Following the decision by Banco de Portugal to withdraw the authorisation given to Banco Privado Português, S.A. (hereinafter referred to as “BPP”) – currently in the process of winding-up – to pursue its business, an event of unavailability of deposits referred to in Article 167 (5) (b) of the Regime Geral das Instituições de Crédito e Sociedades Financeiras – RGICSF (Legal Framework of Credit Institutions and Financial Companies) (hereinafter referred to as “RGICSF”) was observed, and consequently the guarantee provided by the Fund was triggered. This event inevitably influenced the activity of the Fund in 2010 and is therefore described in greater detail in a dedicated chapter.

As in previous years, throughout 2010 the Fund carried on the regular activities inherent to a deposit guarantee fund with an ex-ante contributory scheme, the most relevant of which are listed below:

- Calculation of the annual contribution for 2010 of each member institution, based on the end-of-month credit balances of deposits covered by the guarantee reported in 2009;
- Collection of annual contributions at the end of April and conclusion of contracts with member institutions relating to the assumption of irrevocable and collateralised payment commitments, as regards the share of contributions not paid in cash;
- Management of the Fund’s financial resources, in compliance with the criteria established by the Management Committee for financial investment operations, and according to the guidelines and regulations established in the investment plan agreed between the Fund and Banco de Portugal, pursuant to the provisions laid down in Article 163 of RGICSF.

In addition, the Fund participated at Community level in the review of the Directive on deposit guarantee schemes and continued to co-operate with other deposit guarantee schemes, in particular with those of other European Union Member States, namely within the framework of the European Forum of Deposit Insurers (EFDI), of which the Fund is a founder member.

Several initiatives and technical studies have also been developed on the operation and activity of the Fund and its role as a safety net for depositors and as a contributor to the stability of the domestic banking system.

As described in greater detail in Chapter 4, the own resources of the Fund totalled €1,354 million at the end of 2010, of which €441 million were represented by irrevocable payment commitments contractually assumed by member credit institutions and mainly collateralised by government debt securities. The financial capacity indicators of the Fund deteriorated slightly in 2010 (a decrease of 3.8% in own resources), reversing the rising trend observed in previous years. Developments in 2010 are justified by the repayment of deposits with BPP, as explained below.

## 2. REPAYMENT OF DEPOSITS WITH BANCO PRIVADO PORTUGUÊS, S.A. (IN LIQUIDATION)

On 16 April 2010 Banco de Portugal made public its decision to withdraw the authorisation given to BPP (in liquidation) to pursue its business, therefore triggering the Deposit Guarantee Fund by virtue of Article 167 (5) (b) of RGICSF.

In accordance with Article 167 (7) of RGICSF, the repayment of deposits is based on a full account to be provided to the Fund by the deposit-taking institution, irrespective of whatever information and analyses the Fund requires to meet its obligations. In accordance with this provision, on 22 April BPP provided the Fund with the list of depositors' claims.

In order to test the operating procedures used to prepare the list of the depositors' eligible claims and check its accuracy, the Fund requested an audit from Deloitte & Associados, SROC, S.A., which submitted its report on 20 April.

In this context, on 22 April 2010 the Management Committee of the Fund determined the immediate repayment up to €10,000 of claims of the depositors who were not excluded from the Fund's guarantee. Repayment to depositors was suspended where there were doubts about such right.

Pursuant to the provisions of Article 167 (1) of RGICSF, repayment of deposits by the Fund shall take place within a maximum period of seven days for a share of up to €10,000 of deposits covered by the guarantee. The remainder up to the amount of €100,000 shall be repaid within a maximum period of twenty working days.

Following the decision taken on 22 April, deposits to the total amount of €22.7 million were repaid on the occasion. As mentioned above, this repayment comprised all depositors within the Fund's scope of cover, whose situation did not raise any doubts and in relation to whom the Fund had been provided with the respective bank account number for the transfer of the funds.

The Management Committee also decided to initiate inquiry proceedings to clarify doubts about the right to repayment of a number of depositors, as well as to notify the depositors excluded from the right to repayment, as identified in the list of the depositors' claims provided by BPP to the Fund.

On 12 May 2010 the Fund was notified of an injunction in the form of a court order following a request lodged by twelve credit institutions.<sup>1</sup> This injunction required the Fund to provisionally refrain from making any repayments to the holders of the deposits with BPP in the situations listed in the said court order.

On 17 May another request in every respect identical to the earlier one was also lodged by Banco Comercial Português, S.A. and two other credit institutions linked to this bank.

Although the Fund submitted in a timely manner an application to the Court requesting this interim order to be lifted and filed its opposition to the requests, the said interim court order led to the suspension of the repayment process initiated by the decision of 22 April.

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<sup>1</sup> Banco Espírito Santo, S.A., Banco BPI, S.A., Banco Santander Totta, S.A., BANIF – Banco Internacional do Funchal, S.A., BPI – Banco Português de Investimento, S.A., Banco Espírito Santo de Investimento, S.A., Banco Espírito Santo dos Açores, S.A., BEST – Banco Electrónico de Serviço Total, S.A., BANIF Banco de Investimento, S.A., Caixa Económica Montepio Geral, Banco de Investimento Global, S.A. and Banco BIC Português, S.A.

The Administrative Court of the District of Lisbon refused both requests by the banks through decisions of 26 July and 20 September 2010. Having analysed the consequences of these refusals, in particular in the light of the last decision, the Fund considered that the interim injunction was no longer in force, given that any appeal to the Central Administrative Court would have a merely devolutive effect. On these grounds, on 1 October 2010, the Fund's Management Committee decided to resume the repayment of deposits by paying out the amounts due up to the legal limits of the guarantee.

As an immediate consequence of this decision, the Fund made additional repayments totalling €46.4 million.

The Fund has since then made additional repayments mainly for the following reasons: (i) the Fund was provided with the bank account number of depositors who although not being excluded from the Fund's guarantee, nor being in situations that gave rise to doubts, had not been paid before for the sole reason that the Fund did not have their bank account number; (ii) doubts which had given rise to the suspension of the repayment were clarified; and, (iii) the initial list of depositors was subject to material corrections, which were communicated by the liquidator of BPP and checked by the Fund, although in this case the payments were in a much smaller amount.

Over the course of 2010, the Fund repaid deposits to the total amount of €89.2 million. Taking into account the cases of depositors who, on 31 December 2010, had not been repaid for the sole reason that the Fund was not in possession of the bank account number in order to transfer the funds, as well as a small number of cases where the transfers ordered by the Fund could not be made for operational reasons beyond the Fund's control, the total amount of deposits covered by the Fund's guarantee held by depositors whose right to repayment was actually recognised reached €90.7 million at the end of the year.

The Fund continues its efforts to clarify the doubts which prevented the repayment of a number of deposits, in full compliance with its legal framework.

In accordance with Article 167 (9) of RGICSF, the Fund shall be subrogated to the rights of the depositors for an amount equal to the repayments it has made. Therefore, within the scope of the winding-up proceedings of BPP, the Fund lodged claims against the bank. These claims were recognised by the liquidator of BPP with the publication of the list referred to in Article 129 (1) of the Código da Insolvência e da Recuperação de Empresas – CIRE (Insolvency and Corporate Recovery Code).

### 3. MEMBER CREDIT INSTITUTIONS

Credit institutions authorised to take deposits shall compulsorily be members of the Fund in compliance with Article 156 of RGICSF; the only exceptions being mutual agricultural credit banks belonging to the Integrated Mutual Agricultural Credit Scheme, which are subject to a specific deposit guarantee scheme (Fundo de Garantia do Crédito Agrícola Mútuo – FGCAM (Mutual Agricultural Credit Guarantee Fund)).

At the end of 2010, 49 credit institutions were members of the Fund, of which 39 banks, 5 savings banks and 5 mutual agricultural credit banks not belonging to the Integrated Mutual Agricultural Credit Scheme. This implies that 3 credit institutions ceased to be members of the Fund in 2010. In addition to BPP, whose authorisation was withdrawn by Banco de Portugal, the following institutions ceased to be members of the Fund: Banco Santander de Negócios Portugal, which was incorporated in Banco Santander Totta, S.A.; Credifin, which was incorporated in Banco BNP Paribas Personal Finance, S.A., and Sanpaolo IMI Bank (International), S.A., due to the cancellation of its registration with Banco de Portugal following voluntary winding-up by its sole shareholder.

TABLE I

MEMBER CREDIT INSTITUTIONS OF THE DEPOSIT GUARANTEE FUND				
Member credit institutions	As at 31 December 2009	Changes in 2010		As at 31 December 2010
		New members	Outgoings	
Banks	43	-	4	39
Savings banks	5	-	-	5
Mutual agricultural credit banks	5	-	-	5
<b>Total</b>	<b>53</b>	<b>-</b>	<b>4</b>	<b>49</b>

Source: Deposit Guarantee Fund.

In compliance with Article 22 (c) of the Fund's Regulations, approved by Executive Order No 285-B/95 of 19 September 1995, the list of member credit institutions was published in the daily press (two of the most widely read newspapers and one newspaper specialising in economic and financial information) in September 2010. The Accounts for the year 2009 were also published on the same occasion, in order to provide the general public with information about the activities and financial situation of the Fund.

A list of the 49 member credit institutions on 31 December 2010 is included in an annex to this Annual Report and Accounts.

