CASH MANAGEMENT

STATE TREASURY ACCOUNTS

Payments and receipts of public institutions made through IGCP's cash management give rise to liabilities and cash balances. The following tables offer an overview of these balances.

The table below shows the evolution of the cash accounts, whose movements are directly reflected in the Government's single Treasury account with *Banco de Portugal*.

Table 12 – Central Government cash balances
(unit: EUR million)

	2009	2010	2011
	Dec	Dec	Dec
Accounts with *Banco de Portugal*	2	1	4,743
Financial investments at credit institutions	884	1,884	7,567
Foreign-exchange accounts	11	16	21
Consular accounts	4	4	4
Receipt accounts IGCP-Single Collection Document	137	113	70
Other bank accounts	4	3	4
Cash accounts with credit institutions			
Customs	346	138	88
Local tax services	90	88	104
Treasury cash accounts			
Customs	3	282	265
Local tax services	50	41	31
Treasury cash accounts			
CTT (postal services)	35	40	25
SIBS	9	10	17
IRN	2	3	2
Foreign-exchange deposits with credit institutions	8	13	6
Outstanding cheques	4	1	1
TOTAL	**1,590**	**2,638**	**12,948**

SOURCE: SGT – Current Account System

As shown in the table above, the Treasury cash accounts essentially cover a group of public services which collect funds, holding only the amounts collected daily. Also relevant are the accounts supporting foreign currency cash management, the balances of which reflect the last movements of the year.

To monitor the evolution of third party cash accounts, the number of public institutions subscribing the Homebanking (HB) system is taken as a reference, since this system is the most frequently used to comply with the principle of centralized cash management, established by the State Treasury Regime (RTE), approved by Decree-Law No. 191/99, of 5 June.

The table below (number of institutions and accounts with HB) shows the use of cash management services by public institutions falling under the RTE, via the number of institutions and accounts with HB, which offers online access to the accounts of these institutions.

Table 13 – Number of institutions and accounts with HB

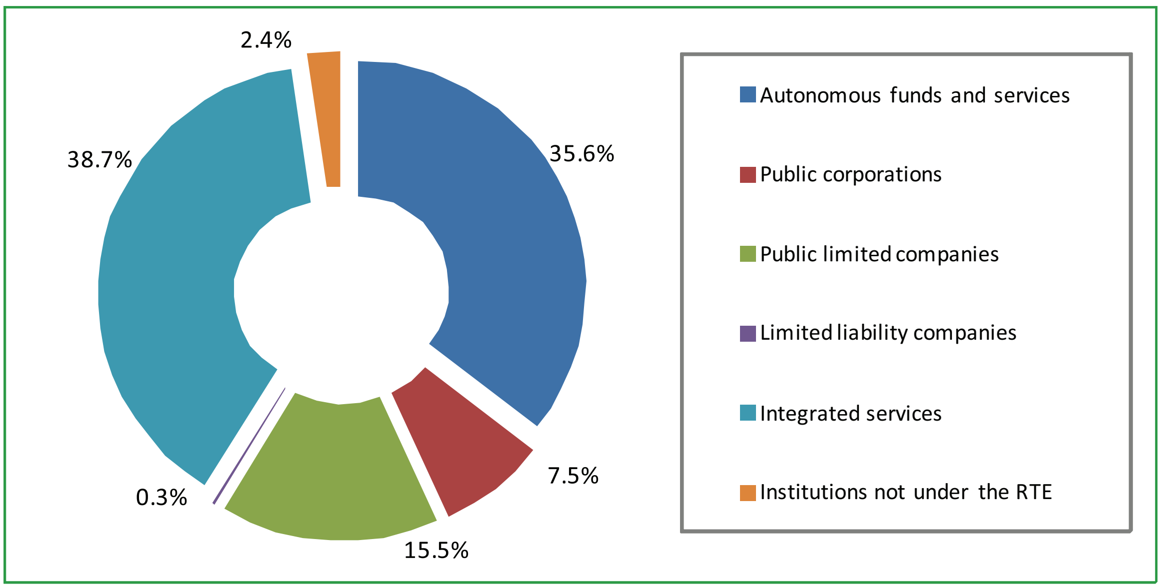
Years	Institutions	No. Accounts
2007	755	3,498
2008	744	3,697
2009	688	3,526
2010	636	3,355
2011	736	3,556

SOURCE*:* Homebanking

Under article 77 of Law No. 55/2010 of 31 December, which obliged non-financial sate owned enterprises to comply with the RTE, in 2011 the number of institutions using HB grew by 15.7 per cent in relation to 2010, reversing the downward trend of the previous year.

