



Caixa Geral Finance Limited

(incorporated with limited liability under the laws of the Cayman Islands)

€250,000,000 Perpetual Non-cumulative Guaranteed Preference Shares

guaranteed on a subordinated basis to the extent set forth herein by

Caixa Geral de Depósitos, S.A.

acting through its France branch

(incorporated with limited liability under the laws of Portugal)

Issue Price: Euro 1,000 per Preference Share

Unless expressly indicated otherwise, the terms and expressions used herein have the same meaning as given to them in the “*Description of the Preference Shares*” (the “**Articles**”).

The €250,000,000 Perpetual Non-cumulative Guaranteed Preference Shares each with a par value and a liquidation preference of EUR 1,000 (the “**Preference Shares**”) are proposed to be issued by Caixa Geral Finance Limited (the “**Issuer**”) on 28 June 2004 (the “**Closing Date**”). The payment of dividends and payments on liquidation of the Issuer or on redemption with respect to the Preference Shares are guaranteed on a subordinated basis by Caixa Geral de Depósitos, S.A., (the “**Bank**”), acting through its France branch to the extent described in “The Subordinated Guarantee”.

The Preference Shares will entitle Holders to receive (subject to the limitations described in “Description of the Preference Shares”) non-cumulative preferential cash dividends, when and if declared by the Directors of the Issuer, quarterly in arrear on 28 March, 28 June, 28 September and 28 December in each year, commencing on 28 September 2004. In relation to a Dividend Period commencing on the Closing Date or any Dividend Date prior to but excluding 28 June 2014, (the “**First Call Date**”), the rate of Dividend shall be 0.80 per cent. per annum above Three Month EURIBOR. In relation to a Dividend Period commencing on the First Call Date or any Dividend Payment Date thereafter, the rate of Dividend shall be 1.80 per cent. per annum above Three Month EURIBOR.

The Preference Shares are perpetual securities and have no fixed redemption date. However, the Preference Shares may be redeemed at the option of the Issuer in whole or in part on the First Call Date and on any Dividend Payment Date thereafter and at any time upon the occurrence of a Tax Event or Capital Disqualification Event. Such redemption is subject to the consent of the Bank and the Bank of Portugal.

In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Issuer, Holders of Preference Shares will be entitled to receive for each Preference Share a liquidation preference of EUR 1,000 plus accrued and unpaid Dividends for the then current applicable Dividend Period to the date of payment, subject to the limitations described in “*Description of the Preference Shares – Liquidation Distributions*”.

The Preference Shares are expected to be rated “A2” by Moody’s Investors Service Inc., “A-” by Standard & Poor’s Rating Service and “A+” by Fitch Ratings Ltd. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the relevant rating organisation.

Application has been made to list the Preference Shares on the Luxembourg Stock Exchange.

See “*Investment Considerations*” for a discussion of certain factors that should be considered by prospective investors.

The Preference Shares will be represented on issue by a single global certificate in registered form (the “**Global Certificate**”). The Global Certificate will be registered in the name of Citibank, N.A. as a nominee for, and will be deposited with, a common depositary for Euroclear Bank S.A./N.V., as operator of the Euroclear system (“**Euroclear**”) and Clearstream Banking, société anonyme (“**Clearstream, Luxembourg**”) on or around the Closing Date.

Merrill Lynch International

Caixa-Banco de Investimento, S.A.

The date of this Offering Circular is 25 June 2004

The Issuer confirms, after having made all reasonable inquiries, that this Offering Circular contains all information with regard to the Issuer and the Preference Shares which is material to the issue of the Preference Shares, that such information is true and accurate in all material respects and is not misleading in any material respect, that the opinions and intentions expressed in this Offering Circular on the part of the Issuer are honestly held and that there are no other facts the omission of which makes any such information, or the expression of any such opinion or intention, misleading in any material respect. The Issuer accepts responsibility accordingly.

The Bank confirms, after having made all reasonable inquiries that this Offering Circular contains all information with regard to the Issuer, the Bank and the Preference Shares which is material to the issue of the Preference Shares, that the information contained in this Offering Circular is true and accurate in all material respects and is not misleading in any material respect, that the opinions and intentions expressed in this Offering Circular are honestly held and that there are no other facts the omission of which makes this Offering Circular as a whole, or any such information, or the expression of any such opinion or intention, misleading in any material respect. The Bank accepts responsibility accordingly.

Merrill Lynch International and Caixa-Banco de Investimento, S.A. (the “Managers”) have not separately verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Managers as to the accuracy or completeness of the information contained in this Offering Circular or any other information provided by the Issuer or the Bank in connection with the Preference Shares or their distribution.

No person has been authorised to give any information or to make any representation other than those contained in this Offering Circular and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, the Bank or the Managers. Neither the delivery of this Offering Circular nor any subscription, sale or purchase made in connection herewith shall, in any circumstances, create any implication that there has been no change in the affairs of the Issuer or the Bank since the date hereof.

Prospective investors should inform themselves as to the legal requirements and tax consequences within the countries of their residence and domicile for the acquisition, holding or disposition of Preference Shares and any foreign exchange restrictions that might be relevant to them. This Offering Circular does not constitute an offer of, or an invitation by or on behalf of, the Issuer, the Bank or the Managers to subscribe for or purchase any of the Preference Shares.

Investors should satisfy themselves that they understand all the risks associated with making investments in the nature of the Preference Shares. If a prospective investor is in any doubt whatsoever as to the risks involved in investing in the Preference Shares, he should consult his or her professional advisers.

The distribution of this Offering Circular and the offering of the Preference Shares in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Issuer, the Bank and the Managers to inform themselves about, and to observe, any such restrictions.

No action has been taken as a matter of the laws of any jurisdiction to permit the public offering of the Preference Shares in any jurisdiction. Accordingly, the Preference Shares may not be offered or sold, directly or indirectly and this Offering Circular may not be distributed in any jurisdiction, except in accordance with the legal requirements applicable in that jurisdiction. In particular, the Preference Shares have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the “Securities Act”). Subject to certain exceptions, the Preference Shares may not be offered, sold or delivered within the United States or to U.S. persons. A further description of certain restrictions on the offering and sale of the Preference Shares and on the distribution of this Offering Circular is given under “Subscription and Sale” below.

The Preference Shares are only suitable for financially sophisticated investors who are capable of evaluating the risks involved in investing in the Preference Shares.

Unless otherwise specified or the contact requires, references to “€”, “euro” and “EUR” are to the currency introduced at the start of the third stage of European economic and monetary union pursuant to

the EC Treaty, as amended from time to time. References to “U.S.\$”, “USD” and “U.S. dollars” are to the lawful currency of the United States of America.

References to “bn” and to a “billion” are to a thousand million. Reference to “mn” are to a million. References to “b.p.” are to basis points.

This Offering Circular may only be used for the purpose for which it has been published.

IN CONNECTION WITH THIS ISSUE, MERRILL LYNCH INTERNATIONAL OR ANY PERSON ACTING FOR IT MAY OVER-ALLOT OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE PREFERENCE SHARES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL FOR A LIMITED PERIOD. HOWEVER THERE MAY BE NO OBLIGATION ON MERRILL LYNCH INTERNATIONAL OR ANY PERSON ACTING FOR IT TO DO THIS. SUCH STABILISING, IF COMMENCED, WILL BE IN COMPLIANCE WITH ALL RELEVANT LAWS AND REGULATIONS, MAY BE DISCONTINUED AT ANY TIME AND MUST BE BROUGHT TO AN END AFTER A LIMITED PERIOD.

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DOCUMENTS INCORPORATED BY REFERENCE

The annual reports of the Bank for the years ended 31 December 2002 and 2003 are incorporated by reference in this Offering Circular. Copies of these annual reports and financial statements are available free of charge at the specified office of the Paying and Transfer Agent in Luxembourg for the time being as described in “General Information” below.

SUMMARY

The following summary is qualified in its entirety by the more detailed information and financial statements included elsewhere in this Offering Circular. Capitalised terms used but not defined in this summary shall bear the respective meanings ascribed to them under “Description of the Preference Shares” below. Prospective investors should also consider carefully, amongst other things, the factors set out under “Investment Considerations” below.

Issuer:	Caixa Geral Finance Limited a wholly owned direct subsidiary of the Bank, incorporated as an Exempted Company under the Companies Law of the Cayman Islands on 10 March 2004.
Guarantor:	Caixa Geral de Depósitos, S.A., acting through its France branch.
Issue Size:	EUR 250,000,000
Preference Shares:	EUR 250,000,000 per cent. Perpetual Non-cumulative Guaranteed Preference Shares, each with a par value and a liquidation preference of EUR 1,000 (the “Liquidation Preference”).
Use of Proceeds:	The proceeds of the issue of the Preference Shares will be used by the Issuer to subscribe for a Subordinated Deposit (the “Subordinated Deposit”) issued by the Bank. The proceeds of the issue will augment the Bank’s Tier 1 Capital on a consolidated basis.
Dividends:	<p>Dividends on the Preference Shares will be paid by the Issuer out of funds legally available therefor if and when declared by the Directors of the Issuer, subject to certain limitations (see “<i>Restrictions on Payments</i>” below).</p> <p>For each Dividend Period before 28 June 2014, (the “First Call Date”), Dividends will be payable at a variable rate per annum of 0.80% per annum above three-month EURIBOR.</p> <p>For each Dividend Period after the First Call Date, Dividends will be payable at a variable rate per annum of 1.80% per annum above three-month EURIBOR.</p>
Dividend Payment Dates:	Dividend payments on the Preference Shares will be payable, if and when declared by the Directors of the Issuer, quarterly in arrear on 28 March, 28 June, 28 September and 28 December of each year commencing on 28 September 2004.
Subordinated Guarantee:	<p>The Bank will unconditionally guarantee payments on the Preference Shares in respect of declared Dividends, payments on liquidation of the Issuer, amounts on redemption and any additional amounts on the Preference Shares.</p> <p>Subject to applicable law, the Subordinated Guarantee will rank:</p> <ul style="list-style-type: none">● junior to all liabilities of the Bank other than any liability expressed to rank <i>pari passu</i> with or junior to the Subordinated Guarantee (the “Senior Creditors”);● <i>pari passu</i> with any Liquidation Parity Obligations of the Bank (as defined below); and● senior to Junior Obligations. <p>“Junior Obligations” means (i) ordinary shares of the Bank, (ii) each class of preferred or preference shares or similar securities of the Bank that ranks junior to the most senior ranking preferred or preference shares or similar securities of the Bank and (iii) any preference share or preferred security of a Subsidiary or the Issuer (other than the Preference Shares) entitled to the benefit of a guarantee or support agreement or similar undertaking of the Bank</p>

that ranks junior to the Subordinated Guarantee or any such guarantees or support agreements or similar undertakings of the Bank.

The Subordinated Guarantee is intended to provide for dividend, redemption and liquidation rights equivalent to those which would attach to the Preference Shares had they been issued directly by the Bank.

The Bank will undertake in the Subordinated Guarantee that it will not issue any preferred or preference shares ranking senior to its obligations under the Subordinated Guarantee or give any guarantee in respect of any preferred or preference shares issued by any Subsidiary if such guarantee would rank senior to the Subordinated Guarantee (including, without limitation, any guarantee that would provide a priority of payment with respect to Distributable Funds) unless, in each case the Subordinated Guarantee is changed to give the Holders such rights and entitlements as are contained in or attached to such other guarantee so that the Subordinated Guarantee ranks *pari passu* with, and contains substantially equivalent rights or priority as to payment of Distributable Funds, as any such preferred or preference shares or other guarantee.

The Bank's obligations under the Subordinated Guarantee may be further limited by the availability of Distributable Funds (as defined below).

The Guarantor will, *inter alia*, undertake in the Subordinated Guarantee that in the event that any Dividend is not paid in full to the holders of the Preference Shares, the Guarantor will not:

- (a) declare or pay any distribution or dividend and, where applicable, will procure that no distribution or dividend is declared or paid on any Junior Obligations, until after the fourth consecutive following Dividend Payment Date on which a Dividend is paid in full;
- (b) (if permitted) repurchase or redeem Parity Obligations or Junior Obligations until after the fourth consecutive following Dividend Payment Date on which a Dividend is paid in full.

Restrictions on Payments:

Provided that the following Restrictions on Payments do not apply, Dividends on the Preference Shares will be payable by the Issuer.

Neither the Issuer nor the Bank under the Subordinated Guarantee will be obligated to make any payment in respect of Dividends:

- (a) to the extent that such payment, together with the amount of:
 - any Dividends (including Additional Amounts in respect thereof) previously paid by the Issuer in respect of the Preference Shares in the then current Dividend Period;
 - any payments made by the Bank in respect of such Dividends (including Additional Amounts in respect thereof) in the then current fiscal year;
 - any dividends previously paid on any preferred or preference shares of the Bank ranking *pari passu* as regards participation in profits with the Bank's obligations under the Subordinated Guarantee in the then current fiscal year;

- any dividends proposed to be paid on any preferred or preference shares of the Bank ranking *pari passu* as regards participation in profits with the Bank's obligations under the Subordinated Guarantee in the then current Dividend Period;
- any dividends previously paid on or guaranteed payments in respect of all other preferred or preference shares of the Issuer or any other subsidiary of the Bank entitled to the benefit of any guarantee ranking *pari passu* as regards participation in profits with the Bank's obligations under the Subordinated Guarantee in the then current fiscal year; and
- any dividends proposed to be paid on or guaranteed payments proposed to be made in respect of all other preferred or preference shares of the Issuer or any other subsidiary of the Bank entitled to the benefit of any guarantee ranking *pari passu* as regards participation in profits with the Bank's obligations under the Subordinated Guarantee in the then current Dividend Period;

would exceed Distributable Funds (as defined below) in relation to the Bank; and

- (b) even if Distributable Funds are sufficient, if the Issuer has been notified that in the judgement of the Board of Directors of the Bank after consultation with the Bank of Portugal, such payment would breach or cause a breach by the Bank of the Capital Adequacy Regulations.

For the avoidance of doubt, the payment of Dividends by the Issuer is at the discretion of the Directors of the Issuer and subject to the requirements of Cayman Islands law.

In the event that the payments described above cannot be made in full by reason of any such limitation, such payments will be made pro rata in the proportion that the amount available for payment bears to the full amount that would have been payable but for such limitation.

"Distributable Funds" means in respect of each fiscal year of the Bank, the aggregate amount, as calculated as of the end of the immediately preceding fiscal year, of accumulated retained earnings and any other reserves and surpluses available for distribution as cash dividends to holders of the ordinary share capital of the Bank under the companies laws of Portugal before deduction of the amount of any dividend or other distribution declared on the Bank's ordinary capital in respect of such prior fiscal year; increased or decreased by the amount of any profit or loss from such prior fiscal year net of any amounts which are required to be transferred to legal or other restricted reserves and net of any distribution of bonuses pursuant to the Bank's statutes to employees and directors or funds distributed to their pension fund approved at the annual general meeting of shareholders that approves the accounts in respect of such prior fiscal year.

Dividends non-cumulative:

If the Directors of the Issuer do not declare a Dividend payable on a Dividend Payment Date, the entitlement of the holders of the Preference Shares to such Dividend shall lapse. Accordingly no payment will need to be made at any time by the Issuer or the Bank in respect of any such missed payment.

Withholding Tax and Additional Amounts:

Subject to customary exceptions, the Issuer will pay any additional amounts as may be necessary for the net amounts received by the holders of the Preference Shares, after deduction of any Cayman Islands, Portuguese, French or UK withholding taxes, to equal the amount the Issuer is otherwise required to pay. Pursuant to the Subordinated Guarantee, the Bank will pay any additional amounts not paid by Issuer. The Bank will also pay any additional amounts necessary for the net amounts received by holders, after deduction of any Portuguese, French or UK withholding taxes, to equal the amount it is otherwise required to pay under the Subordinated Guarantee.

The obligations of the Issuer and of the Bank to pay any such additional amounts will be subject to limitations as described in “Restrictions on Payments”.

No Fixed Maturity:

The Preference Shares are perpetual securities and not subject to any mandatory redemption provisions and may only be redeemed in the circumstances described below.

Optional Redemption:

The Issuer may redeem any or all the Preference Shares on 28 June 2014 (the “First Call Date”) or on any Dividend Payment Date thereafter at a redemption price of EUR 1,000 plus an amount equal to any accrued and unpaid dividend in respect of the most recent Dividend Period, whether or not declared up to the date of redemption and any Additional Amounts (the “Redemption Price”). Furthermore, the Issuer may also redeem the Preference Shares, in whole, but not in part, at any time upon the occurrence of a Tax Event (as defined below) or Capital Disqualification Event (as defined below).

Any such redemption will be subject to the prior consent of the Bank and the Bank of Portugal and subject to the requirements of Cayman Islands law.

Tax Event Redemption:

If at any time a Tax Event occurs and is continuing, the effect of which cannot be avoided by the Issuer or the Bank taking reasonable measures available to it, the Preference Shares are redeemable in whole, but not in part, at the option of Issuer (subject to Cayman Islands law) at the Redemption Price.

Any such redemption will be subject to the prior consent of the Bank and the Bank of Portugal.

As used herein, “Tax Event” means that, as a result of a change in any law or regulation of Portugal, the Cayman Islands, France or the UK, or in any treaty to which Portugal, the Cayman Islands, France or the UK is a party, or in the official interpretation or application of any law, regulation or treaty by any relevant body in Portugal, the Cayman Islands, France or the UK:

- (a) payments to Holders would be subject to deduction or to withholding tax or would give rise to any obligation of the Issuer or the Bank to account for any tax in the Cayman Islands, Portugal, France or the UK; or

- (b) the Bank would be unable for reasons outside its control to procure payment by the Issuer and in making payments under the Subordinated Guarantee, such payments by the Bank would be subject to deduction or to withholding tax in Portugal, France or the UK; or
- (c) the Issuer or the Bank would be subject to more than a *de minimis* amount of tax in respect of the Preference Shares or the Subordinated Guarantee in the Cayman Islands, France or Portugal; or
- (d) the Bank would not obtain relief for the purposes of Portuguese corporation tax for any payment of interest on any inter-company lending of the proceeds of the Preference Shares.

Capital Disqualification Event Redemption:

If at any time a Capital Disqualification Event has occurred and is continuing, the Preference Shares are redeemable at any time in whole, but not in part, at the option of Issuer at the Redemption Price.

Any such redemption will be subject to the prior consent of the Bank and the Bank of Portugal and subject to Cayman Islands law.

As used herein, “Capital Disqualification Event” means a change in any applicable law or regulation, or in the official interpretation or application thereof, as a result of which, for the purposes of the Bank of Portugal’s capital adequacy requirements applicable to Portuguese banks at that time, the Preference Shares will no longer qualify for inclusion in the Tier 1 Capital of the Bank on a consolidated basis.

Liquidation Distributions:

The Bank has undertaken in the Subordinated Guarantee that, so long as any of the Preference Shares are outstanding, it will not permit or cause the liquidation, dissolution or winding up of the Issuer unless the Bank of Portugal has so approved or the Bank itself is in liquidation.

If the Issuer is voluntarily or involuntarily liquidated, dissolved or wound up, the holders of Preference Shares then outstanding will be entitled to receive an amount equal to the total of the Liquidation Preference plus accrued and unpaid Dividends (whether or not declared) for the then current Dividend Period to but excluding the date of payment and any Additional Amounts. Any such payment will be made:

- out of the assets of Issuer which are available to be distributed to shareholders;
- before any assets are distributed to holders of Issuer’s ordinary shares or any other class of its shares ranking junior to the Preference Shares as to participation in its assets; and
- together with the holders of any other Liquidation Parity Obligations.

The amount the holders of the Preference Shares would be entitled to receive as described above is referred to as the Liquidation Distribution. However, even if sufficient assets of Issuer are available to pay the Liquidation Distribution as described above, if proceedings are pending or commenced to voluntarily or

involuntarily liquidate, dissolve or wind-up the Bank when such Liquidation Distribution is to be paid, then the provisions below will apply.

The Directors of the Issuer shall convene an extraordinary general meeting of the Issuer for the purpose of placing the Issuer in liquidation. The Liquidation Distribution per share paid to Holders of the Preference Shares and the liquidation distribution per share paid to holders of the most senior preferred or preference shares and other similar instruments qualifying as tier 1 capital of the Bank and all preferred or preference shares or similar instruments of subsidiaries of the Bank qualifying as tier 1 capital of the Bank on a consolidated basis and entitled to the benefit of any guarantee, support agreement or other contractual obligation of the Bank ranking equally with the guarantee of the Preference Shares as to participation in the Bank's assets ("Liquidation Parity Obligations"), will not exceed the amount per share that would have been paid as the liquidation distribution from the Bank's assets had the Preference Shares and all such other Liquidation Parity Obligations been issued by the Bank and ranked:

- junior to all Senior Creditors;
- *pari passu* with the Bank's Liquidation Parity Obligations; and
- senior to all Junior Obligations.

If the Liquidation Distribution on the Preference Shares and any other such liquidation distributions described above cannot be made in full by reason of the limitations described above, such payments will be made pro rata in the proportion that the amount available for that payment bears to the full amount that would have been paid but for such limitations.

After payment of the amount of the Liquidation Distribution on the Preference Shares, as adjusted if applicable, the Holders of the Preference Shares will have no right or claim to any of the remaining assets of Issuer or the Bank.

Voting Rights:

Except in very limited circumstances, Holders of the Preference Shares will not be entitled to vote at any shareholders meeting of the Issuer. Holders of such Preference Shares (voting together with all then outstanding additional series of preference shares) may elect two additional directors to the Issuer's board of directors if the Bank is in breach of its obligations under the Subordinated Guarantee and Dividends have not been paid for four consecutive Dividend Payment Dates.

Such directors must vacate their office if Dividend payments are resumed in full for four consecutive Dividend Payments Dates.

Governing Law:

The Preference Shares will be governed by, and construed in accordance with, Cayman Islands law.

The Subordinated Guarantee will be governed by, and construed in accordance with, English law, save that the provisions concerning the ranking of the Subordinated Guarantee, as described above, will be governed by, and construed in accordance with, Portuguese law.

Ratings:

The Preference Shares are expected to be assigned on issue a rating of A2 by Moody's Investors Service, A- by Standard & Poor's, and A+ by Fitch Ratings. A credit rating is not a recommendation to

buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the relevant rating organisation.

Form of the Preference Shares:

The Preference Shares will be registered in the name of Citibank, N.A. as a nominee for, and will be deposited with a common depositary for Euroclear and Clearstream, Luxembourg.

Listing:

Application has been made to list the Preference Shares on the Luxembourg Stock Exchange.

INVESTMENT CONSIDERATIONS

Prospective investors should consider carefully the following information in conjunction with the other information contained in this Offering Circular before investing in the Preference Shares.