## 4. FINANCIAL RESOURCES OF THE FUND

As at 31 December 2010, the own resources of the Fund<sup>1</sup> totalled €1,354.1 million, i.e. €53.5 million (3.8%) less than at the end of 2009, as shown in Table II.

This contrasts with the previous growth trend in own resources, which was a natural consequence of the accumulation of contributions paid by member credit institutions.

The decrease in 2010 is justified by the repayment of deposits with BPP, amounting to €90.7 million, as explained in a dedicated chapter, which also implied making provisions to the amount of €5.6 million for repayments to be made relating to deposits whose right to repayment has been recognised but which had not been paid by 31 December. The amount of own resources used to repay deposits with BPP totalled €96.3 million in 2010.

On the other hand, there was an increase in own resources stemming from annual contributions by member credit institutions (€39.0 million) and from the net profit for the year (€3.8 million).

As usual, contributions to profit/loss for the year are mainly the result of interest from investments made by the Fund and gains from the sale and valuation of securities. As detailed in Chapter 6, 2010 saw a drop of 65.5% in net profit compared with 2009, due to: (i) the fact that yields on government debt securities of issuers with the higher share in the Fund's portfolio were much lower in 2010 than in 2009; and (ii) an increase in exposure to countries with higher credit quality and lower interest rate levels.

TABLE II

DEVELOPMENTS IN OWN RESOURCES AND PROFIT AND LOSS			EUR thousands
Nature of the resources	Balance as at 31 December 2009	Balance as at 31 December 2010	Change in balances
<b>Contributions paid to the fund</b>			
Single initial contribution paid by Banco de Portugal	97,824	97,824	-
Contributions paid by member credit institutions	98,500	98,500	-
Periodical (annual) contributions (*)	966,253	1,005,263	39,010
<b>Sum of contributions</b>	<b>1,162,577</b>	<b>1,201,587</b>	<b>39,010</b>
Triggering of the deposit guarantee	-	- 96,274	- 96,274
Reserves**	233,893	244,935	11,042
<b>profit/loss</b>			
Profit/loss brought forward	-	-	-
Net profit/loss for the year	11,042	3,809	- 7,233
<b>Total Own resources and Profit/Loss</b>	<b>1,407,512</b>	<b>1,354,056</b>	<b>- 53,456</b>

Source: Deposit Guarantee Fund

\* Includes contributions paid in cash and the share corresponding to the irrevocable payment commitments assumed by member credit institutions.

\*\* Reserves are formed by the accumulation of annual profit obtained by the Fund.

<sup>1</sup> "Own resources" comprise the initial contributions of Banco de Portugal, the initial and periodical contributions of member credit institutions and income from the investment of the Fund's resources.

The ratio of the Fund's own resources to eligible deposits<sup>1</sup> increased slightly in 2009 compared with end-2008. However, this ratio narrowed to 0.88% in 2010. This reduction resulted from the combination of both a decrease in own resources (for the reasons stated behind) and an increase in the amount of eligible deposits, following the trend seen in previous years.

Table III

COVERAGE LEVEL OF GUARANTEED DEPOSITS			EUR thousands
	As at 31 December 2008	As at 31 December 2009	As at 31 December 2010
Fund's own resources			
Including irrevocable payment commitments (A)	1,356,607	1,407,512	1,354,056
Excluding irrevocable payment commitments (B)	922,842	969,899	912,662
Eligible deposits (C)	144,679,918	146,987,453	154,130,704
<b>Ratio (A) / (C)</b>	<b>0.94%</b>	<b>0.96%</b>	<b>0.88%</b>

Source: Deposit Guarantee Fund

With regard to deposits excluded from the Fund's guarantee (Article 165 of RGICSF) those held by credit institutions, financial companies, insurance undertakings and general government bodies continue to account for the larger share of this aggregate.

Taking only into account the value of deposits covered by the guarantee<sup>2</sup>, the Fund's capital coverage ratio was 1.42% as at 30 June 2010, the last date for which this information is available.

<sup>1</sup> Eligible deposits correspond to deposits that form the incidence basis of the annual contribution to the Fund, not taking into account the €100,000 limit of the guarantee per depositor established by law, in the event of deposit unavailability.

<sup>2</sup> Deposits covered by the guarantee correspond to deposits repayable in the event of unavailability, corresponding to deposits covered by the €100,000 limit of the guarantee.

## 5. CONTRIBUTIONS OF MEMBER CREDIT INSTITUTIONS TO THE FUND

In the calculation of the periodical contributions for 2010, a base rate of 0.03% was applied to the amount of eligible deposits weighted by a factor determined by the capital adequacy ratio of each member institution. In the same period, the reduced rate of 0.01% applied on deposits with offshore branches in the free trade zones of Madeira and Santa Maria Island remained unchanged. The Management Committee set the minimum contribution at €17,500.

Table IV shows that in 2010 total contributions from member credit institutions amounted to €39 million, of which 90.3% corresponded to payments in cash and the remainder to the assumption of irrevocable payment commitments.

During the year under review, irrevocable payment commitments amounted to €3.8 million, accounting approximately for 9.7% of total contributions, which is close to the maximum percentage defined by regulation for 2010 (10%).

Table IV

CONTRIBUTIONS IN 2010		EUR thousands
<b>MEANS OF PAYMENT AND IRREVOCABLE PAYMENT COMMITMENTS</b>		
<b>Contributions to the Fund in 2010</b>		
Cash		35,228
Irrevocable payment commitments		3,782
<b>Total</b>		<b>39,010</b>

Source: Deposit Guarantee Fund.

Table V presents the breakdown of total contributions in 2010 by type of member credit institution, with contributions paid by banks representing 94.5% of total contributions. Savings banks and mutual agricultural credit banks accounted for 5% and 0.5% respectively.

Table V

CONTRIBUTIONS IN 2010 BY TYPE OF CREDIT INSTITUTION		EUR thousands
<b>Contributions in 2010</b>		
Banks		36,886
Savings banks		1,910
Mutual agricultural credit banks *		214
<b>Total</b>		<b>39,010</b>

Source: Deposit Guarantee Fund

\* Not belonging to the Integrated Mutual Agricultural Credit Scheme (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 1998 and falls within the scope of cover of the Mutual Agricultural Credit Guarantee Fund.

In 2010 collateral pledged as guarantee for irrevocable payment commitments was almost fully met through Portuguese government debt securities.

In cumulative terms, irrevocable payment commitments assumed by member credit institutions are mostly collateralised by Treasury bonds and Treasury bills issued by the Portuguese State and by other euro area Member States.

Turning to the breakdown of periodical contributions, 14 credit institutions benefited from the effect of the capital adequacy ratio weightings (weightings of 80% and 90%, for ratios of 12% or more). In these cases, adjusted base rates<sup>1</sup> stood at 0.024% and 0.027%. In turn, for six credit institutions weightings resulted in adjusted base rates of 0.033% and 0.036% – i.e. higher than the 0.03% base rate (weightings of 110% and 120%).

The minimum contribution set at €17,500 by the Management Committee was applied to 24 institutions.

Table VI

BREAKDOWN OF WEIGHTINGS USED IN THE ESTIMATION OF ANNUAL CONTRIBUTIONS				EUR thousands
Weightings of the base contribution rate and minimum contribution	Member credit institutions			Total
	Banks	Savings banks	Mutual agricultural credit banks	
1.2 weighting	2	1	-	3
1.1 weighting	3	-	-	3
1 weighting	7	1	-	8
0.9 weighting	3	1	-	4
0.8 weighting	5	2	3	10
Minimum contribution	22	-	2	24
	<b>42</b>	<b>5</b>	<b>5</b>	<b>52</b>

Source: Deposit Guarantee Fund.

Contributions calculated at the reduced rate of 0.01%, applicable to deposits with offshore branches in the free trade zones of Madeira and Santa Maria Island, continue to have a residual weight on total annual contributions, as shown in Table VII.

<sup>1</sup> The "adjusted base rate" is obtained by applying to the base contribution rate a multiplying factor corresponding to the positioning of the average capital adequacy ratio of each member institution, on an individual basis, in the five categories listed in the table in paragraph 5 of Notice of Banco de Portugal No 11/94 of 29 December 1995.

Table VII

ANNUAL CONTRIBUTIONS TO THE FUND BY TYPE OF CONTRIBUTION RATE			EUR thousands
Contribution rates	Annual contributions		
	2008	2009	2010
Base rate	35,838	39,024	38,300
Reduced rate	881	789	710
<b>Total</b>	<b>36,719</b>	<b>39,813</b>	<b>39,010</b>
Of which:			
. Paid in cash	33,167	35,965	35,228
. Irrevocable payment commitments	3,552	3,848	3,782

Source: Deposit Guarantee Fund

In the evaluation of the financial effort in cash, required every year from member credit institutions, account shall be taken of the effect of the solvency weighting of each institution and the maximum authorised level of utilisation of irrevocable payment commitments, as shown below.

Table VIII

EFFECTIVE CONTRIBUTION RATES IN 2010: IN CASH AND WEIGHTED						
Maximum level of irrevocable payment commitments	Share paid in cash	Base rate	Effective contribution rate in cash	ASR brackets(*)	Weighting multiplying factor	Weighted rate
(1)	(2)	(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%
				≥ 14	0.8	0.0216%

Source: Deposit Guarantee Fund

(\*) ASR (average solvency ratio): average of solvency ratios, calculated on an individual basis, as at 30 June and 31 December of the previous year.

As in 2008 and 2009 the effective contribution rate in cash ranged between 0.0216% and 0.0324% of total eligible deposits.

