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Annual Report  
Banco Nacional Ultramarino, S.A.

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**BNU**

Banco Nacional Ultramarino  
大西洋銀行

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# Chapter I.

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## Income and Activity

### Income and Balance sheet

#### Income

In 2008, the Bank continued to expand its activity in main business areas, while maintaining a solid financial structure, adequate levels of liquidity, return on equity and of efficiency, in a market that is becoming more and more competitive.

Banking activity was hampered by the impact of the international financial crisis that also affected Macau's economy and, in particular from the second quarter, there was a marked slowdown in the growth of gaming revenues, investment in fixed assets and exports declined and prices on the property market fell.

In this context, the Bank's policy for the allocation of its financial resources has taken into consideration the increased risk involved in managing liquidity and credit, interest rate and counterpart risks, which arises from the to the abrupt and almost total paralysis of the interbank and capital markets in the most severe periods of this crisis, along with the difficulties that important financial institutions are struggling with and the deterioration of the economic climate.

Net profit, which rose 23.3 in 2007, recorded a decrease of 6.7 percent in 2008, amounting to MOP353.9 million, mainly driven by the increase in provisions for overdue credit, given that net operating income recorded an increase of 16.7 percent.

Net assets were MOP 29.290 million as of December 31st, 2008, having decreased by 2.6 percent in relation to 2007.

Loans recorded a growth of 36 percent, which corresponded to a fall in interbank placements, taking into consideration that customer deposits declined by 7.24 percent.

Therefore, the expansion of the loan portfolio, in particular corporate loans, gave an important contribution to the increase in net interest income both in terms of volume and in terms of its positive effect on the net interest margin.

However, the growth of corporate loans was still hampered by the reduction in credit to finance external trade and investment in fixed assets.

Although the gross domestic product has increased 13.2 percent, driven mainly by the growth in gaming revenues which increased 30 percent, the economic slowdown sharply from the middle of the year onwards, with exports falling 25 percent and fixed assets

investment declining by 18.5 percent in 2008

Demand for housing and consumer credit suffered a significant slowdown and, for the first time since 2003, property prices fell across the different market segments and transactions recorded lower volumes as consumer confidence levels declined.

As in previous years, the business model adopted continued to privilege consumer and corporate banking services that generate commissions, in order to diversify revenue and reduce results' volatility.

To attain this objective, it is necessary to make significant investments on the different operational platforms, by increasing their processing capability, as well as launch new products and services.

In line with this target, BNU has celebrated a contract with American Express, becoming the only bank to issue American Express credit cards in Macau and to process all transactions made with American Express cards in Macau.

We also continued the expansion of the ATM and POS networks. The number of transactions processed in these networks, as well as transactions made with BNU cards, has increased sharply, notwithstanding the slowdown in tourism industry induced by restrictions in visa policy by the Chinese authorities.

Income from net commissions and other bank operations recorded an increase of 20.3 percent in 2008, but its growth is expected to slowdown in 2009.

In 2008, operating costs rose 20.5 percent due to the investments made and to an increase in staff expenses and third party supplies and services.

Costs were driven upwards by an increased activity volume, a larger staff base, higher inflation and the use of third party supplies and services for the development of several projects.

After remaining several years at very low levels, provisions were reinforced in 2008 to prevent a possible deterioration of the quality of the credit portfolio.

The main profitability indicators continued to show very positive results and above the long term trend: The return-on-equity (average), although lower than in 2007, was 17.4 percent; return on assets, calculated based on their average value, fell from 1.45 percent in 2007 to 1.21 percent in 2008.

#### Net Interest Income

Net interest income increased 14.5 percent in relation to the previous year, amounting to



MOP477.2 million, MOP60.6 million over the MOP416.6 million of 2007.

Interest income (-23.2 percent) and interest expense (-41.9 percent) reflected the significant drop in interbank market rates for the American dollar – and consequently, for the Hong Kong dollar and the Pataca – (with the exception of the most severe period of this crisis in the third quarter of the year) which led the Bank to significantly reduce customer deposit rates, in particular the savings rate, which fell from 1.25 at the beginning of the year to 0.01 percent at the end of March.

The prime rate was likewise lowered several times in the first quarter of the year falling from 6.75 percent to 5.25 percent at the end of March.

Net interest income increased, driven by the growth in average interest-earning assets (4.6 percent) and a higher net interest margin (from 2.03 percent in the previous year to 2.07 percent in 2008).

The net interest margin was positively influenced by corporate and consumer loan spreads and by higher spreads in loans linked to the prime rate.

The sharp fall of interbank market rates further resulted in a lower profitability of the Bank's deposit taking business.

## Results

(In thousands of MOP)

	2008	2007	Change	
			In value	In percentage
Net interest income	477,261	416,664	60,596	14.5%
Net commissions income and other bank operations	295,022	245,237	48,785	20.3%
Net operating income	772,282	661,901	110,381	16.7%
Operating costs	247,416	205,346	42,070	20.5%
Cash Flow	554,375	476,027	78,347	16.5%
Net profit before provisions and extraordinary gains/losses	524,867	456,555	68,312	15.0%
Net income	353,955	379,502	-25,547	-6.7%

## Net income from commissions and other bank operations

Net income from commissions and other bank operations once again grew significantly in 2008, standing at 20.3 percent and amounting to MOP295 million, an increase of MOP49.8 million over the value of 2007.

The expansion of the tourism sector and the increase in visitor numbers, in spite of the slowdown recorded in the second half of the year, contributed positively to this performance.

The main aggregates of the net income from commissions and other bank operations recorded the following evolution:

- Net profits from financial transactions increased 23.5 percent, as a result of a sharp growth in foreign exchange transactions.
- Net income from commissions and other bank operations rose 18.9 percent, namely driven by an increase in commissions over credit facilities; credit card related commissions, transaction processing, treasury services as well as issuance of guarantees.