The graph below shows the weight of each of IGCP's clients in the total number of public institutions using HB in 2011.

Graph 15 – Institutions using HB in 2011



SOURCE*:* Homebanking

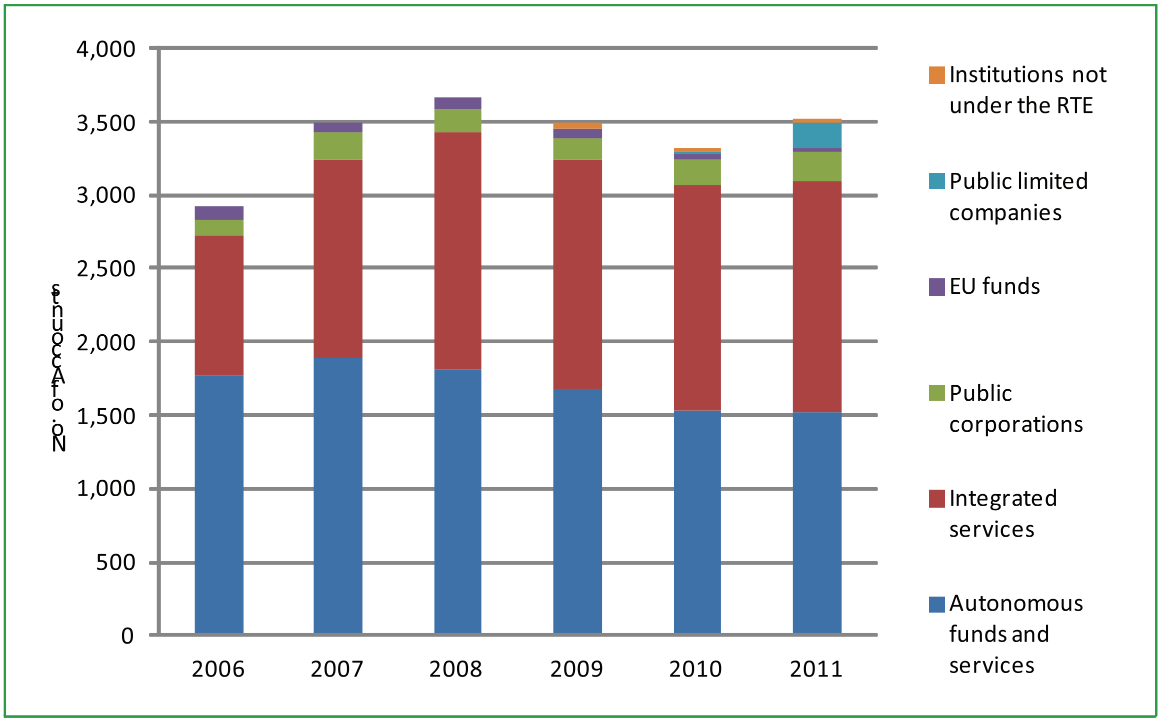
Against this backdrop, Integrated Services and Autonomous Funds and Services continue to be the biggest users of cash management services, representing over 70 per cent of HB users. However, the relative weight of these services in the total number of users of this online application to manage financial flows dropped around 7 and 6 percentage points, respectively, when compared to the previous year. This situation reflects the restructuring measures introduced in recent years.

The number of accounts of Institutions not under the RTE and of public corporations remained stable, representing 2.43 and 7.55 per cent respectively of the total number of HB accounts.

In 2011, the weight of public limited companies increased from 2.0 per cent in 2010 to 15.5 per cent, which explains the positive change in the number of institutions using the Treasury accounts.

The table below illustrates the developments in the number of bank accounts, by client type, in use by public institutions subject to the RTE.

Graph 16 – Number of accounts with HB by type of institution



SOURCE: Homebanking

In 2011, the integrated services had the largest number of bank accounts (accounting for 44.6 per cent of total HB accounts).