## 6. FINANCIAL MANAGEMENT OF THE FUND

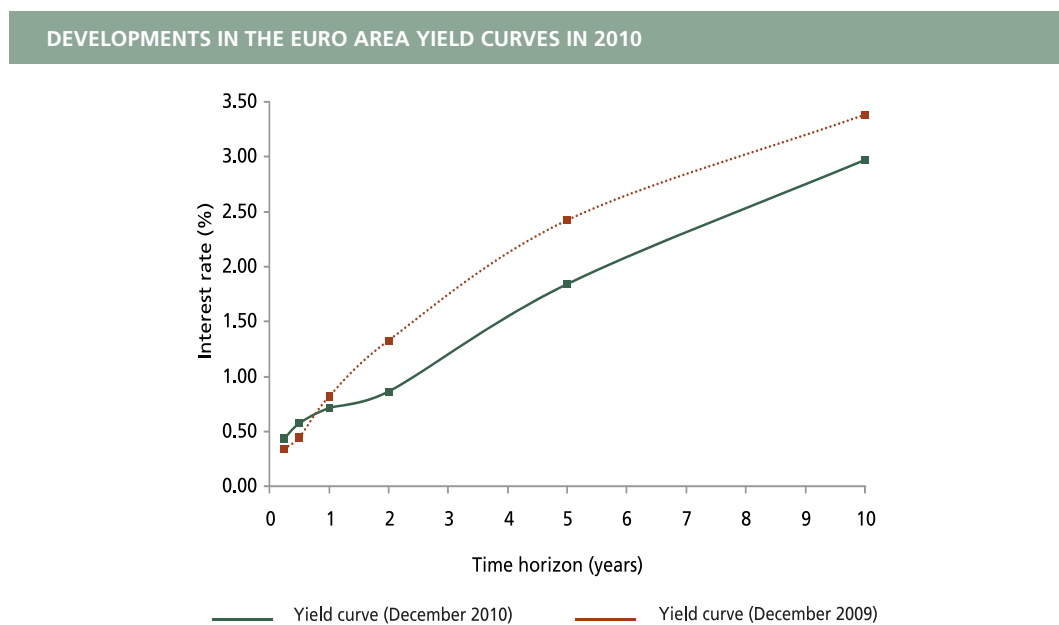
### 6.1. MACROECONOMIC ENVIRONMENT AND FINANCIAL MARKETS DEVELOPMENTS

Euro area GDP increased by 1.8%<sup>1</sup> in 2010, partially recovering from a contraction of -4.1% in 2009. The average annual inflation rate rose to 1.6%, up from 0.3% in 2009.

The Portuguese economy is estimated to have grown by 1.3% and average inflation to have reached 1.4% in 2010, after experiencing a contraction of -2.5% and negative inflation of -0.9% in 2009.

In a context of sovereign debt crisis, the European Central Bank (ECB) and the European System of Central Banks (ESCB) took measures to support the financial system and the economy. The rate on the main refinancing operations of the ECB remained unchanged at 1% throughout the year and some of the non-standard measures introduced in 2009 were maintained – in particular the provision of unlimited liquidity in longer-term refinancing operations and the covered bond purchase programme. A securities markets programme to purchase debt from euro area countries was also implemented.

Chart I



Sources: Thomson Reuters and Support Unit of the Deposit Guarantee Fund

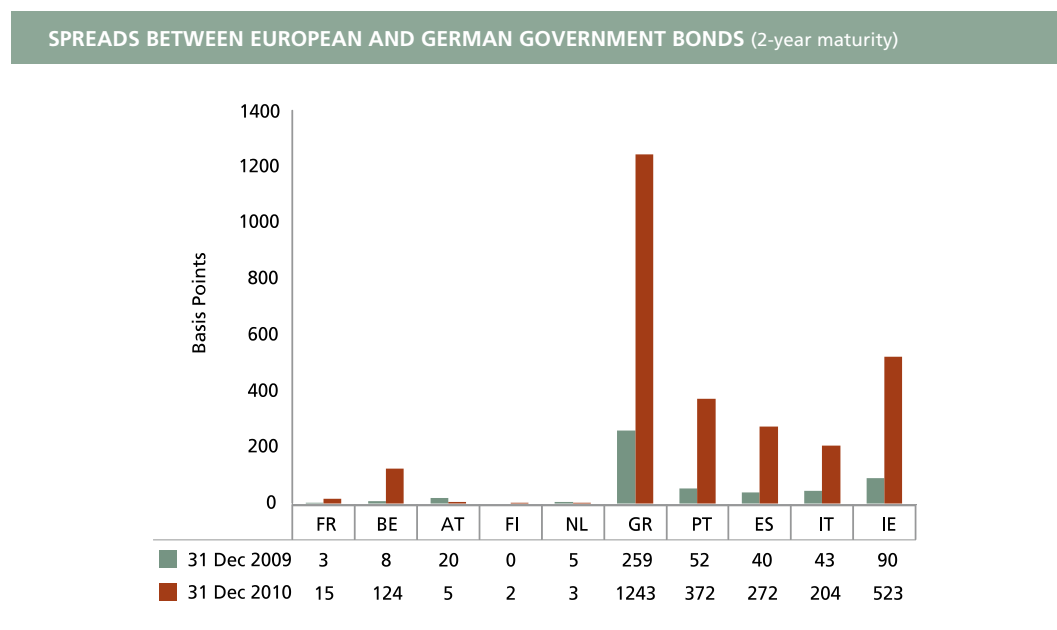
Expectations that the rate on the main refinancing operations of the ECB would remain at historically low levels contributed to a decrease between 10 and 64 basis points (b. p.) in the yield on the benchmark medium and long-term government bonds. At the end of 2010, 10-year government bond yields stood at 2.97%<sup>2</sup>.

<sup>1</sup> Figures for developments in economic activity and annual inflation in the euro area and Portugal were published by Eurostat.

<sup>2</sup> Euro area benchmark: German government bonds.

However, these developments were not seen in a significant number of euro area countries, where the spreads of government bonds against the German benchmark bonds increased, in some cases very sharply. In fact, spreads of long-term government bonds of some euro area countries started to widen in mid-April 2010, with the highest increase in Greece; although to a lesser extent, spreads also edged upwards in Ireland, Portugal, Spain, Italy and Belgium (Chart II),

Chart II



Sources: Thomson Reuters and Support Unit of the Deposit Guarantee Fund

Note: Given that there are no government bonds with the maturities relevant for the analysis, and considering that differences of a few months have material impact on the 2-year maturity, the chart is based on linear interpolations between actual bonds of the countries under analysis.

## 6.2. PORTFOLIO STRUCTURE AND RISK CONTROL

The investment policy of the Fund continued to be in line with the “Plan for the investment of the financial resources of the Deposit Guarantee Fund”, which is reflected in the structure of the benchmark portfolio selected by the Investment Committee on a quarterly basis. The investment policy continued to be geared to limiting portfolio exposure to credit, market and liquidity risks.

As at 31 December 2010 the market value of the asset portfolio of the Deposit Guarantee Fund stood at €919.5 million, i.e. a decrease of around €50.2 million compared with 31 December 2009, partly due to the €89.2 million repayment to BPP’s depositors.

The portfolio of the Deposit Guarantee Fund was exclusively composed of Treasury bills issued by euro area countries.

Table IX

GEOGRAPHICAL BREAKDOWN						
Countries	As at 31 December 2010		As at 31 December 2009		Change	
	Amount	%	Amount	%	Amount	p.p *
Germany	31,314	3.4	40,393	4.2	-9,079	-0.8
Belgium	180,746	19.6	88,260	9.1	92,486	10.5
Spain	151,431	16.5	173,634	17.9	-22,203	-1.4
France	144,769	15.7	65,175	6.7	79,594	9.0
Greece	0	0.0	9,932	1.0	-9,932	-1.0
Netherlands	115,920	12.6	87,340	9.0	28,580	3.6
Ireland	0	0.0	70,948	7.3	-70,948	-7.3
Italy	160,107	17.4	208,493	21.5	-48,386	-4.1
Portugal	136,098	14.8	204,748	21.1	-68,650	-6.3
Supranational organisations	0	0.0	20,985	2.3	-20,985	-2.3

\* Change in percentage points of the weight in the portfolio structure.

Note: The analysis is made from a transactions perspective, excluding taxes and other outstanding cash-flows

The decrease in the average modified duration of the portfolio from the previous year (from 0.36 to 0.25) reflects expectations of an increase in interest rates in the maturities relevant for the Fund, considering their current historical lows. The modified duration of the portfolio stood at 0.25 on 31 December 2010.

Expectations of rising interest rates were also reflected in changes in the distribution of investments across maturity segments, a higher weight being given to the shorter end of the yield curve.

Table X

MODIFIED DURATION				
Maturity segments	2010		2009	
	Average weight (%)	Average modified duration (years)	Average weight (%)	Average modified duration (years)
Up to 1 month	26.7%	0.06	16.7%	0.05
1 to 3 months	37.2%	0.16	26.8%	0.17
3 to 6 months	24.9%	0.36	28.7%	0.36
6 months to 1 year	11.1%	0.70	26.0%	0.69
1 to 3 years	-	-	1.8%	0.79
<b>Total</b>	<b>100%</b>	<b>0.25</b>	<b>100%</b>	<b>0.36</b>

Throughout 2010, the market risk of the financial assets portfolio, measured by the Value at Risk (VaR) over a one-month time horizon, with a 95% confidence level, hovered around an average of 0.16% of the portfolio value. As at 31 December 2010 the VaR stood at €1.2 million, i.e. 0.13% of the portfolio value.