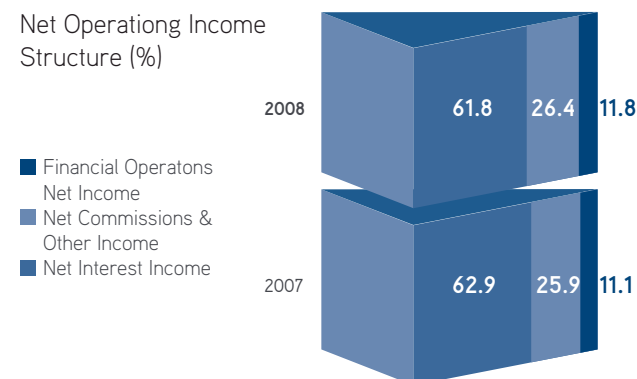
Net commissions and fees and net profit from financial transactions represented 69.1 percent and 30.8 percent, respectively, of net income from commissions and from other bank operations (69.9 percent and 30.1 percent in 2007).

## Net operating income

The evolution of the net interest income and net commissions and fees and net profits from financial transactions resulted in a growth of the net operating income by 16.7 percent, totaling MOP772 million in 2008, an increase of MOP110.3 million over the value of MOP661.9 million of the previous year.

The growth of the net interest income, although high in 2008, was nonetheless below that of the net interest income and net commissions and fees and net profits from financial transactions.

### Net Operating Income Structure (%)





Net interest income represented, in 2008, 61.7 percent of the net operating income, a figure slightly below that of 2007, while the weight of net interest income and net commissions and fees and net profits from financial transactions was 38.2 percent (37 percent in 2007).

## Operating costs

Operating costs continued their upward trend in 2008, driven by additional costs arising from an increase in activity, additional employees and higher remunerations and inflationary pressures in general. A rise in depreciation costs resulting from investments made and an increase of third party supplies and services relating to IT further contributed to increased costs.

In this context, operating costs rose MOP42.0 million in 2008, equivalent to an increase of 20.5 over 2007, totaling MOP247.4 million.

The main aggregates of the operating costs evolved as follows:

- Staff expenses went up 11.2 percent, reaching MOP134.4 million, reflecting an increase in salaries and other remunerations paid, as well an increase in the number of employees and related costs;
- Third party supplies and services increased 37.7 percent, totaling MOP69 million;
- Depreciation grew markedly, standing at 51.5 percent, due to investments in the expansion of the ATM, POS and Internet banking networks, the upgrade of the processing capability of the operational platforms and the release of new products.

Staff expenses represented in 2008, 54.3 percent of operating costs (58.9 percent in 2007), third parties supplies and services 27.8 percent (24.4 percent in 2007) and depreciation 11.9 percent (9.5 percent in 2007).

With operating costs increasing at a higher rate than operating income, the cost-to-income ratio (staff expenses + third party supplies and services + other administrative expenses + depreciation / net operating income) increased 1.64 percentage points, standing at 32.04 percent, a very low value.

## Provisions

Net provisions reached MOP121.3 million in 2008 (MOP95.8 million over 2007) due to higher generic, country-risk and specific provisions.

Generic provisions made in 2008, in accordance with regulations from the Monetary

Authority of Macau and representing 1 percent of total credit totaled MOP36.3 million.

The Bank also made additional provisions for credit risk in the amount of MOP76.8 million, an increase of MOP65.7 million over 2007, mainly due to an increase in specific provisions for corporate credit.

Provisions for country risk totaled MOP8.1 million and were made in accordance with regulations for the establishment of country risk provisions, adopted in 2008.

Provisions for consumer loans, including credit cards, mortgage loans and personal loans remained once again at low levels.

## Proposal for allocation of the net profit

Under the legal and statutory terms, it is submitted for the approval of the Annual General Assembly, that the net profit of MOP353,954,861.11 is allocated as follows:

- For Legal Reserves, according to the art. 60 of Macau Financial System Act: MOP35,395,486.11
- For Distribution of Dividends to Shareholders: MOP300,000,000.00
- For Other Reserves the remainder: MOP 18,559,374.99

## Balance sheet structure and change

In 2008, there was a slight reduction in the Bank's assets, with the increase in credit granted corresponding to a decrease in interbank placements, taking into consideration the decline in customer deposits.

The financial structure of the Bank is solid, showing strong liquidity and high solvability ratios.

Net assets totaled MOP29.290 million as of December 31st, 2008, a decrease of 2.6 percent, after having expanded by 24.2 percent in 2007.

Total loans and advances went up 36 percent, representing, in 2008, 43.5 of total net assets, (31.1 percent in 2007).

Customer deposits fell 7.2 percent in 2008, over an increase of 25.6 percent in the previous year.

Given these developments, the loans-to-deposits ratio went from 43.9 percent in 2007 to 62.2 percent in 2008.

Net interbank placements, assets with high liquidity, represented, at the end of 2008, 28.2 percent of total net assets, against 44.8 percent in the previous year.

## Loans and advances

Loans and advances grew 36.0 percent, totaling MOP12.7 billion, driven by the increase of loans and advances for use in Macau.

Loans and advances for use in Macau totaled MOP11.9 billion, up 34.5 percent, mainly due an increase in corporate and mortgage loans.

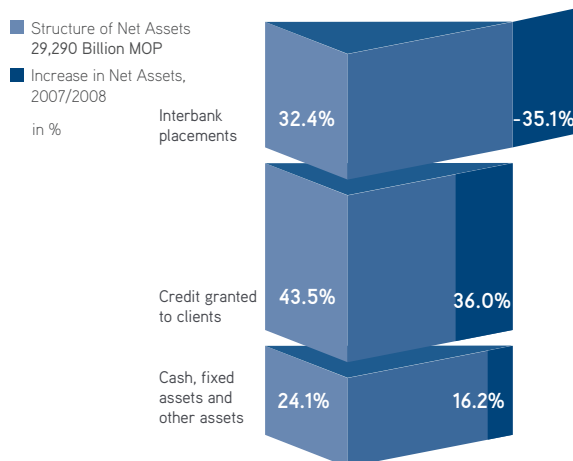
Corporate loans and advances for use in Macau rose 57.8 percent, driven by an increase in medium and long term loans for investments in hotels/casinos and transportation.

