

9.5. Report and opinion of the Board of Auditors

In accordance with the provisions laid down in Article 43 (1) (c) of the Organic Law of Banco de Portugal, the Board of Auditors submits its Report and issues its Opinion on the Report of the Board of Directors and the Financial Statements for the year ended on 31 December 2008, which were approved by the Board of Directors at its meeting on 24 March 2009.

Report

1. The Board of Auditors, in use of the powers conferred on it, and similarly to past years, monitored with the required frequency the day-to-day operation of the Bank, through the participation, without voting rights, of its members in the meetings of the Board of Directors and through the analysis of the documentation produced, namely by the Control and Accounting Department and the Audit Department.

The analysis of the monthly accounting data also enabled the Board of Auditors to monitor the management and the evolution of the Bank's economic and financial position.

The checks of existing assets and valuables held by the various areas of the Bank continued to be made by the officials in charge and by the Audit Department, within a prior programming schedule. The Board of Auditors monitored the end-of-year inspection of valuables carried out at the Bank's head office in Lisbon, at its Oporto branch and at the Carregado Complex.

The Board of Auditors appraised at its meetings data reported to it, preparing working documents and issuing opinions or making recommendations, whenever necessary, as described in the respective minutes.

Opinions were issued on the Bank's Operating Budget for 2009.

In addition to the tasks entrusted to it by the Organic Law of Banco de Portugal, the Board of Auditors, pursuant to the provisions of specific legislation, continued to monitor the operation of the Mutual Agricultural Credit Guarantee Fund, the Deposit Guarantee Fund and the Mutual Counterguarantee Fund, and to issue its opinion on the report and annual accounts of these institutions.

2. The Bank's activities are explained in the Report of the Board of Directors, which also contains comprehensive information on the financial statements for the 2008 fiscal year.

"Notes on the financial statements" include detailed information on both the financial statements and the main accounting policies and valuation criteria.

The new Chart of Accounts of Banco de Portugal which entered into force on 1 January 2008 establishes guidelines based on International Accounting Standards, implying minor changes to the opening balance sheet relating to the 2008 fiscal year.

Assets

- increase of €655.3 million in "Gold and gold receivables", resulting from positive developments (9.38%) in the gold quotation in dollars, and a 5.5% depreciation of the euro against the US dollar; there being no significant changes at quantity level;
- increase of €7,745.1 million in "Lending to euro area credit institutions related to monetary policy operations denominated in euro", corresponding to main refinancing operations (€4,088 million increase) and longer-term refinancing operations (€3,657.1 million increase).

This large increase was the result of a resumption of monetary policy operations arising from a general liquidity shortage in the money market;

- increase of €3,431.9 million in “Intra-Eurosystem claims”, essentially associated with “Net claims related to the allocation of euro banknotes within the Eurosystem”;
- increase of €904.5 million in “Other assets”, chiefly resulting from an increase of around €544.0 million in the medium and long-term investment portfolio.

Liabilities

- increase of €1,907.8 million in “Banknotes in circulation”, reflecting the increase in overall circulation at Eurosystem level and the share allocated to Banco de Portugal;
- decrease of €3,864.0 million in “Liabilities to euro area credit institutions related to monetary policy operations denominated in euro”, chiefly resulting from the aforementioned liquidity shortage in the market;
- increase of €12,746.7 million in “Intra-Eurosystem liabilities”, exclusively associated with TARGET accounts;
- increase of €172.6 million in “Provisions”, in particular a provision of around €141.0 million for risks arising from transactions with Eurosystem counterparties in accordance with the decision of the Governing Council of the ECB;
- increase of €816.8 million in “Revaluation accounts”, essentially resulting from a valuation of the gold quotation and of securities in portfolio.

Profit and Loss Account

- increase of €122.0 million in “Net interest income”, accounted for by the rise in remunerated assets and interest margins;
- decrease of €120.0 million in “Net result of financial operations, write-downs and risk provision”, resulting from (i) realised gains/losses arising from financial operations (€108.9 million), (ii) write-downs on financial assets and positions (€27.3 million), and (iii) transfer from/to provisions for foreign exchange rate and price risks (€-256.2 million);
- decrease of around €1 million in total administrative expenses;
- increase of €67.4 million in “Net profit and loss for the year”, mainly due to an improvement in the interest margin.

3. In 2008 Banco de Portugal recorded a profit of €349.2 million, i.e. an increase of approximately €67.4 million compared with the previous fiscal year. No proposal was put forward for the distribution of results.

4. The External Auditors issued no reserves in their report.

Opinion

In view of the data shown and on the basis of analyses carried out and information obtained, the Board of Auditors raises no objection to the approval of the 2008 Report of the Board of Directors and the Financial Statements.

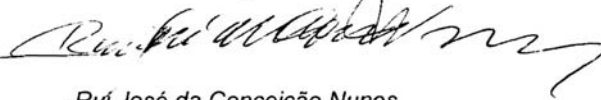
The Board of Auditors wishes to express to the Governor, the Board of Directors and the entire staff of the Bank its appreciation for their cooperation.

Lisbon, 24 March 2009

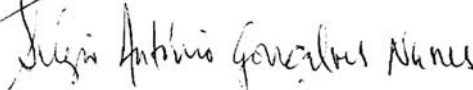
THE BOARD OF AUDITORS



Emílio Rui da Veiga Peixoto Vilar



Rui José da Conceição Nunes



Sérgio António Gonçalves Nunes



Amável Alberto Freixo Calhau