### 6.3. PROFIT AND LOSS

The prevalence of a strategy of holding portfolio investments until their maturity implied that, over a time horizon of one year, the yield-to-maturity was the main determinant of portfolio returns, rather than quotation changes. In this context, returns increased in tandem with maturities, although the euro area yield curve shifted upwards.

Table XI

RETURN BY MATURITY SEGMENT <sup>1</sup>			
Gross return on the securities portfolio	2010	Average modified duration	Average weight
	TWRR	2010	2010
Up to 1 month	0.5%	0.1	26.7%
1 to 3 months	0.5%	0.2	37.2%
3 to 6 months	0.8%	0.4	24.9%
6 months to 1 year	0.9%	0.7	11.1%
1 to 3 years	-0.6%	-	0.0%
<b>Total</b>	<b>0.5%</b>	<b>0.3</b>	<b>100.0%</b>
Impact of management costs	0.0%		
Tax impact	-0.1%		
<b>Total net return on the Fund's portfolio</b>	<b>0.4%</b>		

The conservative nature of the Fund's investment policy, which favours short-term investment in issuers with low credit risk, was key to the levels of return achieved by the Fund.

In 2010 overall gross return of the Fund stood at 0.5%, i.e. 0.4% in net terms.

<sup>1</sup> Time-weighted rate of return (TWRR); return is net of taxes, unless otherwise indicated.

Table XII

PERFORMANCE BY GOVERNMENT BOND ISSUER   2010	
Countries	Return
Germany	0.1%
Belgium	0.5%
Spain	0.7%
France	0.4%
Greece	0.7%
Netherlands	0.4%
Ireland	0.3%
Italy	0.7%
Portugal	0.8%
Supranational organisations	0.5%

Given that the Fund followed a held-to-maturity investment strategy, differences in return among countries mostly reflect differences in short-term interest rates on sovereign debt across countries, the maturity of investments by the Fund, and the specific moment in time of the said investments.

Considering as benchmark the return on a "minimum risk" asset, defined as a one-month government bond, the Fund's return net of taxes and management costs was higher. This was due to the held-to-maturity investment strategy pursued and to the geographical dispersion of the investment portfolio.

Table XIII

RATIO OF NET RETURN ON THE FUND'S PORTFOLIO TO THE MINIMUM RISK ASSET <sup>1</sup>			
	Deposit Guarantee Fund	Minimum risk asset	Excess return
2010	0.4%	0.3%	0.1%

<sup>1</sup> The net return on the minimum risk asset results from investment in one-month French government bonds, the shortest maturity for which liquidity levels are still acceptable. For tax purposes, it is assumed that the coupon rate on one-month government bonds is equal to its yield-to-maturity.

## 7. REGULATORY AND LEGISLATIVE CHANGES

As regards the contribution scheme to the Fund to which member institutions are subject, Instructions of Banco de Portugal No 22/2010 and 23/2010 were published in the Official Bulletin of Banco de Portugal, setting the base contribution rate and the limit on the irrevocable payment commitments in 2011 at 0.03% and 10% respectively. These rates remained unchanged from the previous year.

In addition, Banco de Portugal published Notice No 4/2010 of 5 November which allows the Bank to set a minimum annual contribution to the Fund by means of an Instruction.

For 2011, the minimum contribution had already been set at €17,500 (same as in previous years), in accordance with a Decision of the Management Committee of 15 September.

## 8. AUDITING OF THE FUND

The Board of Auditors of Banco de Portugal is the entity responsible for monitoring the Fund's activity, pursuant to the provisions laid down in Article 171 of RGICSF and in Article 25 of the Fund's Regulations.

The opinion of the Board of Auditors of Banco de Portugal on the Annual Report and Accounts of the Fund for the year 2010 is included in an annex.

The financial statements of the Fund for 2010 were also subject to an external audit conducted by Ernst & Young.

The Court of Auditors, which is responsible for the successive auditing of the Fund's activities, pursuant to the legal provisions in force, received all the necessary information regarding the year 2009, in particular the Annual Report and Accounts, after approval by Decision No 779/10/SETF4/09 of 21 May 2010 of the Secretary of State for the Treasury and Finance.

## 9. SUPPORT BY BANCO DE PORTUGAL AND CO-OPERATION OF MEMBER INSTITUTIONS

The Management Committee expresses its appreciation to all units of Banco de Portugal that, within the scope of the co-operation envisaged in the Protocol signed in January 1995 and updated in 2010, contributed with their expertise and administrative support to the smooth operation of the Fund, ensuring in particular the accounting records of operations and the preparation of the annual financial statements, the management of financial resources and the participation in procedures for the collection of the annual contributions of member credit institutions to the Fund.

Among these units, special reference should be made to the Support Unit of the Deposit Guarantee Fund, the Accounting Department, the Payment Systems Department, the Markets and Reserve Management Department, the International Relations Department, the Legal Services Department, the Administrative Services Department, the Banking Prudential Supervision Department and the Banking Conduct Supervision Department.

In 2010 and considering the operations related to the reimbursement of deposits with BPP, the Management Committee would also like to record its gratitude for the special co-operation provided to the Fund by the Legal Services Department and the Banking Prudential Supervision Department.

The Management Committee also wishes to express its appreciation to the member credit institutions and to Associação Portuguesa de Bancos (Portuguese Banking Association) for the excellent co-operation with the Fund, in particular as regards the enforcement of the contribution scheme in force.

### Management Committee

#### Chairman

Pedro Miguel de Seabra Duarte Neves

#### Member

João Maurício Fernandes Salgueiro

#### Member

Carlos Manuel Durães da Conceição

FINANCIAL STATEMENTS AND NOTES ON  
THE FINANCIAL STATEMENTS



## 10. FINANCIAL STATEMENTS



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BALANCE SHEET		EUR thousands	
	Notes	31 Dec. 2010	31 Dec. 2009
<b>Assets</b>			
<b>Current assets</b>			
Financial investments			
Financial assets held for trading	3	920,385.6	970,457.9
Cash and bank deposits	4	60.6	153.0
State and other public entities	5	199.8	199.8
Other receivables	6	38.8	0.9
		<b>920,684.8</b>	<b>970,811.5</b>
<b>Non-current assets</b>			
Member institutions			
Contributions - irrevocable payment commitments	7	441,356.5	437,612.2
Tangible fixed assets	8	4.7	1.2
		<b>441,361.2</b>	<b>437,613.5</b>
<b>Total assets</b>		<b>1,362,046.0</b>	<b>1,408,425.0</b>
<b>Own resources</b>	9	<b>1,354,056.0</b>	<b>1,407,511.5</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Claimants of deposits to be repaid	10	1,482.7	-
State and other public entities	5	628.0	485.7
Other payables	11	8.3	8.7
		<b>2,119.0</b>	<b>494.4</b>
<b>Non-current liabilities</b>			
Provisions	12	5,575.4	-
Deferred tax liabilities	15	295.6	419.1
		<b>5,871.0</b>	<b>419.1</b>
<b>Total liabilities</b>		<b>7,990.0</b>	<b>913.5</b>
<b>Total own resources and liabilities</b>		<b>1,362,046.0</b>	<b>1,408,425.0</b>

PROFIT AND LOSS ACCOUNT		EUR thousands	
	Notes	31 Dec. 2010	31 Dec. 2009
Interest and similar income and expenses	13	143.2	1,908.2
Gains/losses on financial investments	14	5083.3	11,774.5
Income tax	15	1088.5	2,478.3
<b>Income from the allocation of available resources</b>		<b>4,137.9</b>	<b>11,204.4</b>
Staff costs	16	33.3	20.9
Supplies and services of third parties	17	283.3	172.0
Other income and gains	18	-	32.5
Other costs and losses	18	11.6	1.5
<b>Profit/loss before provisions, impairment, depreciation and amortisation</b>		<b>3,809.9</b>	<b>11,042.5</b>
Costs/reversal of depreciation and amortisation	8	1.2	0.5
<b>Net profit/loss</b>		<b>3,808.7</b>	<b>11,042.0</b>



## STATEMENT OF CHANGES IN OWN RESOURCES

EUR thousands

	Initial	Contributions			Reserves	Net profit/loss	OWN RESOURCES
		Cash	Periodical	Repaid deposits			
			Irrevocable payment commitments				
Position as at 31 December 2008	196,273.9	492,675.4	433,764.7	-	196,803.6	37,089.1	1,356,606.6
Changes in own resources							
First adoption of new accounting rules	-	-	-	-	-	- 419.1	- 419.1
Net profit/loss for the year	-	-	-	-	-	- 419.1	- 419.1
Comparable net profit/loss for the year						11,461.1	11,461.1
Contributions						11,042.0	11,042.0
Contributions by member institutions	50.0	35,965.3	3,847.6	-	-	-	39,862.8
Profit distribution	-	-	-	-	37,089.1	- 37,089.1	-
	50.0	35,965.3	3,847.6	-	37,089.1	- 26,047.1	50,904.9
<b>Position as at 31 December 2009</b>	<b>196,323.9</b>	<b>528,640.6</b>	<b>437,612.2</b>	<b>-</b>	<b>233,892.7</b>	<b>11,042.0</b>	<b>1,407,511.5</b>
Net profit/loss for the year						3,808.7	3,808.7
Contributions						3,808.7	3,808.7
Contribuições							
Contributions by member institutions	-	35,228.0	3,782.2	-	-	-	39,010.2
Triggering of the deposit guarantee							
Repayment of deposits covered by the guarantee	-	-	-	- 90,699.0	-	-	- 90,699.0
Provisioning for deposits covered by the guarantee	-	-	-	- 5,575.4	-	-	- 5,575.4
Profit distribution	-	-	-	-	11,042.0	- 11,042.0	-
	-	35,228.0	3,782.2	- 96,274.4	11,042.0	- 7,233.3	- 53,455.5
<b>Position as at 31 December 2010</b>	<b>196,323.9</b>	<b>563,868.6</b>	<b>441,394.4</b>	<b>- 96,274.4</b>	<b>244,934.8</b>	<b>3,808.7</b>	<b>1,354,056.0</b>