Consumer loans slowed down from the middle of the year onwards, increasing 16.3 percent in 2008, mainly due to the increase in mortgage loans.

## Interbank placements

Interbank placements went down 35.1 percent, totaling MOP9.4 million and representing 32.4 percent of net assets.

With the financial crisis deepening, the Bank adopted a strategy of very short term placement in low credit risk institutions and in monetary bills issued by the Macau Monetary Authority.



## Customer deposits

Total customer deposits contracted in 2008, after growing at very high rates in previous years, as the economy slowed down.

In December 31st, 2008, total deposits reached MOP22.418 million, a decrease of 7.2 percent, while resident deposits fell 4.27 percent.

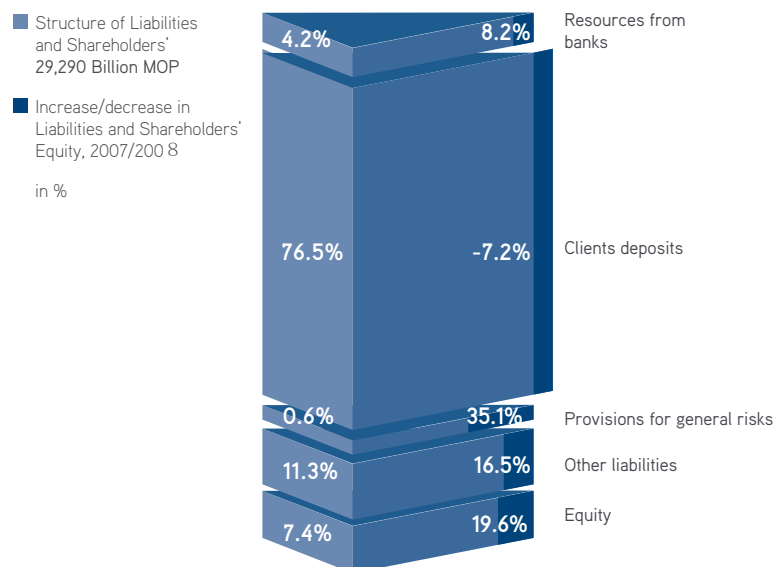
The structure of customer deposits has evolved very favorably, with current and savings deposits recording higher growth rates.

Current and saving deposits grew 3.87 percent, representing 55.7 percent of total deposits (49.8 percent in 2007).

Time deposits totaled MOP9.915 million as of December 31st, 2008, a decline of 18.26 percent and represented 44.2 percent of total deposits, against 50.2 percent at the end of 2007.

## Amounts due from Banks

Given its high liquidity situation, the Bank only occasionally finances its activity through the interbank market and for very short periods.







Amounts due from banks were up 8.2 percent, totaling MOP1.233 million, MOP93 million over 2007, and representing only 4.2 percent of total liabilities, a value similar to that of the previous year.

### Capital adequacy ratio

Total capital was, as of December 31st, 2008, MOP2.158 million, surpassing the MOP1.804 million of 2007, an increase that corresponds to the results accumulated in 2008.

In the last few years, total capital has been boosted by high levels of profitability and the policy of distribution of dividends followed by the Bank.

Basic own funds (paid-up registered capital, legal, statutory and other reserves formed from retained earnings and earnings from previous years) represent 96 percent of total capital.

Risk weighed assets and off-balance sheet accounts went up from MOP10.3 million in 2007 to MOP13.2 million in 2008, mostly due to an increase in loans granted to customers.

In view of these developments, the capital adequacy ratio, calculated in accordance with Notices no. 012/93-AMCM and no. 013-AMCM dated August 27, 1993, and Circular no. 003/A/94 and no. 004/A/94 from AMCM was, in 2008, of 15.32 percent, down 55 percentage points from 2007.

## Activity overview

### Retail banking

#### Mortgage and consumer loans

Our objectives for the retail banking business in 2008 were to increase the number of customers as well as the average number of products sold to each customer.

Offering a range of products adjusted to the different market segments and providing quality customer service are also among the priorities defined for our retail banking business.

Consumer credit grew by 16.3 percent in 2008, a value well below the 68.5 percent of the previous year.

The major contributing factor for this increase was mortgage credit, which went up 17.5 percent, growing particularly in the first half of the year.

Throughout the year mortgage credit demand slowed down sharply as the international financial crisis affected the local, Hong Kong and Mainland China property markets with a consequent fall in prices and transaction volumes across all market segments.

Moreover, given the prospect of adverse expectations regarding the property market, the Bank has made some adjustments to its mortgage credit policy, namely by reducing the spread in relation to the prime rate and reducing the loan-to-value ratio.

Consumer loans, which include car loans, personal loans and overdrafts, rose slightly by 3 percent, reflecting a more cautious attitude from consumers in view of the evolution of the economic situation and of the labor market as well as of the increase in the inflation rate which in 2008 was 8,6 percent (5,6 percent in 2007)

#### Credit card and acquiring business

The main highlights of our credit acquiring business were the increase in both the number of cards issued and transaction volumes. In addition, the Bank made an agreement with American Express by which it became the only issuer in Macau of American Express cards, starting by issuing an American Express Gold Card, targeting a medium/high customer segment.

The number of cards issued and sales volume went up 12 and 28 percent, respectively.