Risks Associated with the Bank's Financial Condition

An investment in the Preference Shares will have substantially the same economic risks as an investment in non-cumulative perpetual preference shares issued directly by the Bank having the same liquidation preference and rate of distribution as the Preference Shares. The Preference Shares are guaranteed on a limited and subordinated basis by the Bank pursuant to the terms of the Subordinated Guarantee. Accordingly, if the Bank's financial condition were to deteriorate, the Issuer and the Holders may suffer direct and materially adverse consequences, including non-payment of Dividends on the Preference Shares or of payments under the Subordinated Guarantee.

Dividends not Cumulative

Dividends on the Preference Shares are not cumulative. As set out in "Description of the Preference Shares", Dividends on the Preference Shares when and if declared by the Board of Directors of the Issuer, will be paid on each Dividend Payment Date by the Issuer or by the Bank under the Subordinated Guarantee unless the Bank has insufficient Distributable Funds to enable it to pay Dividends on the Preference Shares (and in respect of any Dividend Parity Obligations) or such payment would result in the Bank breaching the Capital Adequacy Regulations provided that the payment of Dividends by the Issuer shall always be at the discretion of the Directors and subject to Cayman Islands law. If Dividends on the Preference Shares for any Dividend Period are not paid, the Holders will not be entitled to receive such Dividends (or any payment under the Subordinated Guarantee in respect of such Dividends) whether or not funds are, or subsequently become, available.

Perpetual Nature of the Preference Shares

The Preference Shares have no fixed final redemption date and Holders have no rights to call for the redemption of the Preference Shares. Although the Issuer may redeem the Preference Shares in certain circumstances (including at its option on the First Call Date or any Dividend Payment Date thereafter or following the occurrence of a Tax Event or a Capital Disqualification Event (as set out in "Description of the Preference Shares")), there is no obligation for it to do so and there are limitations on its ability to do so.

Subordination

The obligations of the Bank under the Subordinated Guarantee will rank junior as to payments to all liabilities to creditors of the Bank (including without limitation depositors, general creditors and subordinated debt holders) and claims of holders of senior ranking securities. In the event that the Bank is wound up, liquidated or dissolved, the assets of the Bank would be available to pay obligations under the Subordinated Guarantee only after all payments have been made on such senior liabilities and claims.

No Limitation on Senior Debt

Neither the Issuer nor the Bank is prohibited from issuing, guaranteeing or otherwise incurring further debt ranking *pari passu* with, or senior to, its obligations under the Preference Shares or the Subordinated Guarantee, as the case may be.

Absence of Prior Public Markets

The Preference Shares constitute a new issue of shares by the Issuer. Prior to this issue, there will have been no public market for the Preference Shares. Although application has been made for the Preference Shares to be listed on the Luxembourg Stock Exchange there can be no assurance that an active public market for the Preference Shares will develop and, if such a market were to develop, the Managers are under no obligation to maintain such a market. The liquidity and the market prices for the Preference Shares can be expected to vary with changes in market and economic conditions, the financial condition and prospects of the Bank and other factors that generally influence the market prices of securities.

DESCRIPTION OF THE PREFERENCE SHARES

Set forth below is a summary of the terms of the Preference Shares, a summary of certain provisions of the Issuer's Articles of Association (the "Articles"), as in effect on the date hereof and a summary of certain provisions of the Agency Agreement (as defined below) insofar as such provisions relate to the rights and privileges of the Holders of the Preference Shares.

The summaries set forth below contain all material information concerning the Preference Shares but do not purport to be complete and are subject to, and qualified in their entirety by reference to, the Articles and the resolution adopted by the Board of Directors of the Issuer establishing the rights, preferences, privileges, limitations and restrictions relating to the Preference Shares. Copies of the Articles, the Agency Agreement and such resolutions are available for inspection as described under "General Information" below.

1. Definitions and Interpretation

In this description of the Preference Shares, except to the extent that the context requires otherwise:

"Additional Amounts" means the additional amounts which may be payable in respect of the Preference Shares as described in Article 10;

"Agency Agreement" means the agency agreement dated 28 June 2004 relating to the Preference Shares between the Bank, the Issuer, the Principal Paying and Transfer Agent, the Paying and Transfer Agent, the Registrar and the other agents named therein;

"Bank" means Caixa Geral de Depósitos, S.A. and its successors and assigns;

"Business Day" means any day on which commercial and foreign exchange markets settle payments in London, Lisbon and the Cayman Islands and on which the TARGET System, or any successor thereto, is operating;

"Capital Adequacy Regulations" means at any time, the regulations, requirements, guidelines and policies relating to capital adequacy of the Bank of Portugal or otherwise applicable to banks in Portugal then in effect;

"Capital Disqualification Event" means a change in any applicable law or regulation, or in the official interpretation or application thereof, as a result of which, for the purposes of the Capital Adequacy Regulations at that time, the Preference Shares will no longer qualify for inclusion in the tier one capital of the Bank on a consolidated basis;

"Cayman Islands Tax" means any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of the Cayman Islands or any political sub-division thereof or by any authority therein or thereof having power to tax;

"Clearstream, Luxembourg" means Clearstream Banking, société anonyme or its successor;

"Closing Date" means 28 June 2004;

"Common Depositary" means Citibank, N.A. as a nominee for Euroclear and Clearstream, Luxembourg;

"Distributable Funds" means in respect of each fiscal year of the Bank, the aggregate amount, as calculated as of the end of the immediately preceding fiscal year, of:

- (a) the Bank's accumulated retained earnings and any other reserves and surpluses available for distribution as cash dividends to holders of the ordinary share capital of the Bank under the companies laws of Portugal, before deduction of the amount of any dividend or other distribution declared on the Bank's ordinary share capital in respect of such prior fiscal year;
- (b) increased by the amount of any profit or decreased by any loss from such prior fiscal year, net of any amounts required to be transferred to legal or other restricted reserves;
- (c) less any distribution of bonuses, pursuant to the Bank's bylaws to employees and directors or funds distributed to their pension funds approved at the annual general meeting of shareholders that approves the accounts in respect of such prior fiscal year.

“Dividends” means the non-cumulative dividends in respect of the Preference Shares as described under Article 2;

“Dividend Parity Obligations” means the most senior preferred or preference shares or similar securities qualifying as tier one capital of the Bank and ranking *pari passu* with the most senior preferred or preference shares (if any) of the Bank and all preferred or preference shares or similar securities of Subsidiaries or of the Issuer (other than the Preference Shares) qualifying as tier one capital of the Bank on a consolidated basis and entitled to the benefit of any guarantee, support agreement or other contractual undertaking of the Bank ranking *pari passu* with the Subordinated Guarantee as regards entitlement to distributions thereunder, or all such guarantees, support agreements or contractual undertakings;

“Dividend Payment Date” means each date on which a Dividend is payable in accordance with the provisions of Article 2(a);

“Dividend Period” means the period from and including the Closing Date to but excluding the first Dividend Payment Date and each successive period from and including a Dividend Payment Date to but excluding the next succeeding Dividend Payment Date;

“Euroclear” means Euroclear Bank S.A./N.V., as operator of the Euroclear System;

“First Call Date” means 28 June 2014;

“French Tax” means any present or future taxes, duties, assessments or governmental charges of whatsoever nature imposed or levied by or on behalf of France or any political sub-division thereof or by any authority therein or thereof having power to tax;

“Group” means the Bank together with its Subsidiaries;

“Holder” means, in relation to any Preference Share, the member of the Issuer whose name is entered in the Preference Shares Register as the holder of such Preference Share and in relation to any Ordinary Share the member of the Issuer whose name is entered in the ordinary register as the holder of such Ordinary Share;

“Issuer” means Caixa Geral Finance Limited, a wholly owned direct subsidiary of the Bank, incorporated as an exempted company under the Companies Law of the Cayman Islands on 10 March, 2004 in respect of which the articles have been registered;

“Junior Obligations” means (i) ordinary shares of the Bank, (ii) each class of preferred or preference shares or similar securities of the Bank that ranks junior to the most senior ranking preferred or preference shares or similar securities of the Bank and (iii) any preference share or preferred security of a Subsidiary or the Issuer (other than the Preference Shares) entitled to the benefit of a guarantee or support agreement or similar undertaking of the Bank that ranks junior to the Subordinated Guarantee or any such guarantees or support agreements or similar undertakings of the Bank;

“Liquidation Distribution” means the aggregate of the Liquidation Preference plus (i) any accrued and unpaid Dividends (whether or not declared) calculated from and including the immediately preceding Dividend Payment Date (or, if none, the Closing Date) to but excluding the date of payment, and (ii) any Additional Amounts, in each case in cash only;

“Liquidation Parity Obligations” means the most senior preferred or preference shares or similar securities qualifying as tier one capital of the Bank and ranking *pari passu* with the most senior preferred or preference shares (if any) of the Bank and all preferred or preference shares or similar securities of Subsidiaries or of the Issuer (other than the Preference Shares) qualifying as tier one capital of the Bank on a consolidated basis and entitled to the benefit of any guarantee, support agreement or other contractual undertaking of the Bank ranking *pari passu* with the Subordinated Guarantee as regards participation in the assets of the Bank, or all such guarantees, support agreements or contractual undertakings;

“Liquidation Preference” means the liquidation preference of EUR 1,000 per Preference Share;

“Margin” means for each Dividend Period prior to the First Call Date 0.80 per cent. per annum and for each Dividend Period after the First Call Date 1.80 per cent. per annum;

“Ordinary Shares” means the ordinary shares in the capital of the Issuer with a nominal or par value of EUR 1.00 each;

“Paying and Transfer Agent” means Dexia Banque Internationale à Luxembourg, société anonyme, or such other entity appointed as paying and transfer agent by the Issuer and notified to the Holders of the Preference Shares;

“Portuguese Tax” means any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of Portugal or any political sub-division thereof or by any authority therein or thereof having power to tax;

“Preference Shares” means the Euro perpetual Non-cumulative Guaranteed Preference Shares of the Issuer outstanding, each with a Liquidation Preference of EUR 1,000, and including any further Preference Shares of the Issuer of the same series issued after the Closing Date and ranking *pari passu* with the Preference Shares then in issue;

“Preference Shares Register” means the register of holders of Preference Shares;

“Principal Paying and Transfer Agent” means Citibank, N.A. or such other entity appointed as principal paying and transfer agent by the Issuer and notified to the holders of the Preference Shares;

“Redemption Date” means the date on which the Preference Shares are redeemed by the Issuer;

“Redemption Price” means EUR 1,000 per Preference Share plus (i) accrued and unpaid Dividends in respect of the most recent Dividend Period, whether or not declared, up to the relevant Redemption Date and (ii) any Additional Amounts;

“Reference Banks” means any four major banks in the euro-zone interbank market selected by agreement between the Principal Paying and Transfer Agent and the Bank;

“Registrar” means Citigroup Global Markets Deutschland AG & Co. KGaA or such other entity appointed by the Issuer and notified to the holders of the Preference Shares;

“Relevant Screen Page” means Moneyline Telerate Screen Page 248 or such replacement page on that service, or such other service as may be nominated as the information vendor, for the purpose of displaying rates or prices comparable to Three Month EURIBOR;

“Senior Creditors” means liabilities of the Bank (other than any liability expressed to rank *pari passu* with or junior to the Subordinated Guarantee);

“Subordinated Guarantee” means the subordinated guarantee in favour of the Holders of the Preference Shares to be executed by the Bank on 28 June 2004 as a deed poll;

“Subsidiary” means any corporation or other person or entity more than 50 per cent. of the voting shares or similar ownership interests of which are owned, directly or indirectly, by the Bank;

“TARGET Settlement Day” means any day on which the Trans-European Automated Real-time Gross settlement Express Transfer system, or any successor thereto, is operating;

“Tax Event” means that, as a result of a change in any law or regulation of Portugal, the Cayman Islands or the UK, or in any treaty to which Portugal, the Cayman Islands or the UK is a party, or in the official interpretation or application of any law, regulation or treaty by any relevant body in Portugal, the Cayman Islands, France or the UK:

- (a) payments to Holders would be subject to deduction or to withholding tax or would give rise to any obligation of the Issuer or the Bank to account for any tax in the Cayman Islands, Portugal, France or the UK; or
- (b) the Bank would be unable for reasons outside its control to procure payment by the Issuer and in making payments under the Subordinated Guarantee, such payments by the Bank would be subject to deduction or to withholding tax in Portugal, France or the UK; or
- (c) the Issuer or the Bank would be subject to more than a de minimis amount of tax in respect of the Preference Shares or the Subordinated Guarantee in the Cayman Islands, France or Portugal; or
- (d) the Bank would not obtain relief for the purposes of Portuguese corporation tax for any payment of interest on any inter-company lending of the proceeds of the Preference Shares;

“UK” means the United Kingdom of Great Britain and Northern Ireland; and

“UK Tax” means any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of the UK or any political sub-division thereof or by any authority therein or thereof having power to tax.

2. Dividends on Preference Shares

(a) Dividend Payment Dates

Dividends on the Preference Shares are non-cumulative and will be deemed to accrue on a day by day basis. The Dividends will be payable when and if declared by the Directors of the Issuer quarterly in arrear on 28 March, 28 June, 28 September and 28 December in each year, commencing on 28 September 2004, provided that if any such date would otherwise fall on a day which is not a Business Day, payment shall be postponed to the next day which is a Business Day unless it would then fall into the next calendar month in which event it shall be brought forward to the immediately preceding Business Day.

(b) Dividend Rate

The rate of Dividend shall be the sum of Three Month EURIBOR and the Margin (the “Dividend Rate”).

For the purpose of calculating the Dividend Rate, “Three Month EURIBOR” means the rate for deposits in euro for a period of three months which appears on the Relevant Screen Page as of 11.00 a.m., Brussels time, (or such other time as may be customary for the daily reset of such rate) on the day that is two TARGET Settlement Days preceding the first day of the relevant Dividend Period.

If such rate does not appear on the Relevant Screen Page on the day that is two TARGET Settlement Days preceding the first day of the relevant Dividend Period, then Three Month EURIBOR for the relevant Dividend Period will be determined on the basis of the rates at which deposits in euro are offered by the Reference Banks at approximately 11.00 a.m., Brussels time, on the day that is two TARGET Settlement Days preceding the first day of the relevant Dividend Period to prime banks in the euro-zone interbank market for a period of three months commencing on the first day of the relevant Dividend Period and in an amount that is representative for a single transaction in the relevant market at the relevant time. The Principal Paying and Transfer Agent shall request the principal euro-zone office of each of the Reference Banks to provide a quotation of its rate. If at least two quotations are provided, the rate shall be the arithmetic mean of such quotations.

If fewer than two quotations are provided as requested, Three Month EURIBOR in respect of such Dividend Period shall be the arithmetic mean of the rates quoted by major banks in the eurozone selected by the Principal Paying and Transfer Agent, at approximately 11.00 a.m., Brussels time, on the day that is two TARGET Settlement Days preceding the first day of the relevant Dividend Period for loans in euro to leading banks in the euro-zone for a period of three months commencing on the first day of such Dividend Period and in an amount that is representative for a single transaction in the relevant market at the relevant time, except that, if the banks so selected by the Principal Paying and Transfer Agent are not quoting as mentioned above, the Dividend Rate for such Dividend Period shall be the Dividend Rate in effect for the last preceding Dividend Period to which one of the preceding paragraphs of this definition of Three Month EURIBOR shall have applied.

Whenever it is necessary to calculate the amount of any Dividend in respect of a Preference Share, the amount of such Dividend shall be calculated by multiplying the Dividend Rate by the Liquidation Preference and the actual number of days in the relevant Dividend Period divided by 360 and rounding the resultant figure to the nearest cent (half a cent being rounded upwards).

The Principal Paying and Transfer Agent shall, as soon as practicable after 11.00 a.m., Brussels time, on the day which is two TARGET Settlement Days prior to the first day of each Dividend Period, calculate the Dividend payable on the relevant Dividend Payment Date on each Preference Share for the relevant Dividend Period.

The Principal Paying and Transfer Agent will cause the Dividend Rate to be notified to the Issuer, to each Paying and Transfer Agent and each listing authority or stock exchange on which the

Preference Shares are listed as soon as possible after determination thereof but in no event later than the first day of the relevant Dividend Period. Notice will also be provided to the Holders in accordance with Article 13.

3. Limitations on Payments of Dividends on Preference Shares

(a) Dividends on the Preference Shares will be paid by the Issuer out of funds legally available therefor if and when declared by the Directors. The Directors of the Issuer will not declare, and the Issuer will not pay, any Dividend:

(i) to the extent that such Dividend, together with the amount of:

- (A) any Dividends previously paid by the Issuer in respect of the Preference Shares in the then current Dividend Period;
- (B) any payments made by the Bank in respect of such Dividends in the then current fiscal year;
- (C) any dividends previously paid on any preferred or preference shares of the Bank ranking *pari passu* as regards participation in profits with the Bank's obligations under the Subordinated Guarantee in the then current fiscal year;
- (D) any dividends proposed to be paid on any preferred or preference shares of the Bank ranking *pari passu* as regards participation in profits with the Bank's obligations under the Subordinated Guarantee in the then current Dividend Period;
- (E) any dividends previously paid on or guaranteed payments in respect of all other preferred or preference shares of the Issuer or any other subsidiary of the Bank entitled to the benefit of any guarantee ranking *pari passu* as regards participation in profits with the Bank's obligations under the Subordinated Guarantee in the then current fiscal year; and
- (F) any dividends proposed to be paid on or guaranteed payments proposed to be made in respect of all other preferred or preference shares of the Issuer or any other subsidiary of the Bank entitled to the benefit of any guarantee ranking *pari passu* as regards participation in profits with the Bank's obligations under the Subordinated Guarantee in the then current Dividend Period;

would exceed Distributable Funds in relation to the Bank; and

(ii) even if Distributable Funds are sufficient, if the Issuer has been notified that in the judgement of the Board of Directors of the Bank, after consultation with the Bank of Portugal, such payment would breach or cause a breach by the Bank of the Capital Adequacy Regulations.

For the avoidance of doubt, the payment of Dividends by the Issuer is at the discretion of the Directors of the Issuer.

(b) References to Dividends in this Article include Additional Amounts (as defined in Article 10).

(c) Partial payments

If, in any Dividend Period by reason of any limitations on payments described in Article 3(a), Dividends are not paid in full on the Preference Shares, all Dividends declared upon the Preference Shares will be payable pro rata with the dividends declared on any other preference shares or preferred securities of the Issuer ranking *pari passu* as regards participation in profits with the Preference Shares in the proportion that the amounts available for payment on the Preference Shares and any such other preferred securities or preference shares shall bear to the full amount that would have been payable on the Preference Shares and any such other preferred securities or preference shares, but for such limitation.

Save as described in this Article and in Articles 4 and 5, after payment of the Dividend the Holders of the Preference Shares will have no right to participate in the profits of the Issuer.

(d) Dividends non-cumulative

If the Directors of the Issuer do not declare a Dividend payable on a Dividend Payment Date in respect of the Preference Shares then, subject to Articles 4 and 5 and subject to the rights of the Holders of the Preference Shares under the Subordinated Guarantee, the right of Holders of the Preference Shares to receive such Dividend will be lost. The Issuer will have no obligation to pay the Dividend accrued for such Dividend Period or to pay any interest thereon, whether or not Dividends on the Preference Shares are declared in respect of any future Dividend Period. In the event that the Directors of the Issuer do not declare a Dividend as aforesaid, notice will be provided to the Principal Paying and Transfer Agent and to each listing authority or stock exchange on which the Preference Shares are listed as soon as possible after such determination has been made. Notice will also be provided to the Holders in accordance with Article 13.

4. Redemption of Preference Shares

(a) Optional redemption

The Preference Shares are redeemable, at the option of the Issuer, in whole but not in part, on the First Call Date or on any Dividend Payment Date falling thereafter, upon not less than 30 nor more than 60 days' notice to the Holders of the Preference Shares (which notice shall be irrevocable). Upon the Redemption Date, each Preference Share will be redeemed at the Redemption Price. Upon the expiry of such notice, the Issuer shall be bound to redeem the Preference Shares accordingly.

(b) Redemption for tax reasons

If, at any time, a Tax Event occurs, and is continuing, the effect of which can not be avoided by the Issuer or the Bank taking reasonable measures available to it, then the Preference Shares will be redeemable, at the option of the Issuer, in whole but not in part, upon not less than 30 or more than 60 days' notice to the Holders of the Preference Shares (which notice shall be irrevocable) at the Redemption Price. Upon the expiry of such notice, the Issuer shall be bound to redeem the Preference Shares accordingly.

(c) Redemption for Capital Disqualification Event

If, at any time, a Capital Disqualification Event occurs and is continuing, the Preference Shares may be redeemed, in whole but not in part, at the option of the Issuer, upon not less than 30 or more than 60 days' notice to the Holders of the Preference Shares (which notice shall be irrevocable) at the Redemption Price. Upon the expiry of such notice, the Issuer shall be bound to redeem the Preference Shares accordingly.

(d) Precondition to redemption

Any redemption under Article 4 (a), (b) or (c) will be subject to the prior consent of the Bank and the Bank of Portugal.

The notice to the Holders of the Preference Shares under Article 4 (a), (b) or (c) will specify the Redemption Date and the Redemption Price.

5. Payments

Dividends declared on the Preference Shares will be payable on the relevant Dividend Payment Date (or where any Dividend Payment Date is not a Business Day on the next Business Day without interest in respect of such delay) by the Issuer to the Holders of record as they appear on the Preference Shares Register on the relevant record date, which will be five days prior to the relevant Dividend Payment Date.

Whilst the Preference Shares are represented by the Global Certificate (see Article 11 below), payments in respect of the Preference Shares will be made to or as directed by the Common Depositary as the registered Holder of the Global Certificate representing the Preference Shares. Payments made to the Common Depositary shall be made by wire transfer, and Euroclear or Clearstream, Luxembourg, as applicable, will credit the relevant accounts of their participants on the applicable Dividend Payment Dates or Redemption Dates.

Payments of Dividends on Preference Shares will be made upon presentation and surrender of such certificate at the agency of the Issuer maintained for such purpose, which initially will be the office of Citibank, N.A. as Principal Paying and Transfer Agent in London, Dexia Banque Internationale à Luxembourg, société anonyme, as Paying and Transfer Agent in Luxembourg, or, at the option of the Holder and subject to any fiscal or other laws and regulations applicable thereto, at the office of any other Paying and Transfer Agent (if any) appointed by the Issuer. Subject to any applicable fiscal or other laws and regulations, each payment in respect of Dividends on definitive Preference Shares may be made by euro cheque drawn on a bank in a principal financial centre in the euro-zone and mailed to the Holder of record at such Holder's address as it appears on the Preference Shares Register on the relevant record date or by wire transfer if appropriate wire transfer instructions have been received by the Principal Paying and Transfer Agent.