STATEMENT OF CASH FLOWS	EUR thousands	
	31 Dec. 2010	31 Dec. 2009
Cash flows from operating activities		
Receipts from contributions	35,228.0	36,015.3
Repayment of deposits covered by the guarantee	- 89,216.3	-
Income tax payment	- 1,072.7	- 6,728.4
Other receipts/payments	- 330.1	- 166.7
<b>Cash flows from operating activities [1]</b>	<b>- 55,391.1</b>	<b>29,120.1</b>
Cash flows from investing activities		
Payments relating to:		
Financial investments	-3,545,132.9	-2,994,940.7
Receipts from:		
Financial investments	3,600,276.5	2,962,048.7
Interest and similar income	156.1	3,609.5
<b>Cash flows from investing activities [2]</b>	<b>55,299.7</b>	<b>- 29,282.5</b>
Cash flows from financing activities		
Payments regarding:		
Other financing operations	- 1.0	-
<b>Cash flows from financing activities [3]</b>	<b>- 1.0</b>	<b>-</b>
<b>Change in cash and cash like instruments [4]=[1]+[2]+[3]</b>	<b>- 92.4</b>	<b>- 162.4</b>
Cash and cash-like instruments at the start of the period	153.0	315.4
Cash and cash-like instruments at the end of the period	60.6	153.0

## 11. NOTES ON THE FINANCIAL STATEMENTS

(Amounts in EUR thousands, unless otherwise indicated)

### NOTE 1 ACTIVITIES OF THE DEPOSIT GUARANTEE FUND

The Fundo de Garantia de Depósitos – FGD (Deposit Guarantee Fund) (hereinafter referred to as “the Fund” or “FGD”) is a public-law legal person with administrative and financial autonomy, the purpose of which is the repayment of the overall credit balance of each depositor, up to a maximum of EUR 100,000, in accordance with specific conditions, when the deposits of the respective credit institution become unavailable. The Fund may also co-operate, on a temporary basis, in financial support initiatives intended to restore the liquidity and solvency conditions of its member credit institutions, within the framework of the recovery and reorganisation plans conducted by Banco de Portugal.

The Fund was created by Regime Geral das Instituições de Crédito e Sociedades Financeiras – RGICSF (Legal Framework of Credit Institutions and Financial Companies) (hereinafter referred to as “RGICSF”), approved by Decree-Law No 298/92 of 31 December 1992, having its head office in Lisbon, in the premises of Banco de Portugal, which also provides the technical and administrative services required for the regular operation of the Fund.

### NOTE 2 BASIS FOR PRESENTATION AND MAIN ACCOUNTING POLICIES

#### 2.1. Basis for presentation

In accordance with the provisions laid down in Article 170 of RGICSF, the accounting principles that guide the drawing up of the Fund’s financial statements are set out in its own Chart of Accounts. Therefore, the financial statements of the Fund as at 31 December 2010 were prepared in accordance with its new Chart of Accounts, which entered into force on 1 January 2010.<sup>1</sup> The new Chart of Accounts is based on the International Accounting Standards (IAS), approved by Regulation (EC) No 1606/2002 of the European Parliament and of the Council, with the amendments introduced up to 1 January 2010, which are subject to the specific provisions laid down in the Chart of Accounts, which provide an appropriate framework for the legal and operational nature of the Fund. In this context, the recognition and measurement criteria set out in the applicable IAS were adopted, except if otherwise provided for in the Chart of Accounts.

The Chart of Accounts of the Fund defines the models of the financial statements and the minimum content of the explanatory notes. The financial statements have been drawn up on a historical cost basis, excluding those assets recorded at fair value, namely financial assets held for trading. To ensure the comparability of financial data, figures for 2009 include the reclassification of financial items in accordance with the 2010 Report, as described in Note 21.

#### 2.2. Main accounting policies

The main accounting policies and valuation criteria used in the preparation of the financial statements for the year 2010 are the following:

<sup>1</sup> Up to 31 December 2009 the financial statements of the Fund were prepared in accordance with the Chart of Accounts in force up to that date, which was based on the Official Chart of Accounts (Plano Oficial de Contabilidade – POC (Decree-Law No 410/89 of 21 November).

#### a) Own resources: Contributions and irrevocable payment commitments

The contributions paid to the Fund are one of the components of its own resources, in addition to the reserves after profit distribution of previous years, being recognised as such on the dates set out in Article 161 of RGICSF.

Member institutions pay an initial contribution to the Fund upon registration for the commencement of their activity and, subsequently, an annual contribution, the value of which is calculated according to the contribution brackets fixed by Banco de Portugal, depending on the average balance of deposits in the previous year.

Members can pay this contribution in cash or they can be exempt from making this payment, up to a limit of 75% (fixed by Banco de Portugal on an annual basis), provided they commit themselves irrevocably and through the collateralisation of transferable securities to pay the Fund, at any time as required by the latter, in full or in part, the amount of the contribution that was not paid in cash. In accordance with the Regulations governing the Fund, the periodical contributions are fully included in own resources. The share that corresponds to irrevocable payment commitments is recognised against an asset item. This asset is measured at cost less impairment losses.

In exceptional cases, member institutions pay special contributions, as provided for in Article 162 of RGICSF.

#### b) Financial assets held for trading

Financial assets are classified as held for trading on the acquisition date, when they are acquired with the main purpose of being traded in the short term.

Purchases and sales of financial assets held for trading are recognised on the trade date, i.e. the date the Fund commits itself to purchase or sell the asset. These financial assets are initially recognised at fair value,<sup>1</sup> and the transaction costs are directly recognised in profit/loss. Subsequently, changes in the fair value are recognised in profit/loss.

#### c) Intervention programmes and loans granted to the Sistema de Indemnização aos Investidores (SII)

The Fund may co-operate, on a temporary basis, in financial support initiatives, through (i) loans granted to Sistema de Indemnização aos Investidores – SII (Investor Compensation Scheme), as provided for in Article 155 (2) (b) of RGICSF and in accordance with Article 167-A (6) and (ii) intervention programmes in member institutions, upon invitation of Banco de Portugal, in order to restore the liquidity and solvency conditions of these institutions, in accordance with Article 155 (2) (a) of RGICSF.

These assets are valued at cost (nominal value) less impairment losses.

#### d) Repayment of deposits covered by the guarantee

In the course of its activity, the Fund may be called to repay deposits with a member institution. In this case, a liability is recognised against a decrease in the Fund's own resources. This liability item is measured at the nominal value of the amount to be repaid and it declines as depositors are repaid. In the event of unclaimed amounts by the depositors, the remaining liabilities are offset against a corresponding increase in own resources.

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<sup>1</sup> Fair value, in most cases, corresponds to the bid price.

Should the Fund receive compensation for the repayment of deposits covered by the guarantee, such amount is recognised on the assets side of the balance sheet offset against an increase in own resources, but only when the Fund is given a legal guarantee that it will be repaid and is aware of the amount to be recorded. This asset is valued at cost (nominal value) less impairment losses.

**e) Provision for deposits covered by the guarantee and contingent liabilities**

Triggering the deposit guarantee may involve situations that raise doubts at legal level regarding the eligibility of deposits for repayment purposes. These situations are subject to an assessment to check whether (i) there is a current legal obligation derived from a past event, (ii) an outgoing of funds may probably occur in order to meet that obligation, and (iii) it is possible to make a reliable estimate of the amount in question. Where these conditions are cumulatively met, a provision is made for deposits covered by the guarantee, offset against a reduction in the own resources of the Fund, in accordance with the accounting policy described in (d) above.

Where it is deemed that, as regards the second condition referred to above, the outgoing of funds to meet the said obligation is possible (not probable), a contingent liability is recognised to the detriment of making a provision.

**f) Cash and cash-like instruments**

As regards cash flows, the aggregate “Cash and cash-like instruments” covers all instruments recorded in the balance sheet with an initial maturity of up to three months, including cash and bank deposits.

**g) Income tax**

The Fund, as a public-law legal person, is exempt from corporate income tax (IRC), in accordance with Article 9 of the Código do Imposto sobre o Rendimento das Pessoas Colectivas – CIRC (Corporate Income Tax Code), except for capital income as defined for personal income tax (IRS) purposes (Article 5 of the Código do Imposto sobre o Rendimento das Pessoas Singulares – CIRS (Personal Income Tax Code) – Category E).