With the purpose of increasing the number of credit card customers as well as the average expenditure by card, the Bank has launched two promotion campaigns, offering supermarket coupons.

On the other hand, the number of POS increased and the volume of transactions continued to expand, growing 20.5 percent in 2008.

The write-off ratio remained at very low levels.  
The write-off ratio for credit cards was only 0.01 in 2008 (against 0.8 percent in 2007).

BNU was awarded several prizes by VISA, in recognition of its activity as an issuing and acquiring bank in Macau:

- Highest Average Card Spend – Platinum Card
- Highest Average Card Spend – Gold Card
- Commercial Card Achievement

The Bank was also awarded prizes by China UnionPay:

- Best Innovative product – Patacas Prepaid Card
- Best Acquirer Fraud Control Prize for 2007 from China UnionPay

#### Distribution channels

The Bank's distribution channels include a network of 14 branches, Internet banking, both corporate (BNU Business Online Banking) and personal (BNU Online) and telephone banking (BNU Direct).

This year our priority was to increase the quality of the services provided by our branches. We reinforced staff training, enhanced procedures and workflows and improve the coordination with head office departments.

At the end of 2008, the number of staff at our branches was 155 (151 in the previous year).

The development of electronic access channels for corporate and retail customers, which complement the services provided by the traditional channels, assumes high relevance in our competitive positioning in the market.

With this goal in mind, several projects were developed in 2008: we renewed our webpage; added new features to our online banking service, including the possibility of buying travel insurance online (to be implemented in the coming year); and, to ensure

a secure access to corporate customers, we had our online corporate banking service certified by PriceWaterhouseCoopers, in accordance to the SysTrust/WebTrust Principles and Criteria, developed by the American Institute of Certified Public Accountants - AICPA.

After launching our corporate online banking service in 2007, we have been deploying actions to gather new customers, mainly larger corporations, since these are the ones that can most benefit from BNU Business Online banking.

In 2008, the number of users of BNU Online (retail online banking) continued to grow sharply, reaching 32.5 percent (after increasing 47.9 percent in 2007).

The transactions volume, which included bill and credit card payment, remittances, e-statement requests, time deposits and enquiry increased markedly by 45 and the number of logins went up 55,8 percent.

## Commercial banking

Our credit policy was influenced by the impact of the international financial crisis, which also affected the main sectors of Macau's economy.

With the fall of prices and transaction volumes in the property market, several companies chose to postpone their construction projects for medium/high quality housing developments.

A downward revision on expectations of the profitability of the hotel/gaming investments led several construction projects in this sector to be also suspended or postponed.

In this context, a strong slowdown in credit is foreseeable in the coming year.

Notwithstanding, our corporate credit portfolio still recorded significant growth in 2008.

Corporate loans and advances rose 57.8 percent, mainly due to the utilization of previously granted credit facilities, in particular by gaming and hospitality companies.

We have further intensified our relationship with corporate customers by providing banking services that effectively assist them in handling their daily operations and cash management (payroll, POS and other services) and by issuing guarantees.

By centralizing the management of our relationship with the gaming industry in a specific unit, we have increased our ability to efficiently respond to their requests and increase the sales of products and services specific for this market segment.

BNU developed several actions to make our corporate online banking service a privileged platform to the processing of operations between companies, their customers and

suppliers since it makes available, in an easy and quick manner, banking services as diversified as account and transaction enquiry, individual or multiple, local or international transfers, bill and credit card payment, payroll, monitoring of online users and operations, further making available reports for management.

## Human resources

The number of staff increased from 396 to 427 following the growth of the Bank's business volume.

The Bank provided professional, technical and soft skills training programs for all levels of staff and organized training for compliance and certification, such as anti-money laundering, system security, personal data protection, insurance licensing, financial advisory and wealth management.

BNU signed a Memorandum of Understanding with the Macau Polytechnic Institute (IPM) for providing on-the-job training to some of their graduating IT students with good academic qualifications, with the objective of bringing in more prospective candidates with IT skills.

The staff Manual was updated to include new labor legislation regarding maternity leave and paternity leave was further granted to employees as a new fringe benefit.

Staff participated actively in social activities, which included blood donation and the traditional "Walk for a Million" and were also involved in recreational activities, such as Dragon Boat paddling, which reinforced their team spirit.

The investment portfolio of BNU Pension Fund had a positive performance in 2008 and, at the beginning of the year; changes were made to the Fund's resource allocation policy, thus protecting the Fund's investments from the strong downturn in international financial markets.

## Organization and systems

The activities developed in this area focused on the need to adapt the Bank's production and information management system to new requirements and to that established by the Macau Monetary Authority in several documents encompassing distinct management areas:

- AMCM Guideline on Asset Classification and Provisioning
- AMCM Consultation on Management of Interest Rate Risk;

- Market risk exposure;
- Liquidity risk;
- Operational risk and capital expenditure;
- Risk management in electronic banking systems;
- AMCM Guideline on "Customer Complaint System";
- AMCM Guideline on "Outsourcing";
- AMCM Guideline on Investment Management.

Following AMCM requirements, we updated the electronic system through which the Bank sends information to AMCM.

Several processes, products and services were updated, namely the Online Sweep/ZBA system, the remittance system and the Management Reporting system.

The processing capability of key IT infrastructure components, hardware and software, was increased in order to handle the increasing volume of transactions processed through the Bank's different operational platforms, namely the Branch Front End system, ATM, POS networks, payment gateway for Internet credit card and internet banking services, ensuring also that these services were available without any interruption.

A complete high availability solution for the host computer system, that included hardware and software, was implemented to ensure the availability of the system in case of any failure of one of its components.

The phone banking system was upgraded to the latest hardware and software, which is powerful enough to cater for the business growth we projected in the coming few years.

We opened a new self service banking center on Avenida Horta e Costa, equipped with ATM and passbook update machines.