If the Issuer does not pay a Dividend, a Holder's right to receive payment of such Dividend will be satisfied if and to the extent that the Bank pays such Dividend pursuant to the Subordinated Guarantee.

If the Issuer gives a notice of redemption in respect of the Preference Shares, then, by 10.00 a.m. London time, on the Redemption Date, the Issuer will irrevocably deposit with the Principal Paying and Transfer Agent funds sufficient to pay the Redemption Price and will give the Principal Paying and Transfer Agent irrevocable instructions and authority to pay the Redemption Price to the Holders of the Preference Shares. If notice of redemption shall have been given and funds deposited as required, then upon the date of such deposit, all rights of Holders of the Preference Shares will be extinguished, except the right of the Holders of Preference Shares to receive the Redemption Price in respect of each Preference Share, but without interest, and the Preference Shares will cease to be outstanding.

In the event that payment of the Redemption Price in respect of any Preference Share is improperly withheld or refused and not paid either by the Issuer or by the Bank pursuant to the Subordinated Guarantee, Dividends on such Preference Share, subject as described above, will continue to accrue, at the then applicable rate, from the Redemption Date to the date of actual payment of such Redemption Price.

6. Purchase of Preference Shares

Subject to the foregoing and to applicable law, (including, without limitation, Portuguese and Cayman Islands and Luxembourg securities and banking laws and regulations and to the requirements of the Luxembourg Stock Exchange), the Issuer or the Bank or any of the Bank's other Subsidiaries may at any time and from time to time purchase outstanding Preference Shares by tender, in the open market or by private agreement. If purchases are made by tender, the tender must be available to all Holders of Preference Shares alike.

Any such purchase to be made by the Issuer shall be made in such manner and in such terms as the Issuer shall have approved in general meeting or by written resolution and shall be subject to the prior consent of the Bank of Portugal.

All Preference Shares redeemed or purchased by the Issuer shall be cancelled.

7. Liquidation Distributions

In the event of any voluntary or involuntary liquidation, dissolution or winding-up of the Issuer, the Holders of the Preference Shares at the time outstanding will be entitled to receive the Liquidation Distribution in respect of each Preference Share held out of the assets of the Issuer available for distribution to shareholders.

Such entitlement will arise before any distribution of assets is made to holders of Ordinary Shares or any other class of shares of the Issuer ranking junior as regards participation in assets to the Preference Shares, but such entitlement will rank equally with the entitlement of the holders of any Liquidation Parity Obligations.

Notwithstanding the availability of sufficient assets of the Issuer to pay any Liquidation Distribution to the Holders of the Preference Shares, if, at the time such Liquidation Distribution is to be paid, proceedings are pending or have been commenced for the voluntary or involuntary

liquidation, dissolution or winding-up of the Bank, the Liquidation Distribution per Preference Share paid to Holders of the Preference Shares and the liquidation distribution paid to the holders of Liquidation Parity Obligations shall not exceed the amount that would have been paid as the liquidation distribution from the assets of the Bank (after payment in full in accordance with the Portuguese law of all creditors of the Bank, including holders of its subordinated debt but excluding holders of any liability expressed to rank *pari passu* with or junior to the Subordinated Guarantee) had the Preference Shares and all such Liquidation Parity Obligations been issued by the Bank and ranked:

- (a) junior to all Senior Creditors;
- (b) *pari passu* with Liquidation Parity Obligations, if any, of the Bank; and
- (c) senior to all Junior Obligations.

If the Liquidation Distribution and any other such liquidation distributions cannot be made in full by reason of the limitation described above, such amounts will be payable pro rata in the proportion that the amount available for payment bears to the full amount that would have been payable but for such limitations. After payment of the Liquidation Distribution on the Preference Shares, as adjusted if applicable, the Holders of the Preference Shares will have no right or claim to any of the remaining assets of the Issuer or the Bank.

In the event of the liquidation, dissolution or winding-up of the Bank, the Directors of the Issuer shall convene an extraordinary general meeting of the Issuer for the purpose of proposing a Special Resolution to put the Issuer into liquidation and the amount to which Holders of the Preference Shares shall be entitled as a Liquidation Distribution will be as set out above.

8. Voting Rights

Except as provided in this Article, Holders of Preference Shares will not be entitled to receive notice of or attend or vote at any general meeting of shareholders of the Issuer.

If in respect of Dividend Periods amounting to a period of not less than one year:

- (a) Dividends (whether or not declared) or any Additional Amounts in respect of such Dividends have not been paid in full by the Issuer; or
- (b) the Bank breaches any of its payment obligations under the Subordinated Guarantee in respect of such Dividends or Additional Amounts,

then the Holders of outstanding Preference Shares together with the holders of any other preference shares or preferred securities of the Issuer having the right to vote for the election of Directors in such event, acting as a single class without regard to series, will be entitled, by written notice to the Issuer given by the holders of a majority in liquidation preference of such shares or securities or by ordinary resolution passed by the holders of a majority in liquidation preference of such shares or securities present in person or by proxy at a separate general meeting of such holders convened for the purpose, to appoint two additional persons to act as Directors of the Issuer, and to remove any such Director from office and to appoint another person in place of such Director.

Not later than 30 days after such entitlement arises, if the written notice of the Holders of outstanding Preference Shares and the holders of any other preference shares or preferred securities of the Issuer having the right to vote for the election of Directors in the circumstances described in the preceding sentence has not been given as provided for in the preceding sentence, the Directors of the Issuer will convene a separate general meeting for the above purpose. If the Directors fail to convene such meeting within such 30 day period, the holders of not less than 10 per cent. by liquidation preference of the outstanding Preference Shares and such other preference shares or preferred securities will be entitled to convene such meeting. The provisions of the Articles concerning the convening and conduct of general meetings of shareholders shall apply with respect to such meeting.

Subject to the terms of such other preference shares or preferred securities, if, in respect of Dividend Periods amounting to not less than one year, Dividends and any Additional Amounts in respect of such Dividends have been paid in full on the Preference Shares by the Issuer and/or the Bank has made payment of all amounts guaranteed in respect of such Dividends (whether or not declared) and any Additional Amounts, any Director so appointed shall vacate the office.

Any variation or abrogation of the rights, preferences and privileges of the Preference Shares by way of amendment of the Issuer's Articles of Association or otherwise (including, without limitation, the authorisation or issuance of any shares of the Issuer ranking, as to participation in the profits or assets of the Issuer, senior to the Preference Shares) shall not be effective (unless otherwise required by applicable law) except with the consent in writing of the Holders of not less than two-thirds in nominal value of the outstanding Preference Shares or with the sanction of a resolution, passed by a majority of not less than two-thirds in nominal value of the Holders of the outstanding Preference Shares, present or represented at a separate meeting at which the quorum shall be Holders present or represented holding at least one-third in nominal value of the outstanding Preference Shares.

No such sanction shall be required if, as determined by the Directors, the change is solely of a formal, minor or technical nature or is to correct an error or cure an ambiguity, provided that any such change does not reduce the amounts payable to or impose any obligation on the Holders of the Preference Shares or adversely affect their voting rights or cause any modification of the terms of the Preference Shares pursuant to Article 9.

Notwithstanding the foregoing, no vote of the Holders of the Preference Shares will be required for the Issuer to redeem the Preference Shares in accordance with the Issuer's Articles of Association.

In addition to the voting rights referred to above, no resolution may be proposed for adoption by the holders of the Ordinary Shares providing for the winding-up, liquidation or dissolution of the Issuer, unless the Holders of a simple majority by nominal value of the outstanding Preference Shares and holders of any other preference shares or preferred securities ranking *pari passu* as regards participation in profits or assets with the Preference Shares have approved such resolution. Such approval may only be given by the consent in writing of the holders of at least a simple majority in nominal value of the outstanding Preference Shares and such other preference shares or preferred securities or with the sanction of a resolution passed by not less than a simple majority in nominal value at a meeting of the holders of the Preference Shares and such other preference shares or preferred securities present and voting at such meeting. Such approval shall not be required if the winding-up, liquidation or dissolution of the Issuer is proposed or initiated because of the winding-up, liquidation or dissolution of the Bank.

Notwithstanding that Holders of Preference Shares are entitled to vote under any of the limited circumstances described above, any Preference Share outstanding at such time that is owned by the Bank, or any entity of which the Bank, either directly or indirectly, owns 20 per cent. or more of the voting shares or similar ownership interests, shall not carry a right to vote and shall, for voting purposes, be treated as if it were not outstanding.

The Issuer will cause a notice of any meeting at which Holders of the Preference Shares are entitled to vote to be mailed to each Holder of a Preference Share. Each such notice will include a statement setting forth (a) the date, time and place of such meeting, (b) a description of any resolution to be proposed for adoption at such meeting on which such Holders are entitled to vote and (c) instructions for the delivery of proxies.

9. Further Issues

Notwithstanding Article 8, provided that the most recent Dividend payable on the Preference Shares has been paid in full by the Issuer (or the Bank pursuant to the Subordinated Guarantee), the Holders of Ordinary Shares or, subject to Cayman Islands law, the Directors of the Issuer may, without the consent or sanction of the Holders of the Preference Shares, take such action as is required in order to amend the Issuer's Articles:

- (a) to increase the authorised amount of Preference Shares or to create and issue one or more other series of Preference Shares or preference shares of the Issuer ranking *pari passu* with the Preference Shares as regards participation in the profits and assets of the Issuer; or
- (b) to authorise, create and issue one or more other classes of shares of the Issuer ranking junior, as regards participation in the profits and assets of the Issuer, to the Preference Shares.

Thereafter, the Issuer may, without the consent of the Holders of the Preference Shares issue any such further securities either having the same terms and conditions as the Preference Shares in all

respects (or in all respects except for the first payment of Dividends on them) and so that such further issue shall be consolidated and form a single series with the Preference Shares then in issue or upon such other terms as aforesaid.

Notwithstanding the foregoing, the Issuer may only issue further Preference Shares if, at the same time, the Bank issues in respect of the further Preference Shares a guarantee having terms and conditions that are substantially identical to the Subordinated Guarantee (or extends the Subordinated Guarantee to cover the further Preference Shares).

10. Additional Amounts

All payments in respect of the Preference Shares by the Issuer will be made without withholding or deduction for, or on account of, any Cayman Islands Tax, Portuguese Tax, French Tax, or UK Tax, unless the withholding or deduction of such Cayman Islands Tax, Portuguese Tax, French Tax or UK Tax is required by law. In that event, the Issuer will pay as further dividends such additional amounts (the “Additional Amounts”) as may be necessary in order that the net amounts received by the Holders of Preference Shares after such withholding or deduction shall equal the amounts which would have been receivable in respect of the Preference Shares in the absence of such withholding or deduction; except that no such Additional Amounts will be payable to a Holder of Preference Shares (or to a third party on his behalf) with respect to any Preference Share:

- (a) to the extent that such Cayman Islands Tax, Portuguese Tax, French Tax or UK Tax is imposed or levied by virtue of such Holder (or the beneficial owner of such Preference Share) having some connection with the Cayman Islands, Portugal or the UK, other than being a Holder (or beneficial owner) of such Preference Share;
- (b) to the extent that such Cayman Islands Tax, Portuguese Tax, French Tax, or UK Tax is imposed or levied by virtue of such Holder (or the beneficial owner of such Preference Share) not having made a declaration of non-residence in, or other lack of connection with, the Cayman Islands, Portugal, France or the UK, or other similar claim for exemption, such Holder (or beneficial owner) having been advised of the obligation to make such withholding or deduction, and except that the Issuer’s obligations to make any such payments are subject to the limitations on payments provisions under Article 3;
- (c) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or
- (d) where presentation of a certificate is required, presented for payment by or on behalf of a Holder who would be able to avoid such withholding or deduction by presenting the relevant certificate to another Paying and Transfer Agent in a Member State of the European Union,

and except that the Issuer’s obligation to make any such payments with respect to Dividends (including any accrued and unpaid Dividends relating to any redemption payment or payments upon liquidation, dissolution or winding up of the Issuer) is subject to the limitations described in Article 3 (*Limitations in Payments of Dividends or Preference Shares*) above.

11. Form, Registration and Transfer of Preference Shares

The Preference Shares will be in registered form.

On or about the Closing Date, a single global certificate (the “Global Certificate”) representing the Preference Shares will be deposited with Citibank, N.A. as a nominee for Euroclear and Clearstream, Luxembourg. The Global Certificate will be registered in the name of a nominee for the Common Depositary. For so long as the Global Certificate is deposited and registered as described above, book-entry interests in the Preference Shares will be shown on, and transfers of such interests will be effected only through, records maintained by Euroclear and Clearstream, Luxembourg.

If (a) either or both of Euroclear and Clearstream, Luxembourg is or are closed for business for a continuous period of 14 days or more (other than for the purposes of a public holiday) or announces an intention permanently to cease business, or (b) as a result of a change in law, transfer duties or similar taxes become payable on transfers of the Preference Shares in Euroclear and/or Clearstream, Luxembourg, a number of Preference Shares corresponding to its book-entry interest in the Preference Shares represented by the certificate held by the Common Depositary referred to above will be transferred to each holder of an interest in the Preference Shares whose name is notified by Euroclear and/or Clearstream, Luxembourg and/or an agent thereof to the Registrar. Each such holder will be registered as a Holder in the Preference Shares Register and receive a certificate made out in its name. Other than in the circumstances referred to in this paragraph, definitive certificates will not be available to Holders.

If definitive certificates are made available in respect of Preference Shares, they will be available from the Registrar, and from the Principal Paying and Transfer Agent in Luxembourg and will be posted to the relevant Holders at the address shown in the Preference Shares Register or, as applicable, in the relevant instrument of transfer within three Business Days of issue, by uninsured post at the risk of such Holders. Transfers of Preference Shares if represented by definitive certificates may be effected by presentation of the relevant certificate (with the transfer certificate attached thereto duly completed on behalf of the transferor and transferee) at the specified office of the Registrar or any Paying and Transfer Agent. Where a Holder transfers some only of the Preference Shares represented by any such certificate he shall be entitled to a certificate for the balance without charge. For so long as any Preference Shares are outstanding, the Issuer will maintain a Registrar having its office outside the UK.

12. Principal Paying and Transfer Agent

The Principal Paying and Transfer Agent shall be permitted to resign as Principal Paying and Transfer Agent upon 30 days' written notice to the Issuer. In the event that Citibank, N.A. shall no longer be the Principal Paying and Transfer Agent, the Issuer shall appoint a successor (which shall be a bank or trust company acceptable to the Issuer) to act as Principal Paying and Transfer Agent. For so long as the Preference Shares are listed on the Luxembourg Stock and the rules of such Exchange so require, the Issuer will maintain a Paying and Transfer Agent in Luxembourg and will give notice in the manner described under "Notices" below (see Article 13) when any new paying and transfer agent in Luxembourg is appointed. For so long as any Preference Shares are outstanding, the Issuer will maintain a Paying and Transfer Agent having a specified office in a European Union Member State (if available) that will not be obliged to withhold or deduct tax pursuant to any European Union Directive on the taxation of savings implementing the conclusions of the ECOFIN Council meeting of 26th-27th November, 2000 or any law implementing or complying with, or introduced in order to conform to, such Directive.

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained whether by the Reference Banks (or any of them), the Principal Paying and Transfer Agent will (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Reference Banks, the Paying and Transfer Agent, the Registrar and all Holders of the Preference Shares and (in the absence of any such wilful default, bad faith or manifest error) no liability to the Issuer, the Registrar or the Holders of the Preference Shares shall attach to the Reference Banks, the Paying and Transfer Agent in connection with the exercise or non-exercise by them of their powers, duties and discretions.

13. Notices

Any Notice to Holders of the Preference Shares will be given to them at their addresses set forth in the Preference Shares Register. In addition, for so long as the Preference Shares are listed on the Luxembourg Stock Exchange and the rules of such Exchange so require, all notices to Holders of Preference Shares will also be published in English in a leading newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or, if such Luxembourg publication is not practicable, in one other leading English language newspaper being published on each day in morning editions whether or not it shall be published in Saturday, Sunday or holiday editions. Such

notices shall be deemed to have been given on the date of publication as aforesaid or, if published on different dates, on the date of the first such publication.

Other Provisions of the Issuer's Articles

In addition, the Articles of Association of the Issuer contain, *inter alia*, provisions (with the exception of sections in italics) to the following effect:

(a) Ordinary Shares

All the Issuer's Ordinary Shares are owned by the Bank. In any year, subject to Cayman Islands law, the Directors may, without the consent of the Holders of the Preference Shares, declare and pay dividends on the Ordinary Shares to the Bank as the holder of the Ordinary Shares. Such dividends will be paid out of the Issuer's funds, if any, lawfully available and after payment of the Dividends on the Preference Shares if and as due in accordance with the terms and conditions of the Preference Shares.

(b) Prescription and Governing Law

Any dividend unclaimed after a period of ten years from its date of declaration shall be forfeited and shall cease to be owing by the Issuer. The Preference Shares are governed by, and shall be construed in accordance with Cayman Islands law.

Summary of Provisions Relating to the Preference Shares in Global Form

Initial Issue of Preference Shares

The Preference Shares will be issued in registered form and will be initially represented by interests in a Global Certificate which will be registered in the name of Citibank, N.A., as a nominee for, and will be deposited with, a common depositary for, Euroclear and Clearstream, Luxembourg on or about the Closing Date. For so long as the Preference Shares are deposited and registered as described above, book-entry interests in the Preference Shares will be shown on, and transfers of such interests will be effected only through, records maintained by Euroclear and Clearstream, Luxembourg.

Exchange

If (a) either or both of Euroclear and Clearstream, Luxembourg is or are closed for business for a continuous period of 14 days (other than for the purposes of a public holiday) or announces an intention permanently to cease business or (b) as a result of a change in law, transfer duties or similar taxes become payable on transfers of the Preference Shares in Euroclear and/or Clearstream, Luxembourg, a number of Preference Shares corresponding to its book-entry interest in the Preference Shares represented by the certificate held by the Common Depositary referred to above will be transferred to each holder of an interest in the Preference Shares whose name is notified by Euroclear and/or Clearstream, Luxembourg and/or an agent thereof of such interest to the Registrar. Each such holder will be registered as a Holder of the Preference Shares in the Preference Shares Register maintained by or on behalf of the Issuer and will receive a certificate made out in its name.

Accountholders

So long as the Preference Shares are registered in the name of a nominee for a common depositary for Euroclear and Clearstream, Luxembourg, the nominee for Euroclear and Clearstream, Luxembourg will be the sole registered owner or holder of the Preference Shares represented by the Global Certificate. Except as set forth under "*Description of Preference Shares – Form, Registration and Transfer of Preference Shares*" and under "*Transfers of Interests*" below, the persons shown in the records of Euroclear, Clearstream, Luxembourg or any other clearing system (an "Alternative Clearing System") as the Holders of the Preference Share evidenced by the Global Certificate (each an "Accountholder") will not be entitled to have Preference Shares registered in their names, will not receive or be entitled to receive physical delivery of definitive certificates evidencing interests in the Preference Shares and will not be considered registered owners or Holders thereof. Accordingly, each Accountholder must rely on the rules and procedures of Euroclear and Clearstream, Luxembourg, as the case may be, to exercise any rights and obligations of a Holder of Preference Shares.

Payment

Each Accountholder must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for its share of each payment made by the Issuer to the registered Holder of the Preference Shares and in relation to all other rights arising under the Global Certificate, subject to and in accordance with the respective rules and procedures of Euroclear or Clearstream, Luxembourg, as the case may be. Such persons shall have no claim directly against the Issuer in respect of payments due on the Preference Shares for so long as the Preference Shares are represented by such Global Certificate and such obligations of the Issuer will be discharged by payment to the registered Holder of the Preference Shares in respect of each amount so paid.

Transfers of Interests

Accountholders will only be able to transfer their beneficial interests in the Preference Shares in accordance with the restrictions described under “*Description of Preference Shares – Form, Registration and Transfer of Preference Shares*” and with the rules and procedures of Euroclear or Clearstream, Luxembourg, as the case may be.

Notices

Notwithstanding Article 13 (Notices), while all the Preference Shares are represented by the Global Certificate and the Global Certificate is deposited with a common depositary for Euroclear and Clearstream, Luxembourg, notices to Holders of Preference Shares may be given by delivery of the relevant notice to Euroclear and Clearstream, Luxembourg and, in any case, such notices shall be deemed to have been given to the Noteholders in accordance with Article 13 (Notices) on the date of delivery to Euroclear and Clearstream, Luxembourg.

SUBORDINATED GUARANTEE

Set forth below is the text of the Subordinated Guarantee substantially in the form to be executed by the Bank:

THIS DEED OF GUARANTEE (the “Subordinated Guarantee”), dated 28 June 2004, is executed and delivered by CAIXA GERAL DE DEPÓSITOS, S.A., (the “Bank”), acting through its France branch, a company incorporated under the laws of Portugal for the benefit of the Holders (as defined below).

WHEREAS the Bank desires to cause the Issuer to issue the Preference Shares (as defined below) and the Bank desires to issue this Subordinated Guarantee for the benefit of the Holders, as provided herein.

NOW THEREFORE the Bank executes and delivers this Subordinated Guarantee for the benefit of the Holders.