Capital income earned in Portugal is subject to tax withholding at source, at the final tax rate in force. As capital income earned abroad is not subject to tax withholding in Portugal, the Fund must submit an income tax statement to the Portuguese tax administration for tax payment purposes. Where capital income is not subject to taxation in the country of origin of income, the final tax rate in force in Portugal is applied. Where capital income is subject to tax withholding in the country of origin, the taxable amount shall correspond to the difference between the tax rate applicable in Portugal and the withholding tax rate applicable abroad.

The income tax recognised in profit/loss of the Fund comprises current taxes and deferred taxes resulting from: (i) future recovery of the amount recorded of assets recognised in the balance sheet, or (ii) transactions and other events in the current period recognised 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	EUR thousands	
	31 Dec. 2010	31 Dec. 2009
Bonds issued by Supranational organisations	-	21,534.1
<b>Government debt securities</b>		
Treasury bonds (zero coupon)	-	22,500.0
Treasury bills	920,385.6	926,423.7
	<b>920,385.6</b>	<b>970,457.9</b>

As at 31 December 2010, the securities portfolio of the Fund was composed of Treasury bills issued in euro area countries. Their accounting treatment is described in Note 2.2. (b). The Annual Report of the Fund contains a detailed description of the portfolio structure and risk control.

### NOTE 4 CASH AND BANK DEPOSITS

The item "Bank deposits" records the amount of cash and demand deposits with Banco de Portugal and with a number of financial institutions.

CASH AND BANK DEPOSITS	EUR thousands	
	31 Dec. 2010	31 Dec. 2009
Cash	0.4	0.4
Bank deposits	60.2	152.6
	<b>60.6</b>	<b>153.0</b>

### NOTE 5 STATE AND OTHER PUBLIC ENTITIES

The item "State and other public entities", recorded in assets, registers the tax withheld at source by the Spanish tax administration relating to income earned on Spanish government bonds on which there is a pending reimbursement request.

The item "State and other public entities", recorded in liabilities, basically comprises the amount of taxes to be paid on income earned on government bonds, which is not withheld at source and, residually, the amounts withheld at source by the Fund regarding earnings of independent workers hired and property income to be paid to the State within the legal deadlines.

## NOTE 6 OTHER RECEIVABLES

The item "Other receivables" records: (i) the nominal amount of securities pledged as collateral provided by BPP to the Fund, representing the share of contributions of past years corresponding to the assumption of irrevocable payment commitments (EUR 38 thousand), and (ii) the payment of the rent of the premises where the Fund is located referring to January 2011.

## NOTA 7 CONTRIBUTIONS - IRREVOCABLE PAYMENT COMMITMENTS

The item "Contributions – irrevocable payment commitments", on the assets side of the Fund's balance sheet, registers the nominal value of the irrevocable payment commitments assumed by the member credit institutions before the Fund, regarding the annual periodical contributions, in accordance with the accounting policy described in Note 2.2. (a). Chapter 5 of the Annual Report of the Fund describes in more detail the contributions paid in the year.

## NOTA 8 TANGIBLE FIXED ASSETS

This item is broken down as follows:

TANGIBLE FIXED ASSETS	EUR thousands		
	Office equipment	Other tangible assets	Total
<b>Gross assets</b>			
As at 31 December 2009	5.4	0.2	5.6
Increases	4.7	-	4.7
As at 31 December 2010	10.1	0.2	10.2
<b>Accumulated depreciation</b>			
As at 31 December 2009	4.2	0.2	4.3
Depreciation and amortisation charges for the year	1.2	-	1.2
As at 31 December 2010	5.3	0.2	5.5
	4.7	-	4.7

Depreciation of tangible fixed assets is calculated according to a constant quota method, by applying the depreciation rates defined in tax terms, which are understood to reflect the period for which the asset is expected to be available for use.

## NOTE 9 OWN RESOURCES

The “Own resources” of the Fund comprise the initial contributions of Banco de Portugal, the initial and periodical contributions of member institutions and income from the investment of the Fund’s resources. The composition and changes in this item are shown in the Statement of Changes in Own Resources.

The annual periodical contributions relating to 2010 amounted to €39,010 thousand, corresponding to: (i) contributions paid in cash and (ii) contributions the payment of which, pursuant to the law, was replaced by the assumption by member credit institutions of irrevocable payment commitments<sup>1</sup>, collateralised by securities eligible for this specific purpose (see Notes 7 and 19), in accordance with the accounting policy described in Note 2.2. (a).

In April 2010 Banco de Portugal withdrew the authorisation of Banco Privado Português, S.A. (hereinafter referred to as “BPP”) to pursue its business. In view of the unavailability of deposits observed on the occasion, under the terms of the law, the Fund triggered the guarantee covering the deposits with that credit institution, having effectively recognised repayment rights amounting to €90,699 thousand up to 31 December 2010. This amount was included in the credit claims presented to the Liquidator of BPP, referred to in Note 19. Amounts pending repayment are recorded in the item “Claimants of deposits to be repaid” (see Note 10).

The Fund also recognises the right to repayment of deposits, which without being the subject of any other reason for exclusion or doubt, are pledged, namely for the benefit of BPP, as a guarantee of the financing obtained from that bank. The right to repayment was also recognised in other specific cases, initially suspended due to doubts about the existence of the right to repayment, but in relation to which the declarative requirement on the part of depositors was in the meantime fulfilled, the respective payment having been made already in 2011. For these situations, a provision was made to the amount of € 5,575 thousand (see Note 12).

The amounts whose right to repayment has been recognised are reflected in a reduction of the item “Own resources” to the amount of € 96,274 thousand, in accordance with the accounting policy described in Note 2.2. (d) and (e).

## NOTE 10 CLAIMANTS OF DEPOSITS TO BE REPAYED

This item records the amounts relating to claims of BPP depositors, whose right to repayment was recognised by the Fund (see Note 9), but whose payment was not made for operational reasons related to the lack of essential data for the correct transfer of the funds.

## NOTE 11 OTHER PAYABLES

The amount recorded in the item “Other payables” corresponds to 50% of fees to be paid relating to the audit of the Fund’s financial statements for the year 2010.

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<sup>1</sup> Banco de Portugal has set at 10% the limit of the irrevocable payment commitment to be applied to the annual periodical contributions in 2010.

## NOTE 12 PROVISIONS

Within the scope of the repayment process of BPP depositors, referred to in Note 9, repayment was not made of all the amounts included in the list of deposits covered by the guarantee of the Fund that was provided by BPP, considering that doubts persisted as to their eligibility.

On 31 December 2010 it was considered probable the future repayment of the deposits on which a pledge was constituted and which were not the object of any other reason for exclusion or doubt. These deposits had not been repaid in 2010 as there were doubts about the holder of the right to repayment by the Fund. Repayment in other specific cases is also probable. This is the case of repayments that had been initially suspended as there were doubts about the existence of the right to repayment, but in relation to which the declarative requirement on the part of depositors was in the meantime fulfilled. These repayments were already made in 2011. A provision for deposits covered by the guarantee was made, to the amount of €5,575 thousand, in accordance with the accounting policy described in Note 2.2. (e), with the purpose of covering the specific liabilities mentioned above.

## NOTE 13 INTEREST AND SIMILAR INCOME AND EXPENSES

The item "Interest and similar income and expenses" is broken down as follows:

INTEREST AND SIMILAR INCOME AND EXPENSES	EUR thousands	
	31 Dec. 2010	31 Dec. 2009
<b>Interest received</b>		
Bonds issued by paragonovernmental/supranational organisations	122.4	309.4
Treasury bonds	-	1,596.5
Demand deposits	21.7	1.6
Other bank deposits	-	0.7
<b>Total interest received</b>	<b>144.2</b>	<b>1,908.2</b>
<b>Total interest paid</b>	<b>1.0</b>	<b>-</b>
	<b>143.2</b>	<b>1,908.2</b>

## NOTE 14 GAINS/LOSSES ON FINANCIAL INVESTMENTS

The item "Gains/losses on financial investments", taken to the Profit and Loss Account, reflects fair value changes in financial assets held for trading, in accordance with the accounting policy described in Note 2.2. (b). This item is broken down as follows:

GAINS/LOSSES ON FINANCIAL INVESTMENTS	EUR thousands					
	31 Dec. 2010			31 Dec. 2009		
	Gains	Losses	Total	Gains	Losses	Total
Bonds issued by paragonovernmental/ supranational organisations	-	22.2	-22.2	553.7	2.7	550.9
<b>Government debt securities</b>						
Treasury bonds	-	-	-	934.7	132.1	802.5
Treasury bonds (zero coupon)	75.0	-	75.0	680.3	-	680.3
Treasury bills	5,183.3	152.8	5,030.5	9,802.9	62.2	9,740.8
	5,258.3	175.0	5,083.3	11,971.6	197.0	11,774.5

## NOTE 15 INCOME TAX

The income tax recognised in the Profit and Loss Account in 2010 and 2009 is broken down as follows:

INCOME TAX	EUR thousands	
	31 Dec. 2010	31 Dec. 2009
<b>Current tax</b>		
Demand deposits	4.2	0.5
Financial assets held for trading	1,207.8	2,058.7
	1,212.0	2,059.2
<b>Deferred tax</b>		
Financial assets held for trading	- 123.5	419.1
	- 123.5	419.1
	1,088.5	2,478.3

The item "Deferred tax liabilities", recorded on the liabilities side of the Fund's balance sheet, reflects the taxation of income already recognised in the Fund's accounts, relating to financial assets held for trading, but whose tax will only be paid in subsequent periods, in accordance with the accounting policy described in Note 2.2. (g).