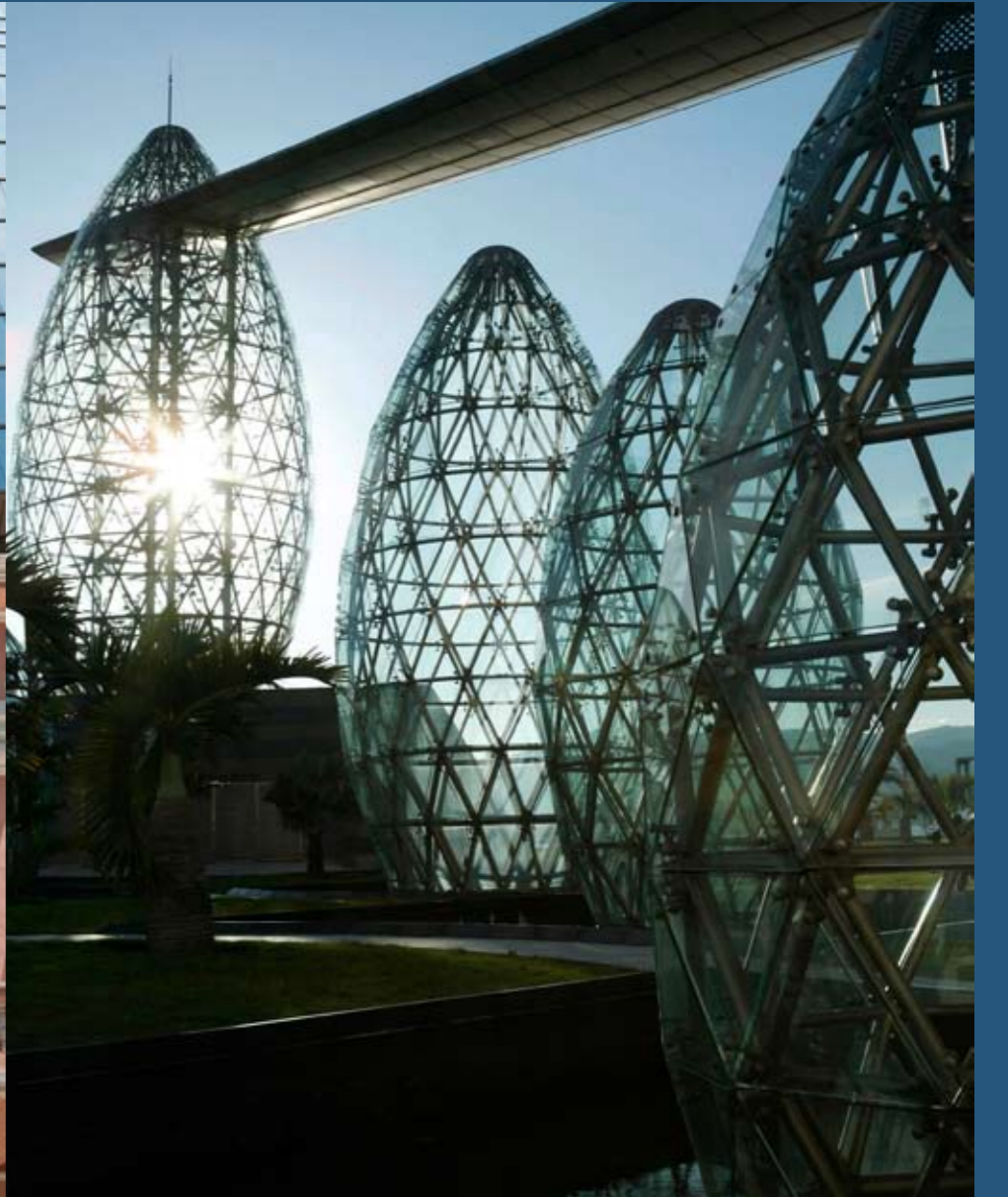
## Community support

BNU continued to support the activities of several non-profit organizations dedicated to people in need or that pursue activities that are relevant to the development of arts and culture. Among these institutions are Tung Sin Tong, the Macau Child Development Association and the Macau Drug Rehabilitation Association.

Recognizing the importance of higher education and the need to develop local experts,

BNU has awarded scholarships to students with the highest marks and that require financial support to complete their studies.

As in previous years, BNU staff supported the fund raising activities of the "Fundo de Beneficência dos Leitores dos Jornal Ou Mun" and joined the "Walk for a Million".









## Governing and Auditing Bodies

### BOARD OF THE GENERAL MEETING

Chairman: Joaquim Jorge Perestrelo Neto Valente

Vice-Chairman: Liu Chak Wan

Secretary: Maria de Lurdes Nunes Mendes da Costa

### BOARD OF DIRECTORS

Chairman: CAIXA GERAL de DEPÓSITOS, S.A.,  
Representada por Rodolfo Vasco Castro  
Gomes Mascarenhas Lavrador

Vice-Chairman: Herculano Jorge de Sousa

António Luís Neto.