1. Definitions and interpretation

As used in this Subordinated Guarantee, capitalised terms not defined herein shall have the meanings ascribed to them in the Issuer’s Articles of Association and otherwise the following terms shall, unless the context otherwise requires, have the following meanings:

“Additional Amounts” means, except where otherwise defined in relation to the Issuer, the additional amounts which may be payable in respect of the Preference Shares as described in paragraph 5;

“Closing Date” means 28 June 2004;

“Distributable Funds” means, in respect of any fiscal year of the Bank, the aggregate amount, as calculated as of the end of the immediately preceding fiscal year, of:

- (i) the Bank’s accumulated retained earnings and any other reserves and surpluses available for distribution as cash dividends to holders of the ordinary share capital of the Bank under the companies laws of Portugal before deduction of the amount of any dividend or other distribution declared on the Bank’s ordinary share capital or on any other securities ranking junior to the Subordinated Guarantee, in respect of such prior fiscal year;
- (ii) increased by the amount of any profit or decreased by the amount of any loss from such prior fiscal year, net of any amounts which are required to be transferred to legal or other restricted reserves;
- (iii) less any distribution of amounts in accordance with the Bank’s bylaws to employees and directors or funds distributed to their pension funds approved at the annual general meeting of shareholders that approves the accounts in respect of such prior fiscal year,

“Dividends” means the non-cumulative dividends in respect of the Preference Shares as described in the Articles of Association of the Issuer;

“Dividend Parity Obligations” means the most senior preferred or preference shares or similar securities (other than the Preference Shares) qualifying as tier one capital of the Bank and ranking *pari passu* with the most senior preferred or preference shares (if any) of the Bank and all preferred or preference shares or similar securities of Subsidiaries or of the Issuer (other than the Preference Shares) qualifying as tier 1 capital of the Bank on a consolidated basis and entitled to the benefit of any guarantee, support agreement or other contractual undertaking of the Bank ranking *pari passu* with this Subordinated Guarantee as regards entitlement to distributions thereunder, or all such guarantees, support agreements or contractual undertakings;

“Guarantee Payments” means (without duplication) payments under this Subordinated Guarantee in respect of (a) any accrued but unpaid Dividends if declared by the Issuer on the Preference Shares for the most recent Dividend Period; (b) the Redemption Price, payable with respect to any Preference Shares due to be redeemed by the Issuer; (c) the Liquidation Distributions due on the Liquidation Date; and (d) any Additional Amounts payable by the Issuer, in each case subject to the limitations contained in paragraph 3 hereof;

“Holder” means, in relation to any Preference Share, the member of the Issuer whose name is entered in the Register as holder of such Preference Share;

“Issuer” means Caixa Geral Finance Limited, a wholly-owned direct Subsidiary of the Bank incorporated in the Cayman Islands;

“Junior Obligations” means (i) ordinary shares of the Bank, (ii) each class of preferred or preference shares or similar securities of the Bank that ranks junior to the most senior ranking preferred or preference shares or similar securities of the Bank and (iii) any preference share or preferred security of a Subsidiary or the Issuer (other than the Preference Shares) entitled to the benefit of a guarantee or support agreement or similar undertaking of the Bank that ranks junior to the Subordinated Guarantee or any such guarantees or support agreements or similar undertakings of the Bank;

“Liquidation Date” means the date of final distribution of the assets of the Issuer in the case of a liquidation, dissolution or winding up of the Issuer (whether voluntary or involuntary);

“Liquidation Distribution” means the aggregate of the Liquidation Preference plus (i) any accrued and unpaid Dividends (whether or not declared) calculated from and including the immediately preceding Dividend Payment Date (or, if none, the Closing Date) to but excluding the Liquidation Date and (ii) any Additional Amounts, in each case in cash only;

“Liquidation Parity Obligations of the Bank” means the most senior preferred or preference shares or similar securities qualifying as tier one capital of the Bank and ranking *pari passu* with the most senior preferred or preference shares (if any) of the Bank and all preferred or preference shares or similar securities of Subsidiaries or of the Issuer (other than the Preference Shares) qualifying as tier 1 capital of the Bank on a consolidated basis and entitled to the benefit of any guarantee, support agreement or other contractual undertaking of the Bank ranking *pari passu* with the Subordinated Guarantee as regards participation in the assets of the Bank upon liquidation, or all such guarantees, support agreements or contractual undertakings;

“Liquidation Parity Obligations of the Issuer” means, in relation to the Issuer any preferred or preference shares, if any, of the Issuer ranking *pari passu* with the Preference Shares as regards participation in assets of the Issuer upon liquidation;

“Liquidation Preference” means the liquidation preference of EUR 1,000 per Preference Share;

“Parity Obligations” means Dividend Parity Obligations, and Liquidation Parity Obligations of the Bank or Liquidation Parity Obligations of the Issuer;

“Preference Shares” means the Euro Perpetual Non-cumulative Guaranteed Preference Shares of the Issuer outstanding, each with a Liquidation Preference of EUR 1,000, and including any further Preference Shares of the Issuer of the same series issued after the Closing Date and ranking *pari passu* with the Preference Shares;

“Register” means the register of Holders maintained outside the United Kingdom on behalf of the Issuer;

“Senior Creditors” means liabilities of the Bank (other than any liability expressed to rank *pari passu* with or junior to the Subordinated Guarantee);

“Subsidiary” means any corporation or other person or entity of which more than 50 per cent. of the voting shares or similar ownership interests are owned, directly or indirectly, by the Bank; and

“Tax” means any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of Portugal, France, the Cayman Islands or the United Kingdom or any political subdivision thereof or any authority therein or thereof having power to tax.

2. Guarantee

Subject to the limitations contained in the following paragraphs, the Bank irrevocably agrees to pay in full to the Holders the Guarantee Payments (except to the extent paid by the Issuer), as and when due, regardless of any defence, right of set-off or counterclaim which the Issuer may have or assert. This Subordinated Guarantee is continuing, irrevocable and absolute.

3. Limitations on guarantee payments

Notwithstanding paragraph 2 above, the Bank will not be obliged to make any Guarantee Payment in respect of Dividends (including accrued and unpaid Dividends relating to any payment due upon redemption or Liquidation Distribution and any Additional Amounts payable by the Issuer in respect of Dividends) on any Preference Shares:

3.1 to the extent that such Guarantee Payment, together with the amount of:

3.1.1 any Dividends (and Additional Amounts relating thereto) previously paid by the Issuer or the Bank in respect of the Preference Shares and distributions previously paid in respect of Dividend Parity Obligations, in each case in the then current fiscal year; and

3.1.2 any Dividends proposed to be paid by the Issuer in respect of the Preference Shares and distributions proposed to be paid in respect of Dividend Parity Obligations, in each case, in the then current calendar quarter;

would exceed Distributable Funds of the Bank; and

3.2 even if Distributable Funds of the Bank are sufficient, if in the judgment of the Board of Directors of the Bank after consultation with the Bank of Portugal, such payment would breach or cause a breach by the Bank of the Capital Adequacy Regulations.

The determination of any limitation of the Bank's obligations under this Subordinated Guarantee as set forth will be made on the relevant Dividend Payment Date, Redemption Date or Liquidation Date, as the case may be.

4. Liquidation distributions

Notwithstanding paragraph 2 above, if, at the time that any Liquidation Distribution is to be paid by the Bank in respect of the Preference Shares, proceedings are pending or have been commenced for the voluntary or involuntary liquidation, dissolution or winding up of the Bank, payment under this Subordinated Guarantee of such Liquidation Distributions and payment by the Bank in respect of any liquidation distributions payable with respect to Liquidation Parity Obligations of the Issuer, shall not exceed the amount per share that would have been paid as the liquidation distribution from the assets of the Bank (after payment in full in accordance with the Portuguese law of all Senior Creditors) had the Preference Shares and all such Liquidation Parity Obligations of the Issuer been issued by the Bank and ranked:

4.1 junior to all Senior Creditors;

4.2 *pari passu* with any Liquidation Parity Obligations of the Bank; and

4.3 senior to all Junior Obligations.

5. Additional amounts

All Guarantee Payments made hereunder in respect of the Preference Shares by the Bank will be made without withholding or deduction for, or on account of, any Portuguese, French, Cayman Islands or UK Tax, unless the withholding or deduction of such Portuguese, French, Cayman Islands or UK Tax is required by law. In that event, the Bank will pay such additional amounts (for the purposes hereof "Additional Amounts") as may be necessary in order that the net amounts received by the Holders after such withholding or deduction shall equal the amounts which would have been received in respect of the Preference Shares in the absence of such withholding or deduction; except that no such Additional Amounts will be payable to a Holder of Preference Shares (or to a third party on his behalf) with respect to any Preference Share:

5.1 to the extent that such Tax is imposed or levied by virtue of such Holder (or beneficial owner) having some connection with Portugal, France, the Cayman Islands or United Kingdom other than being a Holder (or beneficial owner) of such Preference Share; or

- 5.2 to the extent that such Tax is imposed or levied by virtue of such Holder (or beneficial owner) not having made a declaration of non-residence in, or other lack of connection with, Portugal, France, the Cayman Islands or United Kingdom or other similar claim for exemption, such Holder (or beneficial owner) having been advised of the obligation to make such withholding or deduction; or
- 5.3 where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or
- 5.4 where presentation of a certificate is required, presented for payment by or on behalf of a Holder who would be able to avoid such withholding or deduction by presenting the relevant certificate to another Paying and Transfer Agent in a Member State of the European Union,

and except that the Bank's obligations to make any such Guarantee Payments are subject to the limitations contained in paragraph 3.

6. Partial payments

In the event that the amounts described in paragraphs 3 and 5 above cannot be made in full by reason of any limitation referred to in paragraphs 3 and 4 above, such amounts will be payable *pro rata* in the proportion that the amount available for payment bears to the full amount that would have been payable but for such limitation.

7. Waiver

The Bank hereby waives notice of acceptance of this Subordinated Guarantee and of any liability to which it applies or may apply, presentment, demand for payment protest, notice of non-payment, notice of dishonour, notice of redemption and all other notices and demands.

8. Continuing guarantee

The obligations, undertakings, agreements and duties of the Bank under this Subordinated Guarantee shall in no way be affected or impaired by reason of the happening from time to time of any of the following:

- 8.1 the release or waiver, by operation of law or otherwise, of the performance or observance by the Issuer of any express or implied agreement, covenant, term or condition relating to the Preference Shares to be performed or observed by the Issuer; or
- 8.2 the extension of time for the payment by the Issuer of all or any portion of the Dividends, Redemption Price, Liquidation Distributions or any other sums payable under the terms of the Preference Shares or the extension of time for the performance of any other obligation under, arising out of, or in connection with, the Preference Shares; or
- 8.3 any failure, omission, delay or lack of diligence on the part of Holders to enforce, assert or exercise any right, privilege, power or remedy conferred on the Holders pursuant to the terms of the Preference Shares, or any action on the part of the Issuer granting indulgence or extension of any kind; or
- 8.4 the voluntary or involuntary liquidation, dissolution, amalgamation, reconstruction, sale of any collateral, receivership, insolvency, bankruptcy, assignment for the benefit of creditors, reorganisation, arrangement, composition or readjustment of debt of, or other similar proceedings affecting, the Issuer or any of the assets of the Issuer; or
- 8.5 any invalidity of, or defect or deficiency in, the Preference Shares; or
- 8.6 the settlement or compromise of any obligation guaranteed hereby or hereby incurred.

There shall be no obligation on the Holders to give notice to, or obtain consent of, the Bank with respect to the happening of any of the foregoing.

9. Deposit of subordinated guarantee

This Subordinated Guarantee shall be deposited with and held by Citibank, N.A. as Principal Paying and Transfer Agent until all the obligations of the Bank have been discharged in full. The Bank hereby acknowledges the right of every Holder to the production of, and the right of every Holder to obtain a copy of, this Subordinated Guarantee.

10. Enforcement; rights of remedy

A Holder may enforce this Subordinated Guarantee directly against the Bank, and the Bank waives any right or remedy to require that any action be brought against the Issuer or any other person or entity before proceeding against the Bank. Subject to paragraph 11, all waivers contained in this Subordinated Guarantee shall be without prejudice to the right to proceed against the Issuer. The Bank agrees that this Subordinated Guarantee shall not be discharged except by payment of the Guarantee Payments in full and by complete performance of all obligations of the Bank under this Subordinated Guarantee.

11. Subrogation

The Bank shall be subrogated to any and all rights of the Holders against the Issuer in respect of any amounts paid to the Holders by the Bank under this Subordinated Guarantee and will have the right to waive payment of any amount of Dividends in respect of which payment has been made to the Holders by the Bank pursuant to this Subordinated Guarantee. The Bank shall not (except to the extent required by mandatory provisions of law) exercise any rights which it may acquire by way of subrogation or any indemnity, reimbursement or other agreement, in all cases as a result of a payment under this Subordinated Guarantee, if, at the time of any such payment, any amounts are due and unpaid under this Subordinated Guarantee. If any amount with respect to the Preference Shares shall be paid to the Bank in violation of the preceding sentence, the Bank agrees to pay over such amount to the Holders.

12. Purchase

Subject to applicable law and regulations, the Bank, at its sole option, shall be entitled to purchase Preference Shares from any Holder in whole or in part.

13. Status

13.1 The Bank acknowledges that its obligations hereunder are several and independent of the obligations of the Issuer with respect to the Preference Shares and that the Bank shall be liable as principal and sole debtor hereunder to make Guarantee Payments pursuant to the terms of this Subordinated Guarantee, notwithstanding the occurrence of any event referred to in paragraph 8.

13.2 Subject to applicable law, the Bank agrees that the Bank's obligations hereunder constitute unsecured obligations of the Bank and rank and will at all times rank:

13.2.1 junior to all Senior Creditors;

13.2.2 *pari passu* with any other Liquidation Parity Obligations of the Bank, if any; and

13.2.3 senior to all Junior Obligations,

and accordingly the Bank's obligations hereunder are conditional on the availability of funds to satisfy such obligations in a manner consistent with such ranking.

14. Undertakings of the bank

14.1 The Bank undertakes that it will not issue any preferred or preference shares ranking senior to its obligations under this Subordinated Guarantee or give any guarantee in respect of any preferred or preference shares issued by any Subsidiary if such guarantee would rank senior to this Subordinated Guarantee (including, without limitation, any guarantee that would provide a priority of payment with respect to Distributable Funds) unless, in each case, this Subordinated Guarantee is changed to give the Holders such rights and entitlements as are contained in or

attached to such preferred or preference shares or such other guarantee so that this Subordinated Guarantee ranks *pari passu* with, and contains substantially equivalent rights of priority as any such preferred or preference shares or other guarantee.

14.2 The Bank undertakes that in the event that any Dividend is not paid in full to the holders of the Preference Shares, the Bank will not:

14.2.1 declare or pay any distribution or dividend and, where applicable, will procure that no distribution or dividend is declared or paid on any Junior Obligations, until after the fourth consecutive following Dividend Payment Date on which a Dividend is paid in full;

14.2.2 (if permitted) repurchase or redeem Parity Obligations or Junior Obligations until after the fourth consecutive following Dividend Payment Date on which a Dividend is paid in full.

14.3 The Bank undertakes to maintain the Issuer, or procure that the Issuer is maintained, as a Subsidiary for so long as any Preference Share remains in issue.

14.4 The Bank undertakes that, so long as any of the Preference Shares are outstanding, unless the Bank of Portugal has given its prior consent or unless the Bank is itself in liquidation, the Bank will not agree to, or take any action to cause, the liquidation, dissolution or winding up of the Issuer.

14.5 The Bank undertakes to procure that the Issuer will maintain at all times whilst the Preference Shares are outstanding, (i) whilst the Preference Shares are listed on the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require, a Paying and Transfer Agent in Luxembourg, (ii) a Registrar having its office outside the UK and (ii), if possible, a Paying and Transfer Agent in a Member State of the European Union that is not obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 or any law implementing or complying with, or introduced in order to conform to, such Directive.

15. Termination

With respect to the Preference Shares, this Subordinated Guarantee shall terminate and be of no further force and effect upon payment of the Redemption Price or purchase and cancellation of all Preference Shares or full payment of the Liquidation Distributions and liquidation of the Issuer, provided however that this Subordinated Guarantee will continue to be effective or will be reinstated, as the case may be, if at any time payment of any sums paid under the Preference Shares or this Subordinated Guarantee must be restored by a Holder.

16. Transfer

Subject to operation of law, all guarantees and agreements contained in this Subordinated Guarantee shall bind the successors, assigns, receivers, trustees and representatives of the Bank and shall inure to the benefit of each Holder and their (and any subsequent) successors, each of whom shall be entitled severally to enforce this Subordinated Guarantee against the Bank. The Bank shall not transfer its obligations hereunder without the prior approval of the Holders of not less than two-thirds of the Preference Shares (excluding any Preference Shares held by the Bank or any entity of which the Bank, either directly or indirectly, owns 20 per cent. or more of the voting shares or similar ownership interests), which consent shall be obtained in accordance with procedures contained in the Issuer's Articles of Association and the applicable law of the Cayman Islands; *provided however*, that the foregoing shall not preclude the Bank from merging or consolidating with, or transferring or otherwise assigning all or substantially all of its assets to, a banking organisation organised under the laws of Portugal, without obtaining any approval of such Holders.

17. AMENDMENTS

Except for those changes (a) required by paragraph 14.1 above, (b) which do not adversely affect the rights of Holders, or (c) necessary or desirable to give effect to any one or more transactions

referred to in the proviso to paragraph 16 above (in any of which cases no agreement will be required), this Subordinated Guarantee shall be changed only by agreement in writing signed by the Bank with the prior approval of the Holders of not less than two-thirds of the aggregate Liquidation Preference of the Preference Shares (excluding any Preference Shares held by the Bank or any entity of which the Bank, either directly or indirectly, owns 20 per cent. or more of the voting shares or other similar ownership interests), in accordance with the procedures contained in the Issuer's Articles of Association and the applicable law of the Cayman Islands.

18. Notices

Any notice, request or other communication required or permitted to be given hereunder to the Bank shall be given in writing by delivering the same against receipt therefor or by facsimile transmission (confirmed by mail) addressed to the Bank, as follows (and if so given, shall be deemed given upon mailing of confirmation, if given by facsimile transmission), to:

Caixa Geral de Depósitos, S.A., acting through its France branch
83, Avenue Marceau
75116 Paris
Facsimile: 0033140700309
Attention: Paulo Silva

The address of the Bank may be changed at any time and from time to time and shall be the most recent such address furnished in writing by the Bank to Citibank, N.A. as the Principal Paying and Transfer Agent.

Any notice, request or other communication required or permitted to be given hereunder to the Holders shall be given by the Bank in the same manner as notices sent by the Issuer to Holders.

19. Miscellaneous

- 19.1 This Subordinated Guarantee is solely for the benefit of the Holders and is not separately transferable from the Preference Shares.
- 19.2 The Bank will furnish any Holder, upon request of such Holder, with a copy of its annual report, and any interim reports made generally available by the Bank to holders of the ordinary shares of the Bank.

20. Governing law and jurisdiction

- 20.1 This Subordinated Guarantee is governed by, and shall be construed in accordance with, English law save that paragraph 13.2 shall be governed by, and construed in accordance with, Portuguese law.
- 20.2 The Bank hereby irrevocably agrees for the benefit of the Holders that the courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with this Subordinated Guarantee and that accordingly any suit, action or proceedings arising out of or in connection therewith (together referred to as "Proceedings") may be brought in such courts.
- 20.3 The Bank irrevocably and unconditionally waives and agrees not to raise any objection which it may have now or subsequently to the laying of the venue of any Proceedings in the courts of England and any claim that any Proceedings have been brought in an inconvenient forum and further irrevocably and unconditionally agrees that a final judgment in any Proceedings brought in the courts of England shall be conclusive and binding upon the Bank and may be enforced in the courts of any other jurisdiction.
- 20.4 Nothing contained in this paragraph shall limit any right of the Holders to take Proceedings against the Bank in any other court of competent jurisdiction, nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other competent jurisdictions, whether concurrently or not, to the extent permitted by applicable law.

20.5 The Bank appoints its London branch at its offices presently located at Walbrook House, 23 Walbrook, London EC4N 8BT or, if different, its registered office for the time being as its agent for service of process in England in respect of any Proceedings and undertakes that in the event such branch is not, or ceases to be, effectively appointed to accept service of process on the Bank's behalf, the Bank shall immediately appoint another person as its agent for that purpose. Nothing in this subparagraph shall affect the right of the Holders to serve process in any other manner permitted by law.

IN WITNESS WHEREOF this Subordinated Guarantee has been manually executed as a deed poll on behalf of the Bank.

Executed as a deed by

CAIXA GERAL DE DEPÓSITOS, S.A.,

acting through its France branch

acting by

_____ Director

and

_____ Director

in the presence of:

Witness's signature

Name: _____

Address: _____

Dated 28 June 2004

USE OF PROCEEDS

The net proceeds of the issue of the Preference Shares, amounting to approximately €248,187,500, will be applied by the Issuer to subscribe for a subordinated deposit issued by the Bank. The net proceeds of the issue will augment the Bank's Tier one Capital on a consolidated basis.

BUSINESS DESCRIPTION OF THE GROUP

History and Introduction

Caixa Geral de Depósitos was created as a state bank by legislative charter (“Carta de Lei”) of 10th April, 1876 with the principal functions of collecting and administering legally required or judicially ordered deposits and issuing and managing government debt. It gradually expanded its operations to become a savings and investment bank. Caixa Geral de Depósitos was transformed into a corporation of public capital (“sociedade anónima de capitais exclusivamente públicos”) on 20th August, 1993, by Decree-Law no. 287, when its name was changed to Caixa Geral de Depósitos, S.A. (“CGD”). Presently it operates as a universal bank and is subject to the legislation applicable to Portuguese financial institutions.

CGD Group continues to be the banking system leader, as expressed by its diverse market shares in principal banking market segments. Special reference should be made to its market shares of customer deposits, with 31.4 per cent. at year-end, particularly in the case of the individual customers segment with an increase of 36.5 per cent. Market share of loans and advances to customers was 22.2 per cent. rising to 28.1 per cent in the case of individual customers in which the Group had a 34.2 per cent. share of the home loans sub-segment.

CGD was classified as the 108th largest banking institution worldwide, by assets, and 129th by shareholders’ equity, in 2002 (July 2003 issue of “The Banker”). In European terms CGD came 62nd both in terms of assets and shareholders’ equity. A FITCH RATINGS study ranked CGD second out of the 100 best performing European banks in terms of Return on Equity in 2002.

CGD is a member of the European Savings Banks Group, the Credit Local d’Europe and the EU’s Committee of Clearing Banks – EBA. CGD together with its subsidiaries (the “Group”) form the largest Portuguese financial group.

CGD is a universal bank engaged in all areas of the Portuguese financial sector. It provides customers with a full range of financial products ranging from traditional banking to investment banking, insurance, asset management services, venture capital, brokerage, real estate and specialised credit services.

The Group intends to maintain its dominant position in Portugal. Through its network, as at 31 December, 2003, of 1,095 branches, 311 of which are located outside Portugal, CGD continues to focus on developing its client base offering banking services to the largest number of customers in Portugal. The development of cross-selling of group company products through its branch network continues to be one of the main objectives of the Group.

The Group has expanded into foreign markets, principally neighbouring regions in Spain, and into markets with historical or linguistic ties to Portugal, such as Cape Verde and Macao. It is present, through branches, subsidiaries and representative offices, in Spain (Banco Simeón, with a total of 170 branches), France (French Branch with 45 outlets), Madeira, the United Kingdom, Switzerland, Luxembourg, Germany, India, China, Macao, Hong Kong, Mozambique (Banco Comercial e de Investimentos with 33 branches), Cape Verde (Banco Interatlântico and Banco Comercial do Atlântico with a total of 27 branches), South Africa, Sao Tome and Principe, Venezuela, Mexico, the Cayman Islands, the United States, Brazil and Timor. In recent years the Group has moved deeper into the new strategic cycle, dominated by initiatives involving the modernisation of electronic distribution channels, such as Caixa Directa On-Line (e-banking), Caixa Electronica (e- channel for corporates), CaixaNet (IT infrastructures), Caixa-Web (the “dotcom” of the Group) and Bolsa Caixa Imobiliário (channel dedicated to real estate and mortgages).