## NOTE 16 STAFF COSTS

The item "Staff costs" records expenditure with the remunerated members of the Management Committee, as well as the corresponding social security charges.

The increase from the previous fiscal year is due to the fact that another member of the Management Committee started to be remunerated, following a change in the conditions that kept that payment in abeyance, as from May 2010. This effect is dampened by the 5% reduction in the basic remuneration decided by the members of the Management Committee of the Fund, to prevail as from and including June 2010.

## NOTE 17 SUPPLIES AND SERVICES OF THIRD PARTIES

This item is broken down as follows:

SUPPLIES AND SERVICES OF THIRD PARTIES	EUR thousands	
	31 Dec. 2010	31 Dec. 2009
Specialised services	268.1	155.1
Equipment	-	0.2
Travelling, accommodation and transportation expenses	1.3	3.8
Sundry services	13.9	12.8
	<b>283.3</b>	<b>172.0</b>

The item "Specialised services" consisted mainly of the safekeeping fees paid to the securities settlement system, within the scope of the operational activity of the Fund, and the consultancy and legal advice services provided to the Fund, related to the triggering of the BPP deposit guarantee. The item "Sundry services" consisted mainly of the payment of the rent on the premises where the Fund is located and communications expenses.

## NOTE 18 OTHER PROFIT/LOSS

The item "Other income and gains" recorded as at 31 December 2009 the fines paid to the Fund, which were imposed by Banco de Portugal, in its banking supervisory capacity, on a member of the Fund.

The item "Other costs and losses" as at 31 December 2010 consisted mainly of the payment of banking services related to the transfers made to depositors, following the triggering of the BPP deposit guarantee, as described in Note 9.

## NOTE 19 CONTINGENT ASSETS

As at 31 December 2010, the Fund recorded the following contingent assets:

- Securities pledged as collateral, received as a guarantee of the irrevocable payment commitments assumed by member institutions before the Fund (see Notes 7 and 9), as well as by BPP, and whose market value amounts to € 462,254 thousand;
- Rights on the deposits that the Fund will repay following the triggering of the guarantee on the deposits with BPP. In accordance with the provisions laid down in Article 167 (9) of RGICSF, the Fund shall be subrogated to the rights of the depositors to the extent of the repayments it has effected. These rights are recorded in the list of depositors' claims presented to the Liquidator of this institution, to the amount of € 90,699 thousand (as described in Note 9). Only when the Fund has the legal guarantee that it will be compensated for the repayment of deposits and is aware of the final amount to be received, will the corresponding asset be recognised in the balance sheet offset against Own resources. Considering the uncertainty prevailing on 31 December 2010 as to the amount and time of recovery of the repaid amounts, the above amount is considered as a contingent asset and is not recognised in the balance sheet.

## NOTE 20 CONTINGENT LIABILITIES

Within the scope of the repayment process of BPP depositors, referred to in Note 9, not all amounts included in the list of depositors' claims, submitted by BPP to FGD pursuant to the law, were indicated as being covered by the Fund's guarantee, as doubts persisted as to their eligibility.

As at 31 December 2010, contingent liabilities amounted to € 17,255 thousand, considering that a potential contingent liability may arise in respect of deposits with the following characteristics, which are being analysed on a case-by-case basis:

- Deposits in relation to whose holder(s) there are grounded doubts on the application of the reasons for exclusion from the guarantee foreseen by law;
- Amounts in relation to which there are grounded doubts about whether they fall within the Fund's scope of cover;
- Deposits whose holder(s) has(have) debts fallen due and claimable before BPP, to the amount corresponding to the respective debts fallen due and claimable, or to the total amount of the deposit, where the said debt is higher than the deposit or higher than the limit of the guarantee;
- Deposits with BPP opened after the date on which BPP made public its inability to meet payment obligations and on which Banco de Portugal adopted extraordinary liquidation measures;
- Deposits in which new co-holders were included after the date on which BPP made public its inability to meet payment obligations and on which Banco de Portugal adopted extraordinary liquidation measures.

**NOTE 21 ADJUSTMENTS REGARDING THE TRANSITION TO THE NEW CHART OF ACCOUNTS**

By virtue of the application of the principles and rules set out in the Chart of Accounts in force in the 2010 fiscal year (as described in Note 2.1.), the amounts recorded in the financial statements referring to 2009 have been reorganised for comparability purposes. No items were split as there is a direct correspondence between the items in the former Chart of Accounts and those in the Chart of Accounts currently in force. As at 31 December 2009, the Financial Statements by Nature included the following adjustments:

PROFIT AND LOSS ACCOUNT ADJUSTMENTS			EUR thousand
	31 Dec. 2009 Revoked Chart of Accounts	Transition ad- justments to the new Chart of Accounts	"31 Dec. 2009 New Chart of Accounts1"
Interest and similar income and expenses	1,908.2	-	1,908.2
Gains/losses on financial investments	11,774.5	-	11,774.5
Income tax	2,059.2	419.1	2,478.3
<b>Income from the Allocation of available resources</b>	<b>11,623.5</b>	<b>-419.1</b>	<b>11,204.4</b>
Staff costs	20.9	-	20.9
Supplies and services of third parties	172.0	-	172.0
Other income and gains	32.5	-	32.5
Other costs and losses	1.5	-	1.5
<b>Profit/loss before provisions, impairment, depreciation and amortisation</b>	<b>11,461.6</b>	<b>-419.1</b>	<b>11,042.5</b>
Costs/reversal of depreciation and amortisation	0.5	-	0.5
<b>Net profit/loss</b>	<b>11,461.1</b>	<b>-419.1</b>	<b>11,042.0</b>

The adjustment to the amount of €419 thousand in Net Profit/Loss results from the pro forma recognition of expenses with deferred taxes, resulting from the taxation of gains due to the increase in the fair value of financial assets held for trading, recognised in 2009, but whose tax is only due in subsequent periods.

The balance sheet of the Fund as at 31 December 2009 is reconciled as follows

BALANCE SHEET ADJUSTMENTS				EUR thousands
	31 Dec. 2009 Revoked Chart of Accounts	Reclassifica- tions	Transition adjustments to the new Chart of Accounts	"31 Dec. 2009 1New Chart of Accounts1"
<b>Assets</b>				
<b>Current assets</b>				
Financial investments				
Financial assets held for trading	970,445.9	11.9	-	970,457.9
Cash and bank deposits	153.0	-	-	153.0
State and other public entities	199.8	-	-	199.8
Other receivables	12.8	-11.9	-	0.9
<b>Non-current assets</b>				
Member institutions				
Contributions - irrevocable payment commitments	437,612.2	-	-	437,612.2
Tangible fixed assets	1.2	-	-	1.2
<b>Total assets</b>	<b>1,408,425.0</b>	<b>-</b>	<b>-</b>	<b>1,408,425.0</b>
<b>Own resources</b>	<b>1,407,930.6</b>	<b>-</b>	<b>-419.1</b>	<b>1,407,511.5</b>
<b>Liabilities</b>				
<b>Current liabilities</b>				
State and other public entities	485.7	-	-	485.7
Other payables	8.7	-	-	8.7
<b>Non-current liabilities</b>				
Deferred tax liabilities	-	-	419.1	419.1
<b>Total liabilities</b>	<b>494.4</b>	<b>-</b>	<b>419.1</b>	<b>913.5</b>
<b>Total own resources and liabilities</b>	<b>1,408,425.0</b>	<b>-</b>	<b>-</b>	<b>1,408,425.0</b>

The balance sheet as at 31 December 2009 comprises (i) the adjustment mentioned above, producing an impact on Net Profit/Loss and (ii) the reclassification, on an accruals basis, of interest on financial assets held for trading.

## 12. PROPOSAL FOR THE DISTRIBUTION OF RESULTS

Pursuant to the proposal of the Management Committee, profit for the year 2010, amounting to € 3,808,680, shall be transferred to Reserves.

Lisbon, March 2011

### **The Management Committee**

#### **Chairman**

Pedro Miguel de Seabra Duarte Neves

#### **Member**

João Maurício Fernandes Salgueiro

#### **Member**

Carlos Manuel Durães da Conceição



OPINION OF THE BOARD OF AUDITORS OF  
BANCO DE PORTUGAL



# FUNDO DE GARANTIA DE DEPÓSITOS



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

In accordance with Article 171 of the Regime Geral das Instituições de Crédito e Sociedades Financeiras – RGICSF (Legal Framework of Credit Institutions and Financial Companies) (hereinafter referred to as “RGICSF”) and with the provisions laid down in Article 25 (d) of the Regulations governing the Fundo de Garantia de Depósitos – FGD (Deposit Guarantee Fund) (hereinafter referred to as “the Fund”), the Board of Auditors of Banco de Portugal issues its opinion on the Annual Report and Accounts of the Fund for the year 2010.

The financial statements of the Fund were prepared in accordance with the provisions laid down in Article 170 of RGICSF relating to the drawing up of the Fund’s own Chart of Accounts, which entered into force on 1 January 2010. The latter is based on the International Accounting Standards (IAS), approved by a European Union Regulation, with the required adjustments to the specific nature of the Fund’s activities.

The major purpose of the Fund is to guarantee, within the established limits (the limit, which was previously €25,000, was set by Decree-Law No 211-A/2008 of 3 November at €100,000 up to 31 December 2011), the repayment of deposits with member credit institutions, under the conditions and in compliance with the provisions of the RGICSF and respective regulatory ordinances. The Fund may also co-operate, on a temporary basis, in financial support initiatives intended to restore the liquidity and solvency conditions of its member credit institutions.