Members: Artur Jorge Teixeira Santos

Kan Cheok Kuan

### EXECUTIVE COMMITTEE:

President: Herculano Jorge de Sousa

Vice-President: Artur Jorge Teixeira Santos

Member: Kan Cheok Kuan

**SOLE SUPERVISOR:** Chui Sai Cheong



## Accounts

### Banco Nacional Ultramarino. S.A. Balance Sheet as of December 31. 2008

ASSETS	GROSS ASSETS	PROVISIONS. AMORTIZATIONS AND NET VALUE	NET ASSETS
(in units of MOP)			
CASH	1,841,860,084.06	0.00	1,841,860,084.06
DEPOSITS WITH AMCM	260,968,091.71	0.00	260,968,091.71
DEBT CERTIFICATES ISSUED BY THE MACAU GOVERNMENT	2,700,049,032.67	0.00	2,700,049,032.67
ACCOUNTS RECEIVABLE	112,255,226.74	0.00	112,255,226.74
DEPOSITS WITH OTHER CREDIT INSTITUTIONS IN MACAU	137,278,902.13	0.00	137,278,902.13
DEPOSITS WITH OTHER CREDIT INSTITUTIONS ABROAD	1,022,408,883.59	0.00	1,022,408,883.59
GOLD AND SILVER	0.00	0.00	0.00
OTHER CURRENT ASSETS	2,316,768.07	0.00	2,316,768.07
CREDIT GRANTED	12,822,932,843.54	87,575,473.67	12,735,357,369.87
PLACEMENTS WITH CREDIT INSTITUTIONS IN MACAU	1,030,000,000.00	0.00	1,030,000,000.00
DEPOSITS AT CALL AND TIME DEPOSITS WITH CREDIT INSTITUTIONS ABROAD	8,463,252,329.59	0.00	8,463,252,329.59
SHARES, BONDS AND QUOTAS	180,250,001.00	0.00	180,250,001.00
INVESTMENT OF ASSIGNED FUNDS	0.00	0.00	0.00
DEBTORS	0.00	0.00	0.00
OTHER PLACEMENTS	0.00	0.00	0.00
FINANCIAL INVESTMENTS	29,138,506.94	0.00	29,138,506.94
PROPERTY	524,889,461.62	46,523,236.60	478,366,225.02
EQUIPMENT	99,996,886.45	60,763,979.55	39,232,906.90
DEFERRED COST	51,760,932.44	17,060,352.38	34,700,580.06
START - UP EXPENDITURE	0.00	0.00	0.00
FIXED ASSETS IN PROGRESS	0.00	0.00	0.00
OTHER FIXED ASSETS	1,653,756.65	0.00	1,653,756.65
INTERNAL AND ADJUSTMENT ACCOUNTS	221,223,496.78	0.00	221,223,496.78
<b>TOTAL</b>	<b>29,502,235,203.98</b>	<b>211,923,042.20</b>	<b>29,290,312,161.78</b>

### Banco Nacional Ultramarino. S.A. Balance Sheet as of December 31. 2008

LIABILITIES	SUB-TOTAL	TOTAL
(in units of MOP)		
BANK NOTES IN CIRCULATION		2,794,168,290.00
CURRENT DEPOSITS	10,922,301,098.11	
DEPOSITS AT CALL	0.00	
TIME DEPOSITS	7,272,520,947.91	18,194,822,046.02
GOVERNMENT DEPOSITS	4,224,133,024.02	
AMOUNTS DUE TO CREDIT INSTITUTIONS IN MACAU	585,416,095.28	
AMOUNTS DUE TO OTHER LOCAL ENTITIES	0.00	
AMOUNTS DUE TO CREDIT INSTITUTIONS ABROAD	648,052,682.81	
ASSIGNED FUNDS	0.00	
PAYABLE BANK CHEQUES	197,580.70	
CREDITORS	69,225,627.16	
OTHER LIABILITIES	52,483,087.97	5,579,508,097.94
INTERNAL AND ADJUSTMENT ACCOUNTS		391,792,981.53
PROVISIONS FOR RISKS		171,250,953.50
CAPITAL	400,000,000.00	
OTHER RESERVES	1,404,814,931.68	1,804,814,931.68
NET PROFIT BROUGHT FORWARD		0.00
NET PROFIT FOR THE YEAR		353,954,861.11
<b>TOTAL</b>		<b>29,290,312,161.78</b>



**Banco Nacional Ultramarino, S.A.**  
**Balance Sheet as of December 31, 2008**

MEMORANDUM ACCOUNTS	AMOUNT
(in units of MOP)	
VALUES RECEIVED FOR SAFE KEEPING	89,988,204.45
BILLS FOR COLLECTION	58,445,128.75
SECURITIES RECEIVED	22,267,325,226.96
GARANTEES ON ACCOUNTS OF CUSTOMERS	3,174,098,812.07
LETTERS OF CREDIT OUTSTANDING	328,527,093.31
BILLS AND ACCEPTANCES AVAILABLE FOR DISCOUNT	0.00
SECURITIES DEPOSITED	5,587,680.00
FORWARD FOREIGN EXCHANGE PURCHASES	2,668,093,509.56
FORWARD FOREIGN EXCHANGE SALES	2,666,240,275.22
OTHER MEMORANDUM ACCOUNTS	4,507,257,787.76
OF WHICH: PUBLIC TREASURY-CURRENT ACCOUNT	28,611,362.24

**Banco Nacional Ultramarino, S.A.**  
**Profit and Loss Account for the Year 2008**  
**Income Statement**

DEBIT	AMOUNT	CREDIT	AMOUNT
(in units of MOP)			
INTEREST EXPENSE	485,714,101.15	INTEREST INCOME	961,353,141.37
STAFF COST	134,468,386.59	BANK OPERATIONS INCOME	199,322,105.90
OF WHICH:		OTHER BANK OPERATING INCOME	91,149,406.59
REMUNERATION OF BOARD OF DIRECTORS AND SUPERVISOR COMMITTEE	11,382,698.79		
SALARIES AND WAGES	102,694,467.56	INCOMES FROM SECURITIES AND FINANCIAL INVESTMENTS	1,621,708.53
BENEFITS	18,525,157.26	OTHER BANK INCOME	95,455,156.44
OTHER PERSONNEL EXPENSESE	1,866,062.98	NON-BANKING INCOME	1,938,924.66
THIRD PARTY SUPPLY EXPENSES	8,990,193.92	OPERATIONG LOSSES	0.00
THIRD PARTY SERVICE EXPENSES	60,089,904.60		
OTHER BANK COSTS	104,774,078.84		
TAXES	1,185,301.00		
NON-BANKING EXPENSES	3,611,052.52		
DEPRECIATIONS	29,507,928.53		
PROVISIONS	130,169,520.21		
OPERATION INCOME	392,329,976.13		
<b>TOTAL</b>	<b>1,350,840,443.49</b>	<b>TOTAL</b>	<b>1,350,840,443.49</b>