CGD’s share capital is divided into 490,000,000 ordinary shares in book-entry form of euro 5 nominal value, fully paid up and all owned by the Portuguese Government. CGD’s head office is located at Av. João XXI, no. 63 – 1000 – 300 Lisbon.

CURRENT ACTIVITIES

The Group’s activities include commercial and investment banking, insurance, leasing and factoring, asset management, venture capital, financial services and real estate management.

Set out below is a chart giving details of the principal activities and companies within the Group, showing CGD's or the Group's equity interest where appropriate, as at 31 December, 2003:

CAIXA GERAL DE DEPÓSITOS GROUP

31 December 2003

<i>COMMERCIAL BANKS</i>	CAIXA GERAL DE DEPÓSITOS	BANCO POSTAL 100.0%	BANCO SIMEÓN (Spain) 100.0%	CAIXA INTERNACIONAL SGPS 100.0%	B. COMERCIAL E DE INVESTIMENTOS (Mozambique) 42.0%	MERCANTILE LISBON B.H. (South Africa) 64.1%
	BANCO NACIONAL ULTRAMARINO (Macao) 100.0%	BANCO INTERATLÂNTICO (CAPE VERDE) 70.0%	BANCO COMERCIAL ATLÂNTICO (Cape Verde) 65.0%	CAIXA DESENVOLVIMENTO SGPS 100.0%	A. PROMOTORA (Cape Verde) 62.2%	
	GERBANCA SGPS 100.0%	CAIXA BANCO DE INVESTIMENTO 99.6%	CAIXA CAPITAL 100.0%			
<i>INVESTMENT BANKING AND VENTURE CAPITAL</i>	CAIXA - GESTÃO DE ACTIVOS SGPS 100.0%	CAIXAGEST 100.0%	CDG LUXEMBOURG 100.0%	CGD PENSÕES 100.0%	FUNDIMO 100.0%	CAIXA GESTÃO DE PATRIMÓNIOS 100.0%
<i>ASSET MANAGEMENT</i>	CAIXA EMPRESAS DE CRÉDITO SGPS 100.0%	LOCAPOR 100.0%	IMOLEASING 100.0%	LUSOFACTOR 100.0%	CAIXA CRÉDITO SFAC 88.9%	BCI-LEASING (Mozambique) 99.9%
<i>SPECIALISED CREDIT</i>	CAIXA SEGUROS SGPS 100.0%	CA. SEGUROS Fidelidade - Mundial 100.0%	VIA DIRECTA Companhia de Segur 100.0%	CARES - Companhia de Seguros e Assistência 98.3%	GARANTIA (Cape Verde) 80.9%	
<i>INSURANCE</i>	EAPS - Empresa de Análise Prevenção e Segurança 100.0%	GEP Gestão de Peritagens Automóveis 100.0%	EPS - Gestão de Sistemas de Saúde 100.0%	HPP-Hospitais Privados de Portugal SGPS 100.0%	CAIXA IMOBILIÁRIO SGII 100.0%	MC-SGII 100.0%
<i>E-BUSINESS</i>	CAIXAWEB. SGPS 100.0%	IMOPORTALCOM 63.0%	PORTAL EXECUTIVO 75.0%	CAIXA WEB Serviços Téc. Cons. 100.0%		
<i>OTHER</i>	CULTURGEST 90.0%	CAIXANET 80.0%	IMOCAIXA 100.0%	ESEGRU 50.0%	LOCARENT 45.0%	
<i>HOLDING COMPANIES</i>	SOGRUPO - Serviços Administrativos ACE	SOGRUPO - Sistemas de Informação ACE	SOGRUPO III - Gestão de Activos ACE	SOGRUPO IV - Gestão de Imóveis ACE		
	CAIXA PARTICIPAÇÕES, SGPS	CAIXA BRASIL 100.0%				

The following table shows the consolidated net assets of the principal companies in the Group, after the elimination of inter-company balances, as at 31 December for each of the years set out:

	2002		2003	
	Value	%	Value	%
Caixa Geral de Depósitos	58,984	81.0%	66,641	82.5%
Banco Simeón (Spain)	2,253	3.1%	2,120	2.6%
Banco Nacional Ultramarino, SA (Macao)	857	1.2%	680	0.8%
Caixa – Banco de Investimento.....	808	1.1%	786	1.0%
Imoleasing.....	743	1.0%	836	1.0%
Locaport	594	0.8%	512	0.6%
Banco Comercial Atlântico (Cape Verde).....	333	0.5%	365	0.5%
Banco Comercial e de Investimentos (Mozambique)	295	0.4%	253	0.3%
Other ^(a)	1,714	2.4%	1,979	2.5%
Consolidated Balance Sheet (Official)	66,581	91.4%	74,172	91.8%
Fidelidade-Mundial ^(b)	6,242	8.6%	6,578	8.1%
Total Consolidated Balance Sheet.....	72,824	100.0%	80,751	100.0%

Notes:

(a) Including CGD Group Insurance company Fidelidade-Mundial, consolidated by the equity accounting method which only includes the proportion of shareholders' equity held by CGD.

(b) Fidelidade-Mundial balance sheet less shareholders' equity, consolidated by the equity accounting method as in (a). Inter-company relationships not included.

Banking

Overview

CGD's principal banking business is taking deposits from individuals and institutions, and providing loans and credit facilities. As a credit institution, CGD's loan portfolio includes companies, individuals and public entities in all economic sectors, with special emphasis on the financing of projects in the public, industrial and services sectors, residential housing and credit card financing. CGD's subsidiaries, which are active in the banking industry, operate in the same areas. CGD has also acted as lead manager or manager in several syndicated financing transactions in Portugal and abroad and also participates in the Portuguese public debt market as a specialist treasury securities trader.

CGD Group's operations during the year were performed within a recessionary macroeconomic environment in which GDP is projected to have fallen by more than 1% as a consequence of the sharp fall of domestic demand and public and private investment. This evolution significantly affected such principal balance sheet headings as credit and customer deposits, notwithstanding a global 11.4% increase of consolidated assets.

Assets increases were largely sustained by the increases of €3.5bn of credit institutions' resources and €3.6bn of securities issues, mainly to overseas institutional investors. Assets growth, however, was partly one-off owing to the above referred to year-end resources taken which were temporarily allocated to liquid assets pursuant to the context of an active Group balance sheet management and liquidity policy.

There was a 9.8% increase of the end-of-year balance on the loans and advances to credit institutions account to €5.9bn plus €10.1bn in liquid assets. There was also a 54.6% increase of credit institutions' resources to €9.9bn, €8bn of which from overseas sources.

Special reference should be made to the funding deriving from credit lines with international financial organisations for the amount of €840mn (up 68.2% over 2002), notably from the EIB-European Investment Bank. Two EIB credit lines were taken out during the year totalling €350mn for financing local authorities.

This generated significant balance sheet structure alterations with expressive changes in diverse assets and liabilities account headings.

CGD Group's balance sheet of around €81bn is essentially based on its parent company's banking operations, accounting for more than 82.5% of total assets and of which the Fidelidade-Mundial insurance company accounts for 8.1%.

Capitalisation of the Group

The following table shows the consolidated capitalisation of the Group as at 31 December, 2003 and the consolidated capitalisation of the Group as at 31 March, 2004:

Capitalisation

	31 December 2003 ⁽¹⁾	31 March 2004 ⁽¹⁾
	(EUR millions)	
Short-term debt ⁽²⁾	59,480	n.a.
Medium-term and long-term debt ⁽²⁾	6,838	n.a.
Total senior debt	66,318	63,930
Subordinated liabilities	1,602	1,602
Total debt	67,920	65,532
Provision for general credit risks and fund for general banking risks....	539	536
Equity		
Share capital held by the Portuguese Government	2,450	2,450
Revaluation Reserves.....	301	301
Other Reserves.....	184	294
Net income for the year	667	160
Total equity	3,602	3,205
Minority interests	35	39
Total capitalization.....	72,096	69,312

Notes:

(1) The figures in the above table as at 31 December, 2003, have been extracted from the audited consolidated financial statements of the Group as at that date. The figures in the above table as at 31 March, 2004 have been extracted from the unaudited consolidated financial statements of the Group as at that date.

(2) Short-term liabilities are defined as amounts due within one year, medium-term liabilities as amounts due between one year and five years and long-term liabilities as amounts due over five years. These items include total amount owed to Credit Institutions and to Customers, and Debt Securities. No figures are available in relation to these items as at 31 March, 2004.

There has been no material change in the capitalisation of the Group since 31 March, 2004.

Summary Financial Information

Set out below in summary form are the audited, consolidated profit and loss accounts and the audited, consolidated balance sheets (showing net figures) of the Group for the years ended 31 December, 2002 and 2003 and the unaudited consolidated profit and loss account and balance sheet of the Group for the three months period ended 31 March, 2004:

Profit and Loss Account

	Year ended 31 December		Three months ended 31 March
	2002	2003	2004
	(EUR millions)		
Interest income	3,096.9	2,702.5	645.2
Income from securities.....	75.6	63.2	25.0
Commissions.....	358.6	384.2	100.1
Gains arising from financial operations	4,340.1	5,949	1,464.8
Reversal of provisions	649.8	437.5	99.3
Equity accounted profits of Group companies excluded from consolidation.....	41.3	114.4	37.5
Other operating income.....	127.8	148.4	44.3
Exceptional gains.....	157.9	312.8	29.3
Minority Shareholders' interests.....	0.3	—	—
Total revenue.....	8,848.3	10,112.0	2,445.5
Interest expenditure and commissions.....	1,738.0	1,526.2	354.0
Losses arising from financial operations	4,268.2	5,918.0	1,472.2
Personnel cost	563.6	582.8	143.1
Other administrative expenses	375.2	376.1	77.0
Depreciation	94.8	96.1	19.6
Other operating costs	43.4	16.4	3.8
Provisions	900.0	622.6	152.7
Exceptional losses	64.7	135.5	32.4
Taxes.....	134.2	167.5	29.2
Equity accounted losses of Group companies excluded from consolidation.....	1.1	1.7	0.2
Minority Shareholders' interests.....	—	-1.8	0.9
Total expenses	8,183.2	9,444.7	2,285.1
Net income for the year	665.1	667.3	160.4

Balance Sheet

	As at 31 December		As at 31 March
	2002	2003	2004
	(EUR millions)		
Assets			
Cash and Central Bank deposits	2,128.1	9,195.7	1,377.2
Sight deposits with credit institutions	755.7	916.0	647.6
Loans and advances to credit institutions	5,388.8	5,914.8	11,716.5
Loans and advances to customers	44,367.0	44,093.7	43,690.8
Bonds and other fixed-income securities	6,515.8	7,146.9	7,803.2
Shares and other variable-yield securities	367.9	429.7	395.1
Investments	3,388.0	3,202.3	3,225.4
Intangible assets	102.2	149.4	147.1
Tangible fixed assets	847.2	832.2	830.4
Other assets	700.0	729.1	598.9
Prepayments and accrued income	2,022.7	1,562.6	1,534.6
Total assets	66,581.4	74,172.4	71,966.8
Liabilities and Shareholder's Equity			
Amounts owed to credit institutions			
Repayable on demand	661.3	1,141.9	1,426.1
Term or notice	6,243.2	9,599.9	6,641.8
Amounts owed to customers			
Savings deposits	7,850.0	8,377.0	8,442.4
Repayable on demand	15,626.3	14,784.3	13,705.9
With agreed maturity date	21,607.5	21,571.7	21,289.8
Debt Securities			
Bonds issued	4,555.1	7,039.1	8,016.3
Other	2,458.1	3,804.1	4,407.5
Other liabilities	486.4	707.1	1,101.6
Accruals and deferred income	1,393.3	1,345.6	1,315.6
Provisions			
Provisions for pensions and related charges	29.0	23.1	23.3
Other	491.6	426.9	425.2
Fund for general banking risks	120.1	112.1	111.1
Subordinated liabilities	1,701.4	1,602.2	1,602.2
Equity			
Share capital	2,450.0	2,450.0	2,450.0
Reserves	184.2	485.6	595.3
Retained earnings	—	—	213.4
Net income for the year	665.1	667.3	160.4
Minority Shareholders' interests	58.8	34.5	38.8
Total liabilities and equity	66,581.4	74,172.4	71,966.8

Main differences between the consolidated and non-consolidated financial statements of CGD

Subsidiary companies are those in which CGD has a participation of more than 50 per cent. or that are controlled by CGD and can therefore be considered as a decision making unit. Associated companies are those in which CGD has a long-term minimum participation of 20 per cent. or, where the participation is lower, a company in which CGD has a significant influence in the management.

Consolidated financial statements

In the consolidated financial statements the accounts of the subsidiary companies are consolidated by the full consolidation method, except for those operations which are of a non-banking nature. In accordance with this method, gains and losses on transactions and balances between the consolidated companies are eliminated. Third party participation in these companies are recorded in the caption “Minority interests”.

Investments in associated companies and subsidiaries not included in the consolidation are recorded by the equity method. In accordance with this method, the cost of the investments is adjusted based on CGD’s effective participation in the share capital, reserves and results of these companies.

The consolidation of the accounts of companies under joint control of Caixa and other entities, is made under the proportional method of consolidation. Assets, liabilities, costs and income of this company are recorded in the consolidated accounts in proportion to the holding of CGD in its share capital.

Consolidated profit is the sum of the net results of CGD and of the Group companies in proportion to the respective participations in them after consolidation adjustments, namely the elimination of dividends received and gains and losses on transactions between Group companies.

The following table shows certain key ratios for the Group at 31 December for each of the years set out and as of 31 March, 2004:

	As at 31 December		As at 31 March
	2002	2003	2004
	(%)		
Structural Ratios			
Customer loans/customer deposits	100.3	100.6	102.8
Interest earning assets/interest-bearing liabilities.....	96.4	87.0	98.7
Interest-earning assets/Total assets.....	86.1	78.6	89.2
Profitability Ratios			
Net interest margin (average spread lending/funding)	2.40	1.93	1.84
Interest margin/net assets	2.13	1.75	1.70
Return on equity (net income/shareholders’ equity)	20.0	19.8	18.3
Return on assets (net income/total assets)	0.99	0.99	0.22
Gross operating profits/net assets (income before taxes/total assets)	1.17	1.10	1.04
Average yield on interest-earning assets.....	4.93	3.88	3.43
Average cost of interest-bearing liabilities.....	2.43	1.89	1.62
Non-performing loans after provisions/total loans	0.9	0.8	0.9
Solvency Ratios			
Solvency ratio for purposes of Bank of Portugal	8.5	8.7	n.a
Solvency ratio for purposes of BIS	9.7	9.8	n.a

Overview of the financial performance of the Group

The domestic economy, in 2003, evolved within a recessionary environment, with a negative change of GDP of around 1.3%, as against the preceding year’s increase of no more than 0.4%, following the economic slowdown occurring in 2001. Contributory factors were a slowdown in economic growth in the EU, containment of public expenditure, rationalisation measures designed to reduce the deficit and achieve budget consolidation and the on-going private sector expenditure adjustment process owing to existing debt commitments.

Market interest rates, although falling continuously, in first half, evidenced a relative latter degree of stabilisation following the ECB’s reduction of its reference rates to boost Eurozone economic growth and diminish the level of the euro’s appreciation. ECB’s principal reference rate, at year-end, was 2%, as against 2.75% in early 2003.

Money market rates, for all maturity periods, were generally adjusted downwards. Between end 2002 and end 2003, the reduction of Euribor for 12 month maturities was 44 b.p. and 80 b.p. for one month. Market rates, in turn, affected banks' lending and borrowing rates. Average lending rates to non-financial companies and home loans for individual customers fell by an average of around 90 b.p. The reduction of borrowing rates was around 50 b.p.

Year-on-year domestic banking system deposits grew 1%, largely owing to increased corporate deposits in the last few months of 2003, as individual customers' deposits (including emigrants) ended the year with a 0.2% fall in year-on-year growth.

In the case of credit aggregates, total domestic lending was 5.2% down in 2002 to an end of 2003 figure of 2.2%, largely explained by the high volume of banking system credit securitisation operations in 2003. After making adjustments for this effect, domestic credit growth, at end 2003, would have been 6% as against the preceding year's figure of around 6.3%.

The slowdown in lending was particularly significant in the home loans segment whose year-on-year growth between December 2002 and December 2003 fell from 13% to 2.2%. This aggregate was, however, strongly affected by securitised credit transfers, without which growth would have been much higher and the slowdown much more moderate (13.6% in December 2003 as against the preceding year's 15.9%).

Year-on-year corporate lending, which was much less affected by securitisation operations, fell by an average of 7.8% at end 2002 to 5.1% at end 2003 (7.9% and 4.9%, respectively after securitisation adjustments).

CGD Group operated, during the year, within the above referred to macroeconomic recessionary context which significantly affected such principal balance sheet headings as credit and customer deposits notwithstanding an overall 11.4% increase in consolidated assets.

Assets increases were largely sustained by the increases of €3.5bn in credit institutions' resources and €3.6bn in securities issues, mainly to institutional investors overseas. Growth in assets, however, was partly of a one-off nature owing to the above referred to year-end resources taken which were temporarily held as liquid assets pursuant to the context of an active Group balance sheet management and liquidity policy.

There was a 9.8% increase in the end-of-year balance on the loans and advances to credit institutions account to €5.9bn and €10.1bn in liquid assets. There was also a 54.6% increase in credit institutions' resources to €9.9bn, €8bn of which from overseas sources.

CGD Group's balance sheet of around €81bn is essentially based on its parent company's banking operations which account for more than 82.5% of total assets and of which the Fidelidade-Mundial insurance company accounts for 8.1%.

There was a 1% increase of €455mn in customer deposits to €45.7bn during the year. This moderate growth reflects the €842mn downturn in sight deposits which largely cancelled out the 3.3% increase in term and 6.7% increase in savings deposits.

CGD's non-consolidated operations accounted for 92.4% of deposits. Other deposits taken by group subsidiaries, particularly included Banco Simeæn with €1.7bn.

There was a 2.8% increase to €57.3bn in overall resources taken by CGD Group's consolidation perimeter, including life insurance and asset management.

Contributory factors to the 10.4% increase of €957mn to €10.1bn in other resources taken by CGD group companies were the 12.3% increase of €591mn in investment units and 8.4% increase of €367mn in life insurance.

CGD, as a relevant complement to its usual financing source, has been issuing structured products to its domestic customers since 2000 in the form of cash bonds and other securities providing higher yields than those afforded by traditional savings accounts.

CGD's shareholders' equity increased by €172mn to €5.4bn at end 2003, translating a €301mn increase in reserves, €99mn reduction in subordinated liabilities and €24mn reduction in minority shareholders' interests. The diminution of subordinated liabilities largely derives from the settlement of amounts issued under the EMTN Programme.

The €301mn increase in consolidated reserves was generated by the incorporation of a proportion of net income of €316mn for 2002 and several trends in the opposite direction of which reference should, *inter alia*, be made to the negative impact of the €34mn of provisions set up for capital losses on equity investments under Official Bank of Portugal Notice 4/2002 and the €41.2mn increase in the value of the statutory revaluation reserve of insurance companies.

The consolidated solvency ratio, calculated under Bank of Portugal rules, was 8.7%, as opposed to the preceding year's 8.5%. Total own funds, for solvency ratio purposes were €3,757mn, resulting from basis own funds (net of respective deductions) for the amount of €2,882mn and complementary own funds for the amount of €1,893mn. Deductions of €1,019mn were also made from total own funds.

Deductions from own funds, required by the referred to rules therefore totalled €1,485mn. This amount includes €315mn of pension funds contributions deductions, still not recognised as costs and €152mn of intangible assets which are directly deducted from basis own funds and those directly subtracted from total own funds in respect of €64mn of unprovisioned capital losses on equity investments and €919mn of equity investments held in credit institutions. In respect of this latter deduction special reference should be made to the BCP deduction of €563mn. In accordance with BIS (Basle Committee) rules, the solvency ratio was 9.8%.

There was a 0.3% increase of €2.1mn in CGD Group's consolidated net income to €667mn over last year (€816mn before tax), representing a 4.4% increase of €34.5mn over 2002.

Total cash flow, in turn, was 2.4% down over the preceding year to €1,099mn, of which special reference should be made to the favourable contribution of the 0.6% reduction in operating costs and the significant 90.2% increase in exceptional items (net), particularly deriving from the capital gains generated by the disposal of €162mn of equity investments in Brisa and GALP which largely offset the 9.5% drop in net operating income resulting from the evolution of net interest income.

Reference should also be made, in 2003, to the growth of 27.9% of the appropriation for income tax from €116mn to €148mn owing to the taxation of several increased asset values, the diminution of fiscal deductions (higher in 2002, owing to tax adjustments) in addition to tax on capital gains generated by the above referred to disposals of equity investments. The amount of income tax paid was 18% as against the preceding year's 15%.

Operating costs plus €96mn of depreciation, excluding the amount of the seniority bonus (a one-off payment to employees in 2003 owing to the application of a new contractual formula) in their relationship with net operating income, resulted in a cost-to-income ratio of 58.9% as opposed to last year's 54.1%. The increase in this ratio, notwithstanding the 0.6% contraction of operating costs, is explained by the 9.5% drop in net operating income. Operating costs over average net assets, however, evidenced greater efficiency with a 1.57% to 1.47% improvement in the ratio.

ROA, taking consolidated net income and assets evolution into account, was similar to the preceding year's figure of 1%. This was also the case with ROE of 20%. The ratios, before taxation, were 1.2% and 24.2% respectively (in the latter case in comparison to the preceding year's figure of 23.5%).

Banking Strategy

CGD believes that two of its key competitive advantages are its reputation for financial stability and its exclusive ownership by the Portuguese Government. As the financial sector in Portugal has been liberalised and inflation and interest rates in Portugal have fallen, competition in the sector has increased.

CGD Group development, in 2003, proceeded in line with the "Strategic Reference Framework" defined in 2000, which principally concentrates on a "customer first approach", consolidation of CGD Group's in-house operating structure, strengthened leadership of the domestic financial market and greater internationalisation.

The Group's in-house operations have succeeded in consolidating its specialised units' integration processes (asset management, specialised credit, insurance and investment banking).

Special reference should be made, in the specialised credit area, to CGD's shareholding of 88.9% in Caixa-Crédito, via its acquisition of 22.2% of the company's share capital.