Autonomous funds and services, which in 2010 had the greatest number of funds invested with IGCP, dropped to second place in 2011 (representing 43.4 per cent of the total number of HB accounts). These two services have in fact been moving in opposite directions. While autonomous funds and services have reduced the number of bank accounts in use, the integrated services have increased their accounts. In 2011, the difference between the two was 44 accounts.

The number of accounts of public corporations remained stable in 2011, representing 5.5 per cent of the total number of accounts with HB.

The biggest change in 2011, which contributed to the increase in the total number of accounts (6 per cent) in comparison to 2010, was due to the public limited companies, which opened more than 150 accounts between 2010 and 2011, thus complying with the provisions of the Budget Law.

The figures of 2011 therefore reveal the emergence of a new group of clients – public limited companies – as HB users. This can be seen in the table below in the surpluses at the end of 2010 and 2011.

Table 14 – Investment of cash balances – 2010/2011

TYPE OF INSTITUTION	Deposits		CEDIC		CEDIM		TOTAL	
	2010	2011	2010	2011	2010	2011	2010	2011
Autonomous funds and services	2,041	2,276	4,048	3,190	0	10	**6,089**	**5,475**
Public corporations	441	346	434	461	0	23	**875**	**830**
Public limited companies	3	289	4	183	0	108	**7**	**580**
Integrated services	845	1,155	0	0	0	0	**845**	**1,155**
Community manager	16	8	0	0	0	0	**16**	**8**
European Union	163	101	0	0	0	0	**163**	**101**
TOTAL	**3,510**	**4,175**	**4,486**	**3,834**	**0**	**141**	**7,996**	**8,149**

SOURCE*:* Homebanking

As observed, autonomous funds and services still have the greatest number of funds invested with IGCP, although their weight continues to decrease every year (79 per cent in 2009, 76 per cent in 2010 and 67.2 per cent in 2011). At the end of 2011, both cash surpluses and the amounts held in current accounts were lower than in the previous year, dropping by around EUR 600 million.

At the end of 2011, the cash surpluses of integrated services represented 14.2 per cent of funds held with IGCP, having gone up by around EUR 310 million between 2010 and 2011, thus reversing the downward trend since 2008.

Although in 2011 public corporations accounted for 10.2 per cent of funds invested with IGCP, these companies decreased their cash surpluses held with IGCP by approximately EUR 46 million in comparison to 2010.

In 2011, public limited companies had a weight of 7.1 per cent of the total amount invested with IGCP, showing an increase of EUR 570 million in surpluses invested between 2010 and 2011. It should be noted that 76.5 per cent of the subscriptions of CEDIM (the new financial instrument created by IGCP in 2011) were made by these institutions.

In global terms, the amounts invested in the Treasury accounts in 2011 increased by around 2.0 per cent, corresponding to EUR 154 million more than in 2010. Public limited companies played a major role in this increase.

The table below shows the breakdown of cash flows for 2009-2011 specifying, due to its particular nature, the European Union’s account, which reflects cash transfers between Portugal and the EU resulting from Portugal's contribution to the EU budget and the EU matched funding for financing or co-financing of structural funds.

Table 15 – Transfers between Portugal and the European Union
(unit: EUR million)

	2009	2010	2011
1. Transfers from Portugal to the EU	**1,596**	**1,802**	**1,762**
Agriculture and customs duties	117	131	144
VAT own resources	236	276	271
GNP-based own resources	1,267	1,360	1,257
UK compensation	128	78	93
Other transfers	1	4	5
Returns and reimbursements/Miscellaneous	-153	-47	-8
2. Transfers from the EU to Portugal	**3,583**	**4,142**	**4,492**
EAGGF-guarantee/EAGF	724	737	750
ERDF	965	1,528	1,803
ESF	1,010	905	1,143
EAGGF guidance	109	0	36
EAFRD	236	452	487
FIFG	24	3	0
EFF	-	30	19
Cohesion fund	457	455	161
Miscellaneous	59	31	93
Total balance (2-1)	**1,987**	**2,340**	**2,730**

SOURCE: Homebanking

According to the table above, Portugal has received more from the EU than its contributions to the EU. In the period considered, 2011 was Portugal's most favourable year.

In view of the changes that took place in 2011, it is expected that both HB users and the respective financial flows in the Government's cash management will be consolidated and that the rate of compliance with the principle of centralised cash management will remain above 90 per cent.

Graph 17 – Degree of compliance with the principle of centralised cash management