**Banco Nacional Ultramarino, S.A.**  
**Profit and Loss Account for the Year 2008**  
**Profit and Loss Accounts**

DEBIT	AMOUNT	CREDIT	AMOUNT
(in units of MOP)			
OPERATIONG LOSSES	0.00	OPERATING INCOME	392,329,976.13
ACCUMULATED LOSSES FROM PREVIOUS YEARS	56,276,101.66	ACCUMULATED INCOME FROM PREVIOUS YEARS	11,232,429.98
EXTRAORDINARY LOSSES	0.00	EXTRAORDINARY INCOME	0.00
INCOME TAX	49,607,545.00	PROVISIONS USED	56,276,101.66
PROFIT FOR THE YEAR	353,954,861.11	LOSS FOR THE YEAR	0.00
<b>TOTAL</b>	<b>459,838,507.77</b>	<b>TOTAL</b>	<b>459,838,507.77</b>

Head of Accounting

President of Executive Committee

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 Maria Clara Fong

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 Herculano Jorge Sousa



## Shareholders with Qualified Holdings

According to the terms of the Financial System Act of Macau, a qualified holding is that which, either directly or indirectly, represents 10 percent or more of the share capital or voting rights, or any other form which confers the possibility to exercise a significant influence over the management of the institution.

Shareholders with a qualified holding:

Caixa Geral de Depósitos, S.A. -----97.13 %

## Equity Investments

List of the companies where Banco Nacional Ultramarino has equity holdings higher than 5 percent of the respective issued quoted capital or higher than 5 percent of the own resources, and respective percentual value:

SEAP - Serviços, Administração e Participação, Lda----- 25%







## Principal Accounting Policies

### GENERAL

Banco Nacional Ultramarino, incorporated in Macau Special Administrative Region, the People's Republic of China ("Macau SAR"), is licensed bank authorised under the rules issued by the Autoridade Monetária de Macau ("AMCM"). The holding company of the Bank is Caixa Geral de Depósitos, S.A. incorporated in Portugal. The principal activities of the Bank are the provision of banking and related financial services. The address of the registered office of the Bank is Av. Almeida Ribeiro, N<sup>o</sup> 22, Macau. The financial statements are presented in Macau Pataca ("MOP"), which is the same as the functional currency of the Bank.

### SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared on the historical cost basis except for the valuation of freehold land and buildings (see note 13) as explained in the accounting policies set out below.

The financial statements have been prepared in accordance with Normas de Relato Financeiro ("Financial Reporting Standards of Macau SAR").

#### Revenue Recognition

Interest income is recognized in the income statement as it is accrued on a time basis, except in the case of non-accrual loans and advances to customers where interest is credited to a suspense account.

Non-accrual loans and advances to customers represent the credit exposures which are overdue for more than 3 months. Interest income from non-accrual loans and advances to customers is directly credited to profit or loss when the interest is subsequently recovered. Fees and commission income are recognized when services are provided.

Dividend income from investments in equity securities is recognized when the shareholders' right to receive payment has been established.

#### Loans and advances to customers

Loans and advances to customers are stated in the balance sheet after deducting specific and general provisions for possible losses. Provisions are made against specific

advances and when the management has doubts on the ultimate recoverability of principal or interest in full. Specific provision is made to reduce the carrying amount of loans and advances to customers, net of any collateral, to the expected net realizable value based on the management's assessment of the potential losses on those identified advances, and with reference to the requirements of the AMCM. The provisions are reviewed periodically and adjustments are made when considered necessary by the management.

When there is no realistic prospect of recovery, the outstanding loans and advances to customers are written off.

#### Investments in securities

Investments in unlisted equity securities are carried at cost less any identifying impairment losses.

Investments in debt securities are carried at amortized cost less any identified impairment losses.

An impairment is recognized in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the recoverable amount estimated by the directors. Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognized, subject to the restriction that the carrying amount of that asset at the date the impairment is reversed does not exceed what the cost would have been had the impairment not been recognized.

#### Off balance sheet financial derivative instruments

Financial derivative instruments including interest rate swaps, currency options and forward exchange contracts are used primarily to hedge its exposures to foreign exchange, interest rate and other risks, arising from operational, financing and investment activities.

The gain or loss resulting from the off balance sheet financial derivative instruments is recognized in the income statement as the interest income or expense has received and receivable or paid and payable during the period. The fair value of the financial derivative instruments are dealt with off balance sheet.

#### Properties and equipment

Properties and equipment including land and buildings held for use in the supply of services or for administrative purposes are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.





Depreciation is provided to write off the cost of items of properties and equipment over their estimated useful lives and after taking into account estimated residual value, using the straight/line method.

An item of properties and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the year in which the item is derecognized.

## Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

### The Bank as lessee

Rentals payable under operating leases are charged to profit or loss on a straight/line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognized as a reduction of rental expense over the lease term on a straight-line basis.

### Leasehold land and buildings

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification, unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is generally treated as finance lease and accounted for as properties and equipment.

## Impairment losses

At each balance sheet date, the Bank reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized as an expense immediately. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized as income immediately.

## Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Bank's liability for the current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax base used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary differences arise from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realized. Deferred tax is charged or credited to profit or loss.

## Foreign Currencies

In preparing the financial statements of the entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are translated at the rates prevailing on the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognized in profit or loss in the period in which they arise.

## Retirement benefit costs

Payments to defined contribution retirement benefit plans are charged as an expense when

employees have rendered service entitling them to the contributions.