Reference should also be made to changes to the share capital structure of Locarent, which operation will permit the development of the renting business, in which CGD will have a 45% equity investment in partnership with BES Group and a vehicle operator.

In the Group's international area, reference should be made to Banco Comercial e de Investimento, SARL's assimilation of Banco de Fomento, SARL in which company CGD has a majority equity investment of 42%. The company continued to be known as Banco Comercial e de Investimento, SARL.

Reference should also be made to the €16.7mn share capital increase of Banco Simecœn, SA, which is the entity resulting from the year 2002 merger of CGD's banks in Spain.

CGD also increased its equity investment in Banco Internacional de São Tomé e Príncipe, SARL, from 22% to 52%. An agreement has been made to reduce this holding to 27% with the investment of another shareholder.

Reference should be made to the following in CGD Group development terms in 2003:

- CGD decided to assimilate Banco Postal after becoming its sole shareholder, following a reassessment of the partnership with CTT and after having assumed responsibility for providing operating support and customer services in February;
- Acquisition of 10% of the share capital of ESEGUR, which is now owned on a 50/50 basis between CGD and BES Group.

Funding

The following table shows the breakdown of the Group's total consolidated funding sources at 31 December for each of the years set out and as of 31 March, 2004:

	As at 31 December				As at 31 March	
	2002		2003		2004	
	Amount	%	Amount	%	Amount	%
(EUR millions except for percentage)						
Sight deposits	15,627	24.9%	14,784	22.0%	13,706	21.1%
Compulsory deposits	969	1.6%	1,051	1.6%	1,016	1.6%
Term deposits and deposit certificates	20,760	33.1%	20,497	30.5%	20,907	32.3%
Savings deposits	7,850	12.5%	8,377	12.5%	8,442	13.0%
Total customer deposits	45,206	72.1%	44,709	66.6%	44,071	68.0%
Repayable on demand	661	1.0%	1,142	1.7%	1,426	2.2%
Term or notice	6,243	10.0%	9,600	14.3%	6,642	10.2%
Amounts owed to credit institutions	6,904	11.0%	10,742	16.0%	8,068	12.4%
Investment unit trusts	4,789	7.7%	5,380	8.0%	5,341	8.2%
Insurance	4,386	7.0%	4,753	7.1%	4,858	7.5%
Other funds taken	1,402	2.2%	1,554	2.3%	2,478	3.8%
Total funding	62,686	100.0%	67,138	100.0%	64,816	100.0%

Sight deposits are repayable on demand. Compulsory deposits are made in accordance with a court order. Term deposits refer to deposits having a term of between 31 days and three years, and savings deposits are standard term deposits made for different segments of clients.

CGD accounted for approximately 92.4 per cent. of the Group's total customer deposits, as at 31 December, 2003, of which approximately 79.4 per cent. were retail deposits. The Group's share of the Portuguese market for customer deposits was 31.4 per cent. at 31 December, 2003.

The following table shows a breakdown of deposits taken by CGD only, by type of customer, at 31 December for each of the years set out:

	As at 31 December			
	2002		2003	
	Amount	%	Amount	%
(EUR millions except for percentage)				
Individuals	33,439	80.8%	33,522	79.4%
Of which: Emigrants.....	3,133	7.6%	3,392	8.0%
Corporate	3,240	7.8%	4,427	10.5%
Central government	3,745	9.1%	3,199	7.6%
Compulsory deposits	968	2.3%	1,050	2.5%
Total	41,392	100.0%	42,198	100.0%

The following table shows a breakdown of deposits and other funding sources of the Group by type and maturity as at 31 December for each of the years set out:

	3 months or less	More than 3 months to 1 year	More than 1 year to 5 years	More than 5 years	Total
(EUR thousands)					
31 December, 2002					
Savings deposits	3,787,899	4,051,772	10,374	—	7,850,045
Other amounts owed to customers.....	13,114,091	7,978,275	304,834	210,303	21,607,503
Total customer deposits ⁽¹⁾	16,901,990	12,030,047	315,208	210,303	29,457,548
Bonds	7,482	225,242	2,781,563	1,540,815	4,555,102
Other	1,966,965	491,108	—	—	2,458,073
Total.....	18,876,437	12,746,397	3,096,771	1,751,118	36,470,723
31 December, 2003					
Savings deposits	4,099,003	4,277,711	266	—	8,376,980
Other amounts owed to customers.....	11,875,212	8,023,986	1,597,176	75,322	21,571,696
Total customer deposits ⁽¹⁾	15,974,215	12,301,697	1,597,442	75,322	29,948,676
Bonds	1,271,481	1,780,899	2,083,032	1,903,661	7,039,073
Other	2,675,886	1,128,196	—	—	3,804,082
Total.....	19,921,582	15,210,792	3,680,474	1,978,983	40,791,831

Note:

(1) This table does not include Sight Deposits.

The group's issue and placement of securities, particularly to institutional investors in overseas markets continue to represent an important alternative source of funding. Particular reference should

be made to the “Euro Medium Term Notes” (EMTN) and “Euro Commercial Paper” (ECP) programmes with a year-end balance comprising a 51.9% increase of €10.7bn in outstanding securities, split up into €7.1bn under the EMTN programme of which €960mn are classified as subordinated liabilities (included in shareholders’ equity) and €3.6 bn under the ECP Programme.

EMTN Programme placements in 2003, totalled €2.7bn.

The February 2004 launch of the USD Commercial Paper Programme, totalling USD 2 billion, provides a flexible and rapid funds taking instrument in international markets, for treasury management.

Loans

Lending

At 31 December, 2003, the outstanding balance of the Group’s total interest-earning assets totalling, approximately, €59.7 billion, increased by 1.7 per cent. compared to 2002. The following table shows a breakdown of total interest-earning assets for the Group at 31 December for each of the years set out and as of 31 March, 2004:

	As at 31 December		As at 31 March
	2002	2003	2004
	(EUR millions)		
Loans and advances to credit institutions.....	5,429	5,941	11,754
Loans and advances to customers.....	45,204	45,006	44,653
Securities.....	7,346	7,987	8,616
Other	736	776	632
Total	58,715	59,710	65,655

There was 0.4% reduction on the gross balance of CGD’s loans and advances to customers account, over last year, to €45bn or, excluding November’s loan securitisation operations, a growth of 2.7%. This is still down over the preceding year in which a 4.8% increase had been achieved. This was part of a general slowdown of banking credit pursuant to the evolution of the Portuguese economy which forced institutions to adopt a more cautious twofold risk/return approach owing to high levels of household debt, higher unemployment and corporate financial or treasury difficulties.

In terms of CGD’s non-consolidated operations, loans and advances to customers totalled €40.7bn. Banco Siméon, in Spain recorded €1.7bn and the Locapor and Imoleasing (leasing) and Lusofactor (factoring) companies €1.5bn.

The following table shows the total loans and advances to customers by type of credit, for the Group, as at 31 December 2002 and 2003.

	Group	
	2002	2003
	(EUR thousands)	
Domestic loans		
Loans	31,497,928	31,111,298
Current account loans	5,543,138	5,548,170
Other loans	2,365,860	2,616,325
Application of consigned resources	97,472	80,856
Overdrafts	340,326	175,065
Local discount operations	592,411	570,042
Foreign discount operations	3,850	2,412
Financial leasing	599,704	521,295
Property leasing	711,957	809,669
Loans taken – factoring	164,933	145,752
Purchase operations with resale agreement	20,740	—
Subordinated debts	838	—
Foreign loans		
Other loans	1,372,361	1,763,315
Loans	525,350	326,542
Current account loans	110,073	55,907
Overdrafts	5,598	7,847
Foreign discount operations	32	18
Local discount operations	10,132	11,306
Purchase operations with resale agreement	—	—
Other	3,961	3,893
	43,966,664	43,749,712
Overdue loans and interest	1,237,074	1,256,727
Total	<u>45,203,738</u>	<u>45,006,439</u>
Provision for loans and advances to customers		
Overdue loans and interest	(752,612)	(756,928)
Doubtful loans	(57,217)	(127,826)
Country-risk	(26,928)	(28,001)
	(836,757)	(912,755)
Total	<u>44,366,981</u>	<u>44,093,68</u>

The following table shows a breakdown of loans granted by the Group, according to type of customer and purpose, at 31 December for each of the years set out:

	As at 31 December	
	2002	2003
	(EUR millions)	
Corporate		
Agriculture and fisheries	350	324
Mining and manufacture	3,426	3,419
Construction and public works	4,261	3,754
Electricity, gas and water	615	712
Services	9,628	9,533
Total	18,280	17,742
General Government	2,362	2,694
Individuals		
Housing	23,049	23,378
Other purposes	1,513	1,192
Total	24,562	24,570
Total	45,204	45,006

The following table shows the maturity profile of the Group's loans to customers and credit institutions by residual period to maturity for the years ended 31 December, excluding overdue loans:

	As at 31 December	
	2002	2003
	(EUR millions)	
Up to three months	6,308.1	9,030.0
From three months to one year	9,154.5	7,211.7
From one to five years	11,246.0	10,726.5
More than five years	22,662.3	22,704.1
Total	49,37.9	49,672.3

There was a 14.1% increase of €332mn in lending to the general government sector, comprising a €229mn increase to central government and a 5.3% increase of €104mn to local government.

In terms of credit to individual customers, special reference should be made to the 1.4% increase of €329mn in home loans after considering the transfer of €1bn in the securitisation operation. The remaining credit to this segment for other purposes, particularly consumer credit fell €321mn, also after the securitisation operation of €400mn.

Loans to individuals constituted the largest proportion of the Group's loan portfolio and amounted to €24,570 million as at 31 December, 2003 or 54.6 per cent. of total loans granted by the Group to customers. Approximately 95.1 per cent. of loans to individual customers are for residential purposes. CGD usually requires the borrower to grant it a first mortgage over the property being financed. Loans have a term of up to 40 years, (with the borrower's maximum age being 70), excluding currently subsidised regimes in bank portfolios, but the average maturity of a loan is 10 years. The borrower is always required to maintain fire insurance for an amount equal to the cost

of reconstruction of the property. Life insurance is required for new loans granted since October 2002. Loans are also made available for second houses or for properties to be rented to third parties.

Loans to service companies, mining and manufacturing and construction companies constitute a significant proportion of the Group's loan portfolio, and at 31 December, 2003 amounted to €9,533 million, €3,419 million and €3,754 million or, respectively, 21.2 per cent., 7.6 per cent and 8.3 per cent., of total loans granted by the Group to customers. The majority of loans to service companies are made to transport, warehousing, communications and wholesale and retail companies. Guarantees are normally required over any property being financed or other acceptable security to CGD. The average life of these loans tends to be shorter than those granted to individuals for housing and the risk analysis for such loans is different. CGD's policy limit ratio of borrowed funds to the guarantee depends on the type of loan.

Credit Policies and Procedures

In each bank, credit departments have been established to formulate lending policies. In the case of CGD, the credit function involves different departments from risk management, marketing and commercial to capital markets and legal. CGD's Audit and Control Department is responsible for checking compliance with these lending policies. Current lending guidelines cover the various stages of the credit process, namely: analysis of applications, decision-making, follow-up and monitoring and credit recovery. Approval of individual loans has become the responsibility of various levels of management.

Credit limits are applied to each customer and differ according to the product. Loans fall into a number of classifications and there are varying levels of authorisation required, depending on the size and type of loan under consideration. Responsibility for approval of the largest loans rests with CGD's Board of Directors (the "Board"). Similar policies and procedures have been established in each bank, subject to differing guidelines in each jurisdiction.

Applications for loans may be approved at different levels depending on the nature and the size of the loan being applied for, whether the loan is for a new or existing client and whether the loan is to be backed by a guarantee.

CGD Group, following the reorganisation which began in 2000, has been consolidating its risk management operating structure and increasingly committing greater resources to risk evaluation and control in its diverse market operations.

In terms of credit risk, the credit card scoring procedure was reformulated during the year and work was also performed on the launch of consumer credit and its proactive scoring procedure.

The credit portfolio was systematically analysed during the year, to assess exposure to any entity, economic group or sector and, in line with the regulations in force, undertaking a prior analysis of the most significant exposures, to improve increasingly effective monitoring of risk levels associated with the various operations. Existing credit risk identification and measuring models were also improved to expedite the credit decision-making process in addition to classifying customers into risk segments. An in-house "return" model was also consolidated (in terms of regulatory capital requirements) and a credit risk factor model for derivatives operations developed.

Non-Performing Loans

As at 31 December 2003, the Group's loan portfolio (including past due interest) in default amounted to €1,256.7 million representing 2.79 per cent. of total loans, an increase of €19.6 million from €1,237.1 million (2.74 per cent. of total loans) recorded as at 31 December, 2002.

All non-performing loans ("NPLs") are categorised according to the requirements of the respective central banks in the jurisdictions in which banks within the Group operate. CGD NPLs are categorised according to the requirements of the Bank of Portugal which requires NPLs to be classified by five different classes of risk.

Class of Risk	Principal and Interest Past Due Date	
Class I.....	Up to 90 days	guarantee/no guarantee
Class II.....	91 – 180 days	guarantee
	no guarantee	
Class III.....	181 days – 1 year	guarantee
	no guarantee	
Class IV.....	1 – 3 years	guarantee
	no guarantee	
Class V.....	over 3 years	guarantee/no guarantee

After 30 days past due, the contractual installment payment of principal and interest will be recorded as a “non-performing loan”. Depending on the type of guarantee, interest will be accrued during a certain period; for example, mortgages, 12 months; real or personal guarantees, six months; State guarantees, with non-interruption; without guarantee, interest write-off. After these periods, if the guarantees are insufficient and difficulties of recovery are foreseen, the whole loan (principal not due and principal and interest due) is declared a “non-performing loan”.

Provisioning Levels

Provision for overdue loans and interests and for general credit risks are made according to Bank of Portugal Notice 3/95 and Notice 8/03 of 30th January, 2003 dispositions, which were in place in 30th June, 2003.

Provision for doubtful loans are made according to Bank of Portugal requirements, recently changed on 30th January, 2003, which will be enforced starting 31 August, 2003.

Provisioning levels depend on the type of guaranty provided, if any and the risk class of the overdue credit as in table below:

Class of Risk	Past Due Date	Without Guarantee	With Guarantee				
			Personal Guarantee	Not Mortgage	Other Purposes	Real Guarantee	
						Mortgage	
						Housing Loans	
						Credit >= 75% guarantees	Credit < 75% guarantees
I	< 3 months	1	1	1	1	0.5	0.5
II	3 to 6 months	25	10	10	10	10	10
III	6 to 9 months	50	25	25	25	25	25
IV	9 to 12 months	75					
V	12 to 15 months	100	50	50	50		
VI	15 to 18 months		75			50	
VII	18 to 24 months		100	75	75		50
VIII	24 to 30 months					75	
IX	30 to 36 months			100	100		
X	36 to 48 months						75
XI	48 to 60 months					100	
XII	> 60 months						100

In case of overdue consumer loans, the applicable provision in Class of Risk I is 1.5 per cent.

All instalment payments overdue, which relate to the same loan, are provisioned according to the class of risk which the first instalment in arrears is provisioned.

Provisions are also made for not due credit, which is classified as overdue credit depending on the following:

- (a) if the instalments overdue exceed 25 per cent. of total loan;
- (b) if the instalments overdue of a loan are in arrears more than 6 months for contracts up until 5 years; more than 12 months in contracts between 5 and 10 years;
- (c) more than 24 months in contracts over 10 years; if the instalments overdue of several loans from one client exceed 25 per cent. of its responsibilities.

The provisioning rates for the situations referred to above are as follows:

- The situations (a) and (b) with the same provisioning rate of the overdue credit
- The situation (c) with half of the provisioning rate of the overdue credit.

The provisioning levels for not due credit as described represents, comparatively with the previous situation, an enlargement of the degree of provisioning of the part of the not due loan and will be enforced starting 31 August 2003.

General Credit Risks Provisions

These provisions, also according to Bank of Portugal requirements, are made considering the outstanding amount for each loan. The applicable percentage depends on the loan type as follows:

Corporate loans: 1.0 per cent.;

Mortgage loans⁽¹⁾: 0.5 per cent.;

Consumer loans: 1.5 per cent..

(1) If the property guaranteeing the loan is used for the clients own housing.

The following tables show the categories of NPLs and provisions for the Group for the two years ended 31 December 2002 and 2003 and the six months period ended 31 March 2004:

		31 December 2002	Percent. of Total Loans	31 December 2003	Percent. of Total Loans	31 March 2004	Percent. of Total Loans
		(EUR thousands)	(%)	(EUR thousands)	(%)	(EUR thousands)	(%)
Categories of NPLs:							
Class I	Up to 90 days	144,406	0.32%	87,039	0.19%	115,636	0.26%
Class II	91 – 180 days	72,780	0.16%	75,542	0.17%	86,332	0.19%
Class III	181 days-1 year	160,186	0.36%	190,106	0.42%	195,740	0.44%
Class IV	1 – 3 years	217,910	0.48%	419,654	0.93%	436,685	0.98%
Class V	over 3 years	641,792	1.42%	484,386	1.08%	517,412	1.16%
Total		1,237,074	2.74%	1,256,727	2.79%	1,351,805	3.03%

	31 December 2002	31 December 2003	31 March 2004
(EUR thousands)			
Provisions:			
For overdue credit and loans of doubtful collection	809,828	884,754	934,525
For country risk requirements	26,929	28,001	27,968
Sub-total	836,757	912,755	962,493
For general credit risk	464,632	361,555	358,539
Total	1,301,389	1,274,310	1,321,03

CGD's practice is that an NPL, even when fully provisioned, remains as an asset in the balance sheet until it is determined that it will not be recovered. The NPLs net of those which are fully provisioned represent 1.81 per cent. of total loans, as of 31 December, 2003. NPLs net of provisions amount to 0.76 per cent. of total loans as at 31 December, 2003.

The following table shows certain NPL ratios for the Group for each of the years ended 31 December, 2002 and 2003 and the three months ended 31 March, 2004:

	31 December 2002	31 December 2003	31 March 2004
NPLs/Loans and advances to customers	2.74%	2.79%	3.03%
NPLs (>91 days)/Loans and advances to customers	2.42%	2.60%	2.77%
NPLs excluding those 100% provisioned /Loans and advances to customers	1.69%	1.81%	1.96%
NPLs net of provisions/Loans and advances to customers	0.89%	0.76%	0.87%
Provisions for NPLs/NPLs.....	67.6%	72.6%	71.2%
Total of Provisions/NPL	105.2%	101.4%	97.7%

The following tables show the total provisions, by type, made by the Group for the years ended 31 December, 2002 and 31 December, 2003, respectively:

31 December 2002								
	Balances at 31/12/01	Changes to opening balance	Additions	Charges to Reserves	Reversals	Write-offs	Transfers	Exchange rate differences
								Balances at 31/12/02
(EUR thousands)								
Loans and advances to credit institutions.....	32,137	—	50,929		(22,654)	—	(20,392)	(82)
Overdue loans and interest, doubtful loans and country- risk	750,410	36,625	369,443		(254,110)	(92,396)	25,189	1,596
Losses from securities ...	288,624	712	281,538		(106,059)	(4,676)	3,573	(1,093)
Depreciation of other assets.....	51,741	1,108	4,712		(14,546)	(2,737)	(3,369)	(416)
Provisions for risks and charges								
Pensions and similar charges.....	36,505	(6)	2,141		(1,156)	(8,316)	281	(447)
General credit risks and other	431,988	3,811	37,326	—	(10,288)	(602)	3,268	(871)
Other risks and charges	36,503	2,282	20,716		(14,592)	(391)	(17,529)	(20)
Fund for general banking risks	212,549	(2,074)	125,714		(212,485)	(91)	(2,612)	(865)
Other participating interests.....	4,040	1	7,466	50,163	(13,911)	(93)	12,047	—
	1,844,497	42,459	899,985	50,163	(649,801)	(109,302)	456	(2,198)

31 December 2003

	Balances at 31/12/01	Additions	Charges to Reserves	Reversals	Write-offs	Transfers	Exchange rate differences	Balances at 31/12/02
(EUR thousands)								
Loans and advances to credit institutions	39,938	18,399	—	(33,424)	(726)	2,201	(96)	26,292
Overdue loans and interest, doubtful loans and country-risk	836,757	405,689	—	(256,874)	(169,338)	95,205	1,316	912,755
Losses from securities	462,619	110,285	—	(100,994)	(49,472)	3,673	(15,868)	410,243
Depreciation of other assets	35,127	4,176	—	(2,057)	(4,879)	8,522	190	41,079
Provisions for risks and charges	29,002	1,187	—	(626)	(7,287)	—	873	23,149
Pensions and similar charges	464,632	7,287	—	(9,401)	(274)	(100,102)	(588)	361,554
General credit risks and other	26,969	52,920	—	(5,486)	(5,120)	(4,264)	360	65,379
Other risks and charges	—	3	—	(3)	—	—	—	—
Fund for general banking risks	120,136	4,605	—	—	(13,216)	(145)	312	369
Other participating interests	61,079	18,042	34,007	(15,466)	(2,539)	364	148	95,635
	<u>2,076,259</u>	<u>622,593</u>	<u>34,007</u>	<u>(437,547)</u>	<u>(239,780)</u>	<u>5,911</u>	<u>(13,296)</u>	<u>2,048,147</u>

Financial Risk Management

CGD consolidated its risk management activity in various Group areas in 2003. Banking risk assessment is based on well defined rules which specify exposure limits for banks and countries, based not only on the risk ratings attributed by international rating agencies but also the consideration of diverse indicators defined within the bank. New internal rating models are currently being developed as part of the need to fulfil the requirements of Basle II.

Credit portfolio analysis and control are based on various indicators which monitor the credit risks attached to specific predefined counterparts or product lines. Special attention is paid, in the case of corporate lending, to the concentration of responsibilities, either by activity or customer sector, in this case in terms of economic groups, in which the highest exposure levels are carefully monitored. The expected losses on defaults are estimated and corresponding provisions set up from an economic viewpoint.

The market risk area assesses and controls the risk of the head office's trading room and its investment bank on a daily basis, in addition to the consolidated investment portfolio risk. Monthly risk-adjusted assessments of the return on the registered office's trading room and consolidated investments portfolio are also produced. Foreign currency risk is assessed and controlled in non-consolidated and consolidated terms.

In liquidity risk management terms, most of the bank's lending is financed by deposits taken by its different branches, with the policy of taking in resources with longer term maturity periods being intensified to ensure stability and assets and liabilities maturity periods matching. Accordingly and in addition to the issue of deposits and structured securities with longer periods of maturity than traditional savings schemes, the two asset securitisation operations referred to in the capital market chapter were also used for this purpose.