As at 31 December 2010 the Fund had the following member institutions (totalling 49): 39 banks, 5 savings banks and 5 mutual agricultural credit banks not belonging to the Integrated Mutual Agricultural Credit Scheme.

The Board of Auditors, within its field of competence, systematically monitored the Fund’s activities, analysing documents regularly sent to it by the Management Committee, supplemented by additional data and information requested by this Board.

In the calculation of periodical contributions for the year 2010, a base rate of 0.03% (unchanged from 2009), weighted by the solvency indicator of each member institution, was applied to the amount of deposits covered by the guarantee. In the same period, the reduced rate of 0.01% applied on deposits with offshore branches in the free trade zones of Madeira and Santa Maria Island remained unchanged. The minimum contribution was also kept unchanged at €17,500.

Deposits excluded from the Fund's guarantee, in accordance with Article 165 of RGICSF, continue to include deposits held by general government bodies, credit institutions, financial companies and insurance undertakings.

Total contributions of member credit institutions reached approximately €39 million, remaining virtually unchanged from 2009.

The degree of coverage of deposits guaranteed by the Fund's resources, defined as the ratio of the Fund's resources (contributions paid, including irrevocable payment commitments, plus accumulated profit) to deposits covered by the Fund's guarantee, stood at 1.42% on 30 June 2010, the last date for which this information is available.

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

Total cumulative irrevocable payment commitments assumed by member credit institutions as a whole reached around €441.4 million on 31 December 2010.

As mentioned in opinions regarding previous years, in the recognition of irrevocable payment commitments entered into by the Fund with member credit institutions, different criteria were used by the Fund and by the credit institutions for the recognition of the above-mentioned commitments. While in the Fund these commitments are recognised as debts of third parties, in credit institutions they are treated as contingent liabilities disclosed in the notes to the annual accounts.

The own resources of the Fund as at 31 December 2010 totalled €1,354.1 million. The change from the previous fiscal year (- €53.5 million) was due to initial and periodical contributions of member institutions, including irrevocable payment commitments (€39 million), the Fund's profit (€3.8 million) and repayments to depositors of Banco Privado Português, S.A. (- €96.3 million).

During this fiscal year, the Fund was called to repay BPP depositors to the overall amount of €90.7 million. Of these, €1.5 million had not yet been repaid as at 31 December 2010 for various operational reasons, duly recognised in the Fund's Liabilities. The Fund also recognised additional repayments amounting to €5.6 million for which a provision was made. The Fund thus used a total of €96.3 million of its own resources to repay BPP depositors.

The management of the Fund's financial resources (Article 159 of RGICSF) takes into account the criteria established by the Management Committee for the investment of such resources, according to the guidelines and regulations established in the "Plan for the investment of the financial resources of the Deposit Guarantee Fund".

The net return on the Fund's portfolio stood at 0.4% as a result of the conservative nature of the investment policy pursued, which favours short-term investments in issuers with low credit risk.

The net profit for the year amounted to €3,808,680. Pursuant to the proposal of the Management Committee profit for the year 2010 shall be transferred to Reserves.

On the basis of the analysis carried out, and taking into account the above considerations, the certification of the Fund's financial statements by the external auditor, and the report prepared by the Audit Department of Banco de Portugal, the Board of Auditors raises no objection to the approval of the Report and Annual Accounts of the Fund for the year 2010, nor to the proposal for the distribution if results submitted presented by the Management Committee.


Lisbon, 29 March 2011

BOARD OF AUDITORS

Emílio Rui da Veiga Peixoto Vilar



Rui José da Conceição Nunes



Amável Alberto Freixo Calhau



# EXTERNAL AUDITOR'S REPORT



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## Introduction

1. We have audited the financial statements of the Fundo de Garantia de Depósitos – FGD (Deposit Guarantee Fund) (hereinafter referred to as “the Fund”), which comprise the Balance Sheet as at 31 December 2010 (totalling €1,362,046, with total own funds amounting to €1,354,056, including a net profit of €3,808,7), the Financial Statements by Nature, the Statement of Changes in Own Resources and the Statement of Cash Flows for the year then ended and the corresponding Notes.

## Responsibilities

2. The Management Committee is responsible for the preparation of financial statements, which present a true and fair view of the financial situation of the Fund, the result of its operations, changes in Own resources and cash flows, as well as the adoption of appropriate accounting policies and criteria, and the maintenance of an appropriate internal control system.

3. Our responsibility is to express our professional and independent opinion based on our audit to those financial statements.

## Basis of audit opinion

4. We conducted our audit in accordance with the Technical Standards and Revision/Auditing Guidelines of the Ordem dos Revisores Oficiais de Contas (Portuguese Institute of Statutory Auditors). Those standards require that the audit is planned and performed with a view to obtaining reasonable assurance that the financial statements are free of material misstatements. For this purpose, the audit included:

- examining, on a sampling basis, evidence supporting the amounts and disclosures in the financial statements, and an assessment of estimates used in their preparation, which were based on judgments and criteria defined by the Management Committee;
- assessing whether the accounting policies adopted and their disclosure are appropriate to the circumstances;
- assessing whether the continuity principle is applied; and
- evaluating the overall adequacy of the presentation of the financial statements.



5. We believe that our audit provides a reasonable basis for our opinion.

#### Opinion

6. In our opinion, the financial statements give in all material respects a true and fair view of the financial position of the Deposit Guarantee Fund as at 31 December 2010, and of the results of its operations, changes in Own resources and its cash flows for the year then ended, in accordance with the accounting principles adopted in the Fund's Chart of Accounts (Note 2 to the Financial Statements).

Lisbon, 15 March 2011

ERNST & YOUNG AUDIT & ASSOCIADOS - SROC, S.A.

Sociedade de Revisores Oficiais de Contas, n.º 178

Represented by:

A handwritten signature in black ink that reads "Ana Salcedas".

Ana Rosa Ribeiro Salcedas Montes Pinto (Statutory Auditor No 1230)



ANNEX





## LIST OF CREDIT INSTITUTIONS THAT WERE MEMBERS OF THE FUND\*

### BANKS

Caixa Geral de Depósitos, S. A.  
Banco ActivoBank (Portugal), S. A.  
Banco Bilbao Vizcaya Argentaria (Portugal), S. A.  
Banco BAI Europa, S. A.  
Banco BIC Português, S. A.  
Banco BPI, S. A.  
Banco Comercial Português, S. A.  
Banco Credibom, S. A.  
Banco Efisa, S. A.  
Banco Espírito Santo, S. A.  
Banco Espírito Santo dos Açores, S. A.  
Banco Espírito Santo de Investimento, S. A.  
Banque Privée Espírito Santo, S. A. (sucursal)  
Banco Finantia, S. A.  
Banco Invest, S. A.  
Banco Itaú Europa, S. A.  
Banco de Investimento Imobiliário, S. A.  
Banco de Investimento Global, S. A.  
Banco L. J. Carregosa, S. A.  
Banco Madesant – Sociedade Unipessoal, S. A.  
Banco Mais, S. A.  
Banco BNP Paribas Personal Finance, S. A.  
Banco Popular Portugal, S. A.  
Banco Português de Gestão, S. A.  
Banco Português de Investimento, S. A.  
Banco Primus, S. A.  
Banco Privado Atlântico – Europa, S. A.  
Banco Rural Europa, S. A.  
Banco Santander Consumer Portugal, S. A.  
Banco Santander Totta, S. A.  
AS “PrivatBank” (sucursal) \*\*  
Banif – Banco de Investimento, S. A.  
Banif - Banco Internacional do Funchal, S. A.  
Best – Banco Electrónico de Serviço Total, S. A.  
BPN - Banco Português de Negócios, S. A.  
Caixa – Banco de Investimento, S. A.  
Deutsche Bank (Portugal), S. A.  
Finibanco, S. A.  
Hyposwiss Privat Bank (Genève), SA (branch)

### SAVINGS BANKS

Caixa Económica Montepio Geral  
Caixa Económica da Associação de Socorros Mútuos de Empregados no Comércio de Lisboa  
Caixa Económica da Misericórdia de Angra do Heroísmo  
Caixa Económica do Porto  
Caixa Económica Social

### MUTUAL AGRICULTURAL CREDIT BANKS\*\*\*

Caixa de Crédito Agrícola Mútuo do Bombarral, CRL  
Caixa de Crédito Agrícola Mútuo da Chamusca, CRL  
Caixa de Crédito Agrícola Mútuo de Leiria, CRL  
Caixa de Crédito Agrícola Mútuo de Mafra, CRL  
Caixa de Crédito Agrícola Mútuo de Torres Vedras, CRL

\* Situation on 31 December 2010, according to the special registration with Banco de Portugal, as referred to in Article 65 of RGICSF, approved by Decree-Law No 298/92 of 31 December 1992.

\*\* On 31 December 2010 this bank was a member of the Fund in order to benefit from the so-called “topping-up scheme”.

\*\*\* Not belonging to the Integrated Mutual Agricultural Credit Scheme.

**Note:** In 2010 the following institutions ceased to be members of the Fund: (1) BPP; (2) Banco Santander de Negócios Portugal (which was incorporated in Banco Santander Totta); (3) Credifin, which was incorporated in Banco BNP Paribas Personal Finance (formerly Banco Cetelem); and (4) Sanpaolo IMI Bank (International), S.A., following voluntary winding-up by its sole shareholder.