## Provisions

Provisions are recognized when the Bank has a present obligation as a result of a past event, and it is probable that the Bank will be required to settle that obligation. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

### Provisions for country risk

Amounts have been set aside as a provision for country risk for cross-border exposures with reference to the requirements of AMCM.



## Auditors' Report

### To the Shareholders of Banco Nacional Ultramarino, S.A. ("the Bank")

We have audited the accompanying financial statements of Banco Nacional Ultramarino, S.A. (the "Bank") set out on pages 5 to 18 which comprise the balance sheet as at 31 December 2008, and the income statement, the statement of changes in equity and the cash flow statement for the year ended, and a summary of significant accounting policies and other explanatory notes.

### Management's responsibility for the financial statements

Management of the Bank is responsible for the preparation and the true and fair presentation of these financial statements in accordance with Financial Reporting Standards of Macau Special Administrative Region, the People's Republic of China ("Macau SAR"). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, making accounting estimates that are reasonable in the circumstances; and maintaining adequate and accurate accounting records.

### Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purposes. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with the Auditing Standards approved by the Chief Executive of the Macau SAR and the Technical Auditing Standards approved by the Secretary for Economy and Finance. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures of the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the

circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements give a true and fair view, in all material respects, of the financial position of the Bank as at 31 December 2008 and of its financial results and cash flows for the year ended in accordance with the Financial Reporting Standards of Macau SAR.

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Registered Auditor

**Deloitte Touche Tohmatsu** - Sociedade de Auditores

Macau, March 18, 2009

## Opinion of the Sole Supervisor

### Shareholders:

In accordance with article 32 (e) of the Articles of Association, the Board of Directors of Banco Nacional Ultramarino, S.A. submitted, to the Sole Supervisor, the Balance Sheet, Accounts and Annual Report in relation to the bank's operation in year 2008. In addition, the external auditors' report as prepared by «Deloitte Touche Tohmatsu» for the bank in relation to its activity in same year was also provided.

During the year, the Sole Supervisor had maintained regular contacts with the Board of Directors, consulted on the bank's activity and always received the collaboration as well as necessary clarification in an efficient manner.

After reviewing the documents as presented by the Board of Directors, it was found that the documents reflected clearly the financial and economical situation of the Bank.

The Report of the Board of Directors also explained clearly the business development of the bank's activity in the referred year of operation.

The Sole Supervisor had also reviewed the external auditors' report and found that the report reflected truly the financial situation and performance of the bank as at close of business on 31st December 2008, as well as result of activity for the year then ended and which were prepared under the accounting principles applicable on banking activity.

As such, the Sole Supervisor decided to recommend the approval of:

- The balance sheet and profit and loss account,
- The annual report of the Board of Directors.

Macau, March 19, 2009

The Sole Supervisor

Chui Sai Cheong







## Most Important Addresses

### CAIXA GERAL DE DEPÓSITOS

Av. João XXI, 63, 1000-300 Lisbon  
 Tel.: 21 795 30 00 Fax: 21 790 50 51  
<http://www.cgd.pt>  
 Swift: CGDIPTPLXXX

### BANCO NACIONAL ULTRAMARINO, S.A.

#### Head Office

Av. Almeida Ribeiro, nº. 22  
 Tel.: 28355111 Fax: 28355653  
 Telex:88202BNUMC OM 88351 BNUFX OM  
 E-mail: markt@bnu.com.mo  
 Website: <http://www.bnu.com.mo>  
 Swift:BNULMOMX

#### Credit Card Centre

Av. Almeida Ribeiro, 22  
 Tel.: 28335533 Fax: 28713119

### BNU Branch Network

#### Main Branch

Av. Almeida Ribeiro, 22  
 Tel.: 28355111 Fax: 28355130

#### Mercado Vermelho

Av. Almirante Lacerda, Nº. 90-92  
 Telef.: 28371166 Fax: 28211619

#### São Lourenço

Rua João Lécaros, Nº 5-5B  
 Telef.: 28572259 Fax: 28933200

#### Horta e Costa

Av. Horta e Costa, Nº 54-56  
 Tel.: 28517962 Fax: 28527853

### Areia Preta

Estrada Marginal do Hipódromo, 147 - C  
 Tel.: 28470032 Fax: 28470160

### Chong Fu

Alameda Heong San, Nº 58, Edf. Chong Fu R/C  
 Tel.: 28703478 Fax: 28705180

### NAPE

Av. Sir Anders Ljungstedt Nº. 206, Kuong Fai Seong Ip Chong Sam, R/C, A  
 Tel.: 28723672; 28723676 Fax: 28723418

### COTAI

Shop Nº 2466a, The Grand Canal Shoppes, The Venetian Macao Resort Hotel,  
 Estrada da Baía de N. Senhora da Esperança, The Cotai Strip, Taipa, Macau  
 Tel. 28576001, 28576002

### Iao Hon

Rua 1 do Bairro Iao Hon, Edf Iao Kai  
 Tel.: 28571921 Fax: 28400395

### Sidónio Pais

Av. Sidónio Pais, Nº. 20-20A  
 Tel.: 28584436 Fax: 28524589

### Fai Chi Kei

Rua Comandante João Belo, R/C Edf. Teng Pou Kok  
 Tel.: 28260165 Fax: 28260637

### Taipa (Flower City)

Rua de Évora, "Flower City", R/C, Quarteirão 40, Taipa  
 Tel.: 28833633 Fax: 28833622

### Kinglight Garden

Rua de Bragança Nº. 329, R/C Edf. Kinglight Garden (AI/AH), Taipa  
 Tel.: 28838028; 28839555 Fax: 28839328

### Chun Fok

Rua do Pai Kok Nº 18-28, "Cotai", R/C Chun Fok Village 2nd Fase, Taipa  
 Tel.: 28825892; 28825895 Fax: 28825799