The liquidity risk and interest rate assessment and control system is being perfected to incorporate market trends and a careful analysis of the data from different operations in which liquidity, interest rate and maturity gaps are periodically revalued.

Reference should also be made to greater asset research activity and confirmation via the entry into force of new regulations in 2003 establishing a new research framework and expanding the service to the commercial area and its use in various credit stages. Access to the database of companies providing commercial information has also been decentralised.

Investment Activities and Trading

Investment Activities

CGD holds interests, as investments, in a number of different public and private companies in Portugal and overseas. In relation to such investments, the Group's strategy prioritises sectors of the Portuguese market, from which strategic alliances may arise, and markets with strong ties to Portugal. In particular, as at 31 December 2003, CGD holds a 5.98 per cent. interest in Banco Comercial Português, S.A. ("BCP"), a 4.75 per cent. interest in Electricidade de Portugal, S.A. ("EDP") and a 4.12 per cent. interest in Portugal Telecom S.A. ("Portugal Telecom") which it acquired from the Portuguese Government during 1998 and 2000 through capital increase operations made in CGD.

Trading

The state's financing needs in 2003 were particularly characterised by the re-launch of treasury bills designed to create a highly liquid international market, for this instrument to be used as a regular financing source, in addition to diversifying the investors base. €4,165mn of treasury bills, comprising 24% of the state's market financing requirements have been issued since June.

Treasury bonds, however, remain the principal funding instrument, with total issues of €7,575mn. The issue programme included the creation of a new 3 year bond, completing the Portuguese government debt yield curve with liquid securities in all maturity periods from 02 – 10 years.

As part of its functions as a specialist treasury securities trader, CGD was involved in two new treasury bond series of 3 and 10 years, respectively, totalling €95mn and also purchased €123mn at auctions during the course of the year.

CGD also earned specialised treasury bills status based on its international markets placement and trading capacity, providing access to a regular investor base and contributing to this instrument's secondary market liquidity. Caixa achieved a 9.5% market share of treasury bill issues and 15.6% of secondary market trading.

CGD, as a "Recognised Dealer" in Belgian government debt, was also involved in two Belgian government debt bond issues for an amount of €95mn and achieved a 4.2% secondary market share in terms of this instrument.

Pursuant to the migration to Euronext's common trading and clearing platforms, CGD was appointed as a "General Clearing Member" (GCM), for the four component segments (Lisbon, Amsterdam, Brussels and Paris) and also qualified to perform settlement and custodian operations in the above financial markets.

CGD Group's presence on Euronext was further reinforced with Caixa-Banco de Investimento's participation as a trading member, thus providing customers with access to different Euronext stockmarkets and helping to promote domestic and European stock market operations.

CGD Group was a member of 22 private debt market bond issue placement syndicates. These essentially comprised foreign banks with total issue volumes of more than €8bn. Caixa-Banco de Investimento led or co-led eight of the issues in which it was involved.

The year 2003 in the equities market, was not a good one. Reference should be made to the public offering of 35% of the share capital of Gescartão pursuant to its 2nd and 3rd re-privatisation stages, with total placements of around €42.3mn. Caixa-BI was the lead placement company with a 54% market share.

CGD's financing policy continued to be based on its preceding year's guidelines, with special reference being placed on the consolidation and diversification of international capital market financing sources. Continuous use was made of the Euro Commercial Paper (ECP) and Euro Medium Term Notes (EMTN) programmes in tandem with a slowdown of interbank money market activity as a funding source.

The number of Euro commercial paper issues during the year increased. This resulted in significant growth of the net ECP operations balance. Greater preference for this type of instrument is explained by management flexibility, allied with a cost optimisation strategy, with commercial paper making it easier to obtain regular short term funding at attractive rates.

CGD Group launched a US dollar commercial paper programme in the US market through its New York branch office in early 2004 with a maximum outstanding balance of USD 2bn. In exploiting the bank's rating and potential liquidity of the US commercial paper market, CGD will enjoy access to funds for maturity periods of up to one year at highly attractive prices in comparison to alternative sources while, at the same time, expanding its geographical and institutional investor base.

CGD performed securitisation operations for the first time in 2003, one of which for consumer finance and the other on mortgages. The operations were organised under Portuguese law, and the option taken to use the Loan Securitisation Fund model structure.

CGD Group consolidated its position in terms of commercial paper programmes in 2003, with a portfolio of 60 programmes, 55 of which, comprising a total amount of €2662mn, were agencied by it. 12 of these programmes enjoy ratings and 6 of them, for the amount of €350mn, were launched in 2003. Special reference should be made, in terms of their dimension, to the Estoril-Sol (€150mn) and Unicer (€100mn) corporate programmes.

In 2003, the programme, as a whole, comprised 336 issues totalling €6804mn, with a 70% market placement rate. The remainder was subscribed for by syndicate member credit underwriting institutions.

Competition

CGD faces intense competition in virtually all of its business areas. There is no particular key competitor for its deposit-taking business in Portugal, although CGD takes account of the rates and terms offered by other deposit-taking banks and it follows market trends in the Portuguese deposit-taking sector.

Group banks operating in other jurisdictions follow similar policies. In Portugal, CGD's principal competitors for housing loans are Millenium BCP, Banco Totta e Açores and Banco BPI.

Capital

CGD has a share capital of €2,450,000,000 fully subscribed by the Portuguese Government and fully paid. CGD's shares, including those to be issued in future capital increases, may only belong to the Portuguese Government and are held by the Directorate General of the Treasury.

The following table sets out the capital position of CGD and the Group, with their risk-weighted assets and Tier 1 capital ratio being calculated in accordance with the requirements of the Bank of Portugal:

	CGD		Group		
	As at 31 December,		As at 31 March	As at 31 December,	As at 31 December,
	2002	2003	2004	2002	2003
1. Total own funds ((a)+(b)+(c))	3,846	3,912	3,986	3,538.6	3,756.6
(a) Base own funds.....	3,320	3,426	3,479	2,741.9	2,882.5
Share Capital.....	2,450	2,450	2,450	2,450.)	2,450.0
Reserves and Retained Earnings	840	1,105	1,332	199.5	431.7
Fund for general banking risks	116	107	106	120.1	112.1
Net income	298	213	45	311.4	320.4
Minority interest.....				58.8	34.5
Deductions ⁽¹⁾	(384)	(449)	(454)	(398.0)	(466.2)
(b) Complementary own funds.....	1,657	1,648	1,648	1,892.1	1,893.1
Revaluation Reserves.....	411	411	411	301.2	521.2
(c) Deductions.....	(1,130)	(1,162)	(1,141)	(1,095.4)	(1,019.3)
2. Risk-Weighted credit assets	39,374	40,859	40,676	41,785.3	43,242.6
3. Solvency ratio ($1/2$) ⁽²⁾	9.8%	9.6%	9.8%	8.5%	8.7%
Tier 1 ratio.....	8.4%	8.4%	8.6%	6.6%	6.7%
4. Solvency Ratio (BIS) ⁽³⁾	10.9%	10.5%	10.8%	9.7%	9.8%

Notes:

(1) Deductions for this purpose are CGD's intangible assets, goodwill and others.

(2) Solvency ratio calculated in accordance with Bank of Portugal rules.

(3) Solvency ratio calculated in accordance with Basel Committee.

The consolidated solvency ratio, as at 31 December 2003 computed in accordance with official Bank of Portugal rules was 8.7 per cent. (as against 8.5 per cent. in the preceding year) and was higher than the minimum 8 per cent. required by the supervisory authorities, evidencing CGD's maintenance of adequate financial structure indicators. In conformity with BIS rules, the solvency ratio was 9.8 per cent.

Financial strength is also expressed by consolidated TIER 1 (based own funds over weighted assets), of 6.7 per cent, as at 31 December 2003. This was higher than the internationally acceptable minimum. Such funds, in CGD, exclusively comprise share capital and reserves, with no other lower quality funds such as preference shares.

Banking Subsidiaries Activities

Banco Simeón (Spain)

Banco Simeón completed its first year after the merger of the three banks formerly comprising CGD Group in Spain, having restructured and rationalised its human resources, in this specific case by implementing an early retirement plan.

CGD increased Banco Simeón's share capital from €151mn to €168mn in December.

Commercial operations recorded a 4.8% growth of loans and advances to customers, particularly owing to an approximate 25% increase of mortgages.

Deposits taken, on the contrary, continued to be affected by generally low interest rates, in addition to stock market competition starting second half 2003, translated into deposits transfers into share and unit trust funds.

Loans and advances to credit institutions were also down by around 36% as a direct result of CGD Group's treasury operations reorganisation.

The diminution of rates and treasury operations were responsible for a decrease of around 2% of the bank's net interest income which, together with increased expenditure on modernisation and a branch office image remake and increased depreciation contributed to the diminishing of net income over the preceding year to €405 thousand.

Banco Comercial e de Investimentos (Mozambique)

The Mozambican economy performed well in first half 2003, fundamentally fuelled by the construction, manufacturing and services sectors. Second half economic growth was dampened by the combined effects of drought and foodstuff price increases and the rand's appreciation against the metical. Growth is, nevertheless, expected to be 7.0% (according to IMF projections) as against 8.0% in 2002.

The metical's devaluation against the dollar went practically unnoticed, essentially owing to the behaviour of the US currency. Devaluation, however, against the rand (as South Africa is Mozambique's major trading partner) increased inflation from 9.1% to 13.6%.

Interest rate reductions in the financial system lowered the bank's average lending rate, notably in Maibor, from 34.6% to 30.2% at end 2003. Notwithstanding this context the 2% expansion of credit in the system was lower than in 2002, although customer deposits totalled 12%.

4 December 2003 saw Banco Comercial e de Investimentos (BCI)'s assimilation of Banco de Fomento. This had the effect of reducing CGD Group's stake in the Mozambican bank from 60% to 42%, although it continues to be the leading shareholder with a controlling interest.

Another of the merger's effects was to expand BCI's network to 33 branches, particularly concentrated in the Maputo region.

In terms of market shares, the new bank's share of loans and advances increased to around 23% (12% prior to merger), whereas deposits taken totalled around 19% (previously 10%). Higher activity levels were also evident in terms of the 112% growth of the number of customers and 66% increase of the number of accounts.

BCI's net income totalled 122bn meticaïs (around €4.2mn). There was a high level of other operating income fuelled by commissions, as a direct consequence of retail operations growth and currency transfers.

Banco Interatlântico (Cape Verde)

The economic environment in Cape Verde, notwithstanding the country's structural conditions and major exposure to external risks has developed positively. Special reference should be made to the expectation of achieving real Gross Domestic Product (GDP) growth of around 5%, fuelled by domestic demand and 3% inflation.

Monetary policy remains subordinated to the parity between the Cape Verdean escudo and the euro, with the Bank of Cape Verde reducing its reference rates twice during the year.

Banking operations saw a 9.2% increase of the Group's net assets to around €408mn, comprising a global market share of more than 70% of which €365mn were generated by Banco Comercial do Atlântico and €43mn by Banco Interatlântico. In the insurance sector, Garantia achieved a volume of insurance premiums written of around €7.5mn or a market share of around 60%.

Banco Interatlântico, increased assets by 5.6%, its credit portfolio by 25.1% and customer deposits by 6.3%. Net income totalled €568 thousand

Banco Comercial do Atlântico (Cape Verde)

Banco Comercial do Atlântico (BCA) increased assets by 9.6% to €408mn. Its credit portfolio increased by 10.7% and customer deposits by around 11.5%. Reference should be made to the bank's dynamism in taking emigrants' deposits.

Net income was 3.7% up to €3.7mn with ROE of 24.7%.

Banco Nacional Ultramarino, SA (MACAO)

The bank's operations in 2003 continued to be affected by the difficult economic environment, both regionally as in export markets. The Macanese economy, increasingly based on tourism and gambling, succeeded in overcoming the effects of the SARS virus. There was also an upturn in the property sector.

The banking sector recorded increased liquidity, both owing to savings and lower lending. This is a relevant situation in consideration of the pressure leveraged on intermediation margins by interest rates fall.

Notwithstanding the fall of the total owed to customers by a year-on-year amount of 1.9% in Macanese pataca – MOP, resident customers continued to express their confidence in Banco Nacional Ultramarino, SA (BNU). There was a 6.3% increase of local currency deposits taken from Macanese residents whose total aggregate comprised 77% of assets. There was a year-on-year increase of resident customers' deposits owing to increased activity in the tourism, gambling and public works markets. BNU succeeded in maintaining and expanding its customer base by creating an image of stability, a broad range of products and diversified distribution channels.

The total local currency credit balance was 2.5% down. Domestic credit, however, increased 12.7% in 2003, reflecting an expansion of 7% in terms of companies and 22.4% in the case of individual customers. Reference should be made, in this latter segment, to the 51.6% increase of personal loans in exploiting the issue of credit for vehicles purchases in April/03. This has been well received.

Loans to individual customers was one of BNU's priorities in 2003 with its launch of new products and appropriate advertising campaigns. BNU aims to achieve the largest share of the individual customers market within 2/3 years.

BNU generated net operating income of €21mn and net income of €5.7mn. Net income, in local currency, was 12.9% up over the same period 2002.

Investment Banking

Caixa-Banco de Investimento, SA

CGD's investment banking operations are centralised by Caixa – Banco de Investimentos (Caixa – BI), which, although autonomous, co-ordinates its operations not only with CGD's commercial structures but also its financial and international business divisions, in providing its predominantly large and medium sized corporate customers with high quality, value added services.

In the structured finance area, Caixa-BI organised and launched CGD's first consumer finance asset securitisation operation for the amount of €400mn (Nostrum Consumer Finance Plc).

Caixa-BI as a banking syndicate member, completed the first asset securitisation operation realised by a domestic non-financial group for the amount of €300mn on behalf of Galp Energia Group, of whose first stage the syndicate acquired a tranche of €210mn.

The most significant project finance operations involved the syndicating of the greater Porto LUSOCUT operation, comprising €62.6mn of international market placements. Reference should also be made to the TEJO ENERGIA mandate for a preliminary information memorandum on the LCPD ("Large Combustion Plant Directive Requirements") project.

There was also an important development in terms of the international business area with the strengthening of the year 2001 partnership with Unibanco for cross-border investment banking operations between Portugal and Brazil. CGD Group, through Caixa-BI, was involved for the first time as an arranger of medium and long term finance with multilateral corporations.

The bank consolidated its position in its management of commercial paper issues with a portfolio de 60 programmes (see also chapter on the Capital market).

The bank achieved good results in the brokerage area notwithstanding the difficult economic environment, having recorded a 28.3% increase of intermediation volumes.

In the US, Caixa-BI, was awarded Qualified Intermediary Status by the IRS-Internal Revenue Service. This status facilitates its compliance with the rules imposed under various special deduction at

source regimes and double taxation agreements entered into with the US and, ipso facto, its relationship with customers and respective fiscal authorities.

CGD Group's venture capital operations continued to be performed under the co-ordination and strategic guidelines of Caixa-BI via Caixa Capital and Caixa Desenvolvimento, SGPS.

Net income growth to €17.8mn was contingent upon the relevant increase of net operating income and release of provisions for equity investments, reflecting capital market evolution. This more than offset the €8.7mn fall of extraordinary income in 2002, deriving from the €230 thousand exchange of BVLV for Euronext shares, in 2003.

Caixa Capital monitors its subsidiaries' portfolios and manages four investment funds, two venture capital (FIQ PEDIP-Caixa Capital and FIQ PME-Caixa Capital) and two corporate restructuring and internationalisation funds (FIQ Comércio-Caixa Capital and FIQ GRUPO CGD-Caixa Capital).

Net equity investments were increased during the year from €7.8mn to €12mn, comprising more than 60% of the company's assets.

Caixa Capital and the funds managed by it made 6 new investments and increased their investment in 7 other portfolio companies to €15mn. 19 disinvestment operations at a realisation price of €14.8mn were also organised.

At year end 2003, Caixa Capital, in addition to its own portfolio, also managed the venture capital funds portfolios for which it acts as the holding company and those of Caixa Desenvolvimento, totalling 51 companies comprising investments of €116mn, operating in the widest range of activity sectors. This year saw the first investments in the tourism sector of which special reference should be made to investment in the consortium purchasing 49% of the share capital of Enatur-Empresa Nacional de Turismo, SA to which the Pousadas de Portugal network awarded a 15 year minimum concession. The consortium was led by the Pestana Group, in which CGD Group's venture area has a 25% stake. The company was specifically formed for the purpose in question under the name Grupo Pestana Pousadas – Investimentos Turísticos, SA.

Caixa Desenvolvimento specialises in major private equity operations with high appreciation potential.

It disposed of €21.3mn of equity investments, in 2003, while also investing €12mn in 4 other companies. Its current investment portfolio comprises 7 companies, totalling more than €34mn of financial investment.

Operating income was down on last year owing to the fact that the company has started work on a new investment cycle and that portfolio investments disposals have not generated significant capital gains.

Insurance

Companhia de Seguros Fidelidade – Mundial, SA

The domestic insurance sector performed reasonably well in 2003, in a poor domestic and international macroeconomic environment, achieving an 11.9% increase of the global volume of direct insurance premiums written, including overseas operations, to €9.6bn. There was an 18% increase of life and 4.8% increase of non-life insurance. Overseas operations totalled 1.4% of turnover.

2003 continued to be a year of mergers and acquisitions between insurance companies. Operations were particularly characterised by the reinforcement of telephone and internet channels and bancassurance contributions in the case of insurance companies associated with banking groups, notably life insurance. Gains in market share made by the smaller insurance companies, helped to reduce sector concentration levels.

In insurance terms in Portugal, particular reference should be made to CGD Group's investments in the Caixa Seguros, SGPS holding company and Fidelidade;Mundial, Via Directa and Cares companies. Fidelidade-Mundial operates under the "Fidelidade" and "Mundial" tradenames using its own outlets and brokers' network and banking and postal channels. Via Directa exclusively commercialises the "OK! Teleseguro" tradename for motor vehicle insurance by telephone and internet. Cares provides assistance to CGD Group's insurance company customers and other groups.

In the health area and with the aim of achieving total control, CGD Group reinforced its corporate investments in Cares and HPP Algarve, the latter company being a member of the HPP – Hospitais Privados de Portugal, SGPS holding company which operates a network of clinics and hospitals. Investments in SMN – Serviços Médicos Nocturnos and, indirectly, its subsidiary companies, were disposed of.

2003 was Companhia de Seguros Fidelidade-Mundial's first full operating year after the merger between Companhias Fidelidade and Mundial-Confiança, in September of the preceding year. The company now uses the "Fidelidade" and "Mundial" tradenames in its own branch office and insurance brokers outlets and banking and postal channels.

After taking measures to stabilise business and distribution networks, the company succeeded, during the year, in achieving balance between the maintenance of active market operations and greater reorganisation which had firstly been implemented in the sales, claims and branch network areas in which special reference should be made to the implementation of the multi-brand concept.

There was a 7.7% growth of direct insurance premiums written by CGD Group in Portugal and abroad to €2bn. This was evenly split up between life and non-life aggregates with increases of 12.2% and 3.4%, respectively. Overseas operations realised by branch offices in Spain, France, Macao and, under a non-exclusive arrangement in Luxembourg and Belgium grew 6.7% to €131mn, comprising 6.5% of total sales.

There was a 7.5% increase of direct insurance premiums written by Fidelidade-Mundial in Portugal and overseas to €2,002mn, split up between €1,013mn in life and €989mn in non-life insurance. These amounts comprise the full amount of the Group's life insurance sales in addition to 98.2% of non-life insurance.

The company achieved a 7.5% increase of total sales in Portugal to €1,871mn, with a 12.8% increase of life and 2.2% increase of non-life aggregates. Banking channels accounted for 42% of the insurance company's domestic sales and 75.9% of life insurance and explain a large proportion of the referred to evolution.

Life insurance sales were generated by growths in Vida-PPR, Capitalisation and Group Life Insurance whereas the results of non-life operations were essentially generated by accident and sickness insurance. In the case of the first aggregate, capitalisation Insurance accounted for 55.3% of domestic sales. Motor insurance accounted for 50.4% of the amount in the second.

There was a 6.7% increase of overseas sales to €131mn (€27mn of life and €104mn of non-life insurance), totalling 6.5% of the insurance company's activity. Reference should be made to the positive performance of motor, civil liability, fire and other damages in Spain, in addition to accidents, sickness and wage protection insurance in France.

The Spanish branch accounted for 69% of overseas business and 86.4% of non-life insurance. The French branch was responsible for 30.7% of total activity outside the country and 97.1% of life insurance. In association with the French branch, non-exclusive insurance services were realised in Luxembourg and Belgium, the latter beginning in 2003.

Fidelidade-Mundial's branch offices and insurance brokerage network launched its Capitalização Rendimento Crescente product in 2003 while banking channels commercialised the Caixa PPR/E Garantia, Caixa Seguro Rendimento, Caixa Seguro Valor and Seguro de Desemprego e Baixa Médica products.

CGD Group led the non-life insurance market with a 22.4% market share, particularly in terms of motor, accidents at work and fire insurance. This enabled the Group to retain second position in terms of sector ranking as well as second position in terms of life insurance with market shares of 20.0% and 18.3%, respectively.

There was an increase of the direct insurance claims rate, net of reinsurance, over 2002, in terms of the company's consolidated operations to 78.9%. This derives from the increase of the volume of maturities and redemptions on the acquisition of capitalisation products premiums. The respective non-life insurance claims rate was 71.8%.

There was a 7.8% increase of technical provisions, net of reinsurance on Fidelidade-Mundial's consolidated operations to €6bn, comprising €6.1bn of assets and a 101.4% coverage ratio.

There was a 16.8% increase of €678mn in the insurance company's year-end consolidated shareholders' equity. The solvency margin was also substantially higher than the Portuguese Insurance Institute's minimum requirements.

Fidelidade-Mundial's non-consolidated net income increased from €11.3mn to €57.5mn and consolidated income from €13mn to €60.1mn, fundamentally deriving from significant improvements to its technical result plus a reduction of the company's structural costs.

Asset Management

In 2003 and as regards their influence in asset management terms, reference should be made to all-time low interest rate levels in addition to a turnaround in terms of the stock market's negative performance. March saw the start of general prices increases in both domestic and overseas share portfolios, leading to an annual 15.8% growth of the PSI-20 in comparison to successive value losses of 25.6% in 2002 and 24.7% in 2001.

Generally positive levels of market performance were mirrored by unit trust funds with an 11% increase of assets under management in Portugal to €22,857mn as against €20,608mn in 2002.

Treasury funds and indexed bonds continue to comprise the unit trust funds backbone at around 70% of the total amount under management.

Property funds continue to represent an interesting investment option for more conservative investors over the longer term with higher returns than other savings products. The value of assets under management in property funds as a whole in Portugal, at end 2003, totalled €5,850mn or year-on-year growth of 16.7%.

In the case of most fund managers, the amount of pensions funds increased by around 2%, although this was badly affected by the withdrawal of the CTT pension fund. Expunging this withdrawal would have led to annual growth of 8.3%, in a year which was also particularly characterised by significant improvements of fund returns.

Assets Managed by the Group (EUR million)

	2002	2003
	(EUR millions)	
In Portugal:		
Unit trust investment funds (Caixagest).....	4,088	4,541
Property funds (Fundimo).....	532	650
Pension funds (CGD Pensões).....	2,358	2,655
Wealth management (CGP) – management	456	1,083
Wealth management (CGP) – advisory.....	—	237
Insurance portfolios	5,838	6,367
Overseas:		
Unit trust investment funds (CGD Luxembourg).....	23	22
Unit trust investment funds (Lusogest).....	146	167
Pension funds (Lusopensiones).....	23	28
Total.....	13,464	15,750

CGD Group's asset management operations in 2003 reflect the impact of generally positive market evolution and renewed levels of activity in this area pursuant to a context of strategic reorganisation and consolidation.

CGD Group's approximate amount €15.8bn of assets under management and advisory services at year end was more than 17% up over the preceding year.

Specialised Credit

CGD Group's specialised credit area is the responsibility of Locapor (equipment), Imoleasing, (property), Lusofactor (factoring) and Caixa Crédito – SFAC (consumer finance).

Notwithstanding the poor macroeconomic environment, there was a slight upturn of around 2.3% in leasing operations, mainly due to the 13.9% increase of property leasing as opposed to a 2.4% decrease in equipment leasing operations.

Locapor achieved sales of €217mn, comprising 4,489 contracts with banking outlets accounting for around 67% of the total. Sales were, however, 27% down over last year, which, in turn, influenced the reduction of loans and advances to customers balance in terms of net assets.

This evolution, partly justified by poor market conditions affecting business development was also a consequence of the Group's implementation of more restrictive credit standards. Endeavours to reduce each individual operation's risk in achieving an 8% reduction of the average value were highly successful in 2003 in comparison to the preceding year. This brought the value of Locapor agreements into line with average market values.

Notwithstanding the referred to evolution, there was a satisfactory 6% growth of net operating income reflected in an 82% increase of net income over the preceding year from €1.2mn to €2.1mn. This evolution of the company's net income improved both shareholders' equity and assets profit ratios, in addition to the solvency ratio.

Imoleasing succeeded in stabilising its number of contracts albeit at lower than last year's sales figures, at €188mn. Banking channels comprised around 64% of total sales with a 17.9% market share.

Imoleasing also endeavoured to reduce each individual operation's risk and accordingly achieved a diminution of its average value, which fell by 4.5% over the preceding year. This permitted Imoleasing's average contract value to be brought into line with the average market contract value. An increase of 9 operations over 2002 to 430 was achieved.

Net income growth was around 2% up over the preceding year, to €6,008 thousand. Loans and advances to customers, in turn, increased by 13.3%, increasing the company's asset growth by 12% to €837mn at end 2003.

Lusofactor's sales remained highly dynamic with a 16% increase over 2002 to €1,631mn, all of which was taken in by banking channels.

Its market share therefore increased to 13.4% in 2003 enabling the company to retain third place in sector ranking terms.

The credit balance, notwithstanding sales growth concentration over the shorter maturity periods, fell 18.8%. The evolution of net interest and other operating income was, however, positive owing to the sharper diminution of interest and similar costs than in the case of interest and similar income and increase of commissions received. The 24% increase of net operating income was a positive development having a decisive influence on net income which rose by 40.2% to €1,617 thousand and the 54% increase of cash flow over 2002.

Total Group sales are summarised below:

	2002	2003
	(EUR millions)	
Locapor (equipment)	296,241	216,578
Imoleasing (property)	214,489	188,486
Lusofactor (factoring).....	1,406,009	1,631,380
Caixa Crédito (consumer credit).....	24,948	26,596

Recent Developments

CGD Group decided to dispose of its shareholdings in Lusogest and Lusopensiones in early January, as part of a re-positioning operation in the Spanish funds industry, having concentrated its fund commercialisation activity in the Banco Simeón network.

Following the entry into force of the legal framework covering asset management in Portugal (Decree-Law 252/2003 of 17 October), CGD Group decided to integrate its discretionary management portfolio and performance of its investment consultancy management service which had previously been the responsibility of Caixa Gestão de Patrimónios, as part of Caixagest, S.A., starting 1 April 2004.

Technology

New Electronic Distribution Channels

CGD expanded the development of its own channels in 2003 (electronic and personal) and the electronic channels of its partners (several of which CGD Group subsidiaries, through Caixaweb), to improve contacts between bank and customer.

Actions targeted at promoting these channels' use as an alternative to branch offices, namely self-service Caixautomática cash machines, have made it possible to progressively transfer current operations to this channel, to customers' benefit in terms of accessibility, convenience and quality of service.

Intervention in terms of personal channels also involved the reformulation of the ambient and functional surrounds of several branch office layouts in which work began on the development of branches typically to be found in shopping malls with different dispositions, decoration and functional organisations.

CGD's private ATS (in-house) cash machine network – CAIXAUTOMÁTICA – was further enhanced in 2003 by the introduction of equipment with new functionalities, namely 19 automatic cheque dispensing cash machines and a 13% increase over last year to 1,952 machines. Of this private network, a total of 860 ATS and 581 bank passbook updaters were positioned in non-banking areas or automatic branch areas open 24 hours a day.

To improve automation and quality of service, the rollout of the Integrated Migrated Transaction Programme was launched as one of the aspects of the Review of the Branch Organisational Model.

The Multibanco (ATM cash machine) network shared with SIBS, which is of major relevance in terms of complementing branch office services, saw an approximate 4% increase of the number of cash machines assisted by CGD over the preceding year to 1,598 or a 16.8% market share. ATMs positioned in non-banking sites with major traffic flows such as stations, hospitals, universities and petrol stations increased by around 13% to 714 units and proportionally from 41% to 45% of total installations. In terms of ATM operational management, reference should be made to the optimisation of the Cash-Replenishing Model and profitability analysis of equipment installations in non-banking locations, important in terms of cost rationalisation.

There was an increase of around 9% of the total number of Automatic Payment Terminals over 2002. Their management particularly included an application to control levels of service pursuant to the suppliers management function and operating procedures automation.

CGD Group provides customers with direct banking access to different electronic channels and promotes their use to contact the bank and for transactions and information purposes.

The Caixadirecta telephone service enables CGD customers to perform a wide range of operations such as inspecting account entries, obtaining credit simulations for home and personal loans and other information on CGD products. Reference should be made, in 2003, in terms of this platform, to the completion of the first stage of the call centres restructuring project and the consolidation of levels of service with the introduction of new and optimisation of existing channel functionalities. This stage involved adapting the CaixaContactCenter (previously referred to as Banco Telemático) to the parameters of the best group call centres, notably in terms of customer base penetration rate and level of service.

In addition to new features, the automatically generated options structure was modernised and provided in English. It is currently being developed in other languages.

The objective of all of these actions – implemented, in progress or scheduled – is to improve customer service and create a modern, high quality performance, image.

There was an increase of approximately 34% in the number of this channel's customers, to around 397 thousand users, with more than one million transactions having been realised, 73% of which automatically.

Operations on the global web platform were 126% up over the preceding year. Reference should be made, in terms of the channels involved, to the evolution of the Caixadirecta online transactional site, for individual CGD customers, which recorded significant growth with an increase of around 76% in the number of new contracts.

The Caixadirecta on-line internet banking service for individual customers launched several important banking functions in 2003. These were considered critical in terms of the competitiveness of service, notably in scheduling payments of special services, payments of purchases and to the State, payments and scheduled payments of special Optimus and Vodafone services, special Via Card payments, alteration of credit and debit card parameters and the prices and reservation of foreign currency and foreign currency simulations. In the last quarter, it also permitted the activation and deactivation of certain channels. The security of this service was also further enhanced by the use of a "virtual" keypad.

Customers' acceptance of this service has been continuous throughout 2003 and mirrored in the press by research carried out by specialised market survey organisations, ranking Caixadirecta on-line in first position out of the diverse banking sites, in terms of unique visitors.

Registered users, in 2003, were responsible for performing more than 53 million transactions (up 131% over the preceding year), confirming CGD's lead of this online service in the domestic marketplace.

Caixadirecta Invest recorded highly significant growth in 2003, expressed in increases of around 30% in its number of new customers and around 226% in successful transactions. Since October, this service has provided the Dow Jones morning newsletter- containing news and comments on US stock markets.

The corporate Caixa e-banking service has succeeded in consolidating its levels of service, while also achieving a significant growth of 33% of new contracts, with an almost fivefold increase of successful operation completions to 7.9 million. The new functionalities introduced in 2003 included payments to the State, special payments, payment of purchases, payments to the pmelink.pt portal and payment of the Single Social Security Charge. Other functionalities were optimised.

Caixadirecta SMS, was launched in early 2004. This banking operations service uses the SMS mobile service.

The cgd.pt site, in accompanying the bank's activities, provided such relevant information as demonstrations and simulators and significantly helped to promote current campaigns. Its principal initiatives particularly include launches of online recruitment services (with applications and the search for on-the-job training opportunities), Electronic University (with a comparison between personal computers and an online price simulation) and Reuters financial news. The market share of the number of loans made under the Electronic University initiative was 70%.

CGD's global site performance ranked it as the undisputed domestic banking sector leader. The site, according to Netpanel has, since May, come top out of non-transactional banking sites in terms of the number of unique visitors.

In the distribution area of partner channels, relationships with partner sites were strengthened from the twofold viewpoint of increasing the relevance of their services to CGD customers and providing financial services via a contextualisation of the issues involved (household, cars, university, online shopping, training).

Reference should be made to CGD Group's decision to invest in the car owners' FastAccess portal owned by Galp and Brisa on a 50/50 basis.

Reference should also be made to the consolidation of CGD's position in pmelink, in equal parts between CGD, BES and PT. The CGD network, at end 2003, was responsible for 55.3% of the billing of the company's retail business (banking channels and direct sales).

Relationship with Portuguese Government

CGD is exclusively owned by the Portuguese Government and is regulated by general and specific regulations applicable to credit institutions and legislation applicable to public limited companies. The public nature of CGD is expected to be maintained and reinforced in the current context of the Portuguese financial system. CGD has complete autonomy in administrative and financial matters.

CGD's corporate objects are the performance of banking operations pursuant to the terms defined in its articles of association and subject to the scope of the limitations defined in applicable legislation. CGD provides the Portuguese Government with banking services in competition with other banks. CGD is additionally able to undertake any other functions which have been specifically given to it by law, the manner and terms of which are defined in contracts entered into with the Portuguese Government.

The rights of the Portuguese Government as shareholder are exercised by a representative appointed in a regulation issued by the Portuguese Minister of Finance.

Management

The following are the members of the Board of Directors ("Conselho de Administração") of CGD, the business address of which is CGD's head office:

Name	Title	Position in other corporations, if any
António José Fernandes de Sousa	Chairman	Chairman of the Board of Directors of Caixa – Banco de Investimento, S.A., Chairman of the Board of Directors of Caixa – Participações, SGPS, S.A., Chairman of the Board of Directors of Caixa Geral de Depósitos, S.A., Chairman of the Board of Directors of Gerbanca, SGPS, S.A. and Member of the Board of Directors of Brisa – Autoestradas de Portugal, S.A.
Luís Fernando de Mira Amaral.....	Vice-Chairman	Chairman of the Board of Directors of Sogrupe – Serviços Administrativos, ACE, Vice-Chairman of the Board of Directors of Caixa Geral de Depósitos, S.A., Member of the Board of Directors of Caixa – Participações, SGPS, S.A. and EDP – Electricidade de Portugal, S.A.
António Manuel da Silva Vila Cova ..	Member	Member of the Board of Directors of Caixa Geral de Depósitos, S.A..
António Manuel Maldonado Gonelha.	Member	Member of the Board of Directors of Caixa Geral de Depósitos, S.A..
Carlos Silva Costa.....	Member	Member of the Board of Directors of Caixa Geral de Depósitos, S.A. and Member of the Board of Directors of SIBS – Sociedade Interbancária de Serviços, S.A..
José João Abrantes Coutinho	Member	Chairman of the Board of Directors of Caixa

Name	Title	Position in other corporations, if any
José Joaquim Berberan Santos Ramalho	Member	Empresas de Crédito, SGPS, S.A. and Member of the Board of Directors of Caixa Geral de Depósitos, S.A.. Chairman of the Board of Directors of Caixa – Gestão de Activos, SGPS, S.A. and Member of the Board of Directors of Caixa – Banco de Investimento, S.A. and Caixa Geral de Depósitos, S.A..
Luís Filipe Alves Monteiro	Member	Member of the Board of Directors of Caixa Geral de Depósitos, S.A..
Miguel José Pereira Athaide Marques .	Member	Chairman of the Board of Directors of Banco Nacional Ultramarino, S.A., of Bandeirante, SGPS, S.A., of Caixa Internacional, SGPS, S.A., of Caixaweb, Serviços Técnicos e de Consultoria, S.A. and Caixaweb, SGPS, S.A. and Member of the Board of Directors of Caixa Geral de Depósitos, S.A..
Vítor Manuel Lopes Fernandes	Member	Chairman of the Board of Directors of Caixa Seguros SGPS, S.A., of Companhia de Seguros Fidelidade – Mundial, S.A., of HPP – Hospitais Privados de Portugal, SGPS, S.A., of Mundial Confiança – Soc. de Gestão e Investimento Imobiliário, S.A, of Sogrup – Sistemas de Informação, ACE, of Sogupo IV – Gestão de Imóveis, ACE and Member of the Board of Directors of Caixa Geral de Depósitos, S.A..

In April 2004, it was decided to establish an Executive Board (“Comissão Executiva”) of CGD, SA, with the following members:

Name	Title
Luís Fernando de Mira Amaral.....	Chief Executive Officer
José Joaquim Berberan Santos Ramalho.....	Member
António Manuel Maldonado Gonelha	Member
António Manuel da Silva Vila Cova.....	Member
Carlos Silva Costa.....	Member
José João Abrantes Coutinho	Member
Luís Filipe Alves Monteiro	Member

By Decree-Law no. 287/93 of 20th August, 1993, CGD must at all times be controlled by the Portuguese Government. CGD may, on a contractual basis, undertake special functions considered to be of national interest. There are three bodies responsible for CGD, the Board of Directors, the General Assembly and the Fiscal Unico. Members of each are selected by the Portuguese Government. The Board of Directors is composed of nine members, a President, one or two Vice-Presidents and five to seven executive directors. The Board is responsible for the management, administration and representation of CGD. The Portuguese Government is represented by the Ministry of Finance in the General Assembly. The Fiscal Unico assists in the preparation of CGD’s own and the consolidated accounts.

Employees

The total number of employees for the Group as a whole, as at 31 December, 2003, was 18,481 employees, of which 13,733 were engaged on banking operations and 2,785 from Fidelidade-Mundial.

Recent Developments

Negotiations are currently taking place between the Bank and Banco Commercial Portugues S.A. (“BCP”) in connection with the proposed purchase by the Bank of part of BCP’s non life insurance business. On 21 June 2004, the Board of the Bank agreed to make a formal bid to BCP and such formal bid has now been submitted. On the basis of the terms of the current bid, the Bank is of the opinion that the proposed purchase will not materially impact the capital ratios or the profit and loss account of the Bank.

DESCRIPTION OF THE ISSUER

General

Caixa Geral Finance (“CGF”) was incorporated on 10th March, 2004 and was registered with registration number 133630 as an Exempted Company with limited liability under the Companies Law (2003 Revision) of the Cayman Islands. The Issuer has been incorporated for an indefinite period. The authorised share capital of the Issuer is €250,001,000. 1,000 ordinary shares of par value EUR 1 each have been issued and fully-paid. CGF is a wholly-owned subsidiary of CGD.

Business

CGF acts as an overseas finance vehicle of CGD. The objects for which CGF was established are unrestricted and pursuant to Clause 3 of its Memorandum of Association include, *inter alia*, to carry on the business of a finance and investment company.

Directors

The Directors of CGF are as follows:

Name	Position in other corporations
Alberto Manuel Sarmiento Azevedo Soares	Group General Manager – Financial Markets Division of Caixa Geral de Depósitos, S.A.; Member of the Board of Directors of Caixa Banco de Investimento, S.A.
Filomena Raquel da Rocha Rodrigues Pereira de Oliveira	General Manager – Financial Markets Division of Caixa Geral de Depósitos, S.A.

The business address of the Directors is: DMF-Direcção de Mercados Financeiros, Av João XXI, nr. 63, 1st Floor, 1000-300 Lisbon, Portugal.

Capitalisation of Caixa Geral Finance Limited

The following table sets out the short-term liabilities, long-term liabilities and stockholders’ equity of CGF as at 23 June 2004, adjusted to give effect to the issue of the Preference Shares to be issued on 28 June 2004.

	As at 23 June 2004
	(in EUR)
Short-term liabilities.....	—
Long-term liabilities.....	—
Stockholders’ equity	
Share Capital.....	250,001,000
Reserves.....	—
Retained earning	—
Total stockholders’ equity.....	250,001,000
Total capitalisation	250,001,000

Indebtedness

Since the date of its incorporation, CGF has not had outstanding any loan capital and has not incurred any other borrowings or indebtedness in the nature of borrowings and has no contingent liabilities or granted any guarantees.

General

- (i) Since 10th March, 2004, there has been no significant change in the trading or financial position of CGF.
- (ii) Deloitte & Touche Quality Firm Serviços Profissionais de Auditoria e Consultoria, S.A. of Av. Eng Duarte Pacheco, Torre No. 1-15 Piso, 1070 Lisbon, Portugal have been appointed as auditors to CGF.
- (iii) Since the date of incorporation, no financial statements of CGF have been published. CGF will publish audited financial statements on an annual basis. No dividends have been declared or paid since the date of CGF's incorporation.
- (iv) No transactions have occurred since incorporation of CGF other than (i) the allotment of 1,000 ordinary shares of par value EUR 1 each and the Preference Shares as described in this Offering Circular; and (ii) the execution of the Subscription Agreement and the Agency Agreement as described in this Offering Circular.

DESCRIPTION OF CAIXA GERAL DE DEPÓSITOS, FRANCE BRANCH

General

CGD's operations in Paris commenced with the opening of a branch in 1974. In 2001 CGD Group completed its restructuring process for its French operations pursuant to which Banque Franco Portugaise was merged into Caixa Geral de Depósitos and its assets absorbed by the France branch of CGD. The two institutions were officially merged on 26th of October, 2003.

Business

CGD's France branch is mainly focused on the domestic Portuguese and French customer market, as well as on fostering the development of cross-border transactions between French and Portuguese companies.

Historically, it has played an important role in giving Portuguese corporates access to the euromarket and in raising foreign exchange funding for medium-sized companies engaged in trade related activities.

CGD's France branch's total net assets were €12,630 million as at 31 December 2003.

The table below provides a summary of financial information for CGD's France branch as at and for the years ended 31 December for each of the years set out:

	As at 31 December,		As at
	2002	2003	31 March,
			2004
	(EUR thousands)		
Total assets (net).....	10,635,429	12,629,686	13,384,255
Loans and advances to credit institutions (gross).....	8,000,425	10,020,544	10,639,713
Loans and advances to customers (gross).....	1,522,942	1,775,216	1,712,033
Securities (gross).....	934,418	775,108	854,046
Amounts owed to credit institutions.....	5,006,277	5,763,064	5,628,363
Deposits.....	965,977	1,183,788	1,212,880
Shareholders' equity.....	750,388	752,344	753,111
Cash flow.....	14,211	12,782	2,825
Net income for the year.....	1,119	3,075	768

THE PORTUGUESE BANKING SYSTEM

The Portuguese financial system has undergone a steady process of deregulation and liberalisation since 1983 which has resulted in important structural and operational changes. The most significant measures include the opening of the banking system to private entities and the privatisation process (initiated in 1989), the opening of the banking system to foreign competition, the gradual lifting of restrictions on capital movement and the implementation of legislation which brings Portuguese banking regulations into line with EC legislative practice.

Regulations governing financial institutions have undergone a series of amendments since 1991 to reflect the changes to the financial system. In particular, the “New Banking Law” of December 1992 (DL298/92 as amended) introduced a comprehensive regulatory framework to bring Portugal into line with EC directives.

This included the abolition of the distinction between investment and commercial banks, the establishment of prudential and supervisory rules, a new regulation for foreign banks operating in Portugal and Portuguese banks operating abroad and the creation of a deposit guarantee fund to protect depositors.

These changes to the banking environment have increased competition in the Portuguese banking market and have led to an expansion of domestic branch networks, an increase in the number of banks and the development of other financial institutions (such as investment funds and leasing companies), along with a broader range of products on offer. In addition, the possibilities for bank expansion, both in terms of geography and business activity, have increased.

The privatisation process and the increasingly competitive environment have given rise to a number of acquisitions among Portuguese banks and the establishment of Portuguese financial groups, more cross-selling initiatives, an increased focus on the expanding market for personal loans, mortgages and credit cards in Portugal, more frequent advertising campaigns, competitive pricing strategies and cost control programmes.

Between 1994 and 1996, there was a series of take-overs which transformed the Portuguese banking sector, which previously fell under the control of five financial groups representing more than 80 per cent. of the total sector assets: the Group (100 per cent. owned by the Portuguese Government), Banco Comercial Português/Atlântico Group, Mundial Confiança Group (also known as the Champalimaud Group), Espírito Santo Group and Banco Português de Investimentos.

After a period during where these takeovers were being integrated, and once the difficulties connected with the introduction of the single currency were overcome, the consolidation wave has renewed. Already in 2000 the number of significantly sized Portuguese groups was reduced to four, with the extinction of the Mundial Confiança Group and the consequent reinforcement of the participation agreement between the BCP/ BPA Group (which, after the merger with Banco Mello, purchased Banco Pinto & Sotto Mayor (“BPSM”)) and the Santander Group (which purchased Banco Totta & Açores and Crédito Predial Português).

The Group had a crucial intervention in the acquisition process and the subsequent sale of the several institutions belonging to the Mundial Confiança Group, as well as ensuring that Mundial Confiança Insurance Company was kept in the Group and Banco Totta & Sotto Mayor de Investimento (a small investment bank, which belonged to the MC Group), now named Caixa Banco de Investimento.

Within the conveyance agreement for the sale of BPSM, CGD and BCP have also established bases for co-operation between the two institutions which will promote the activity of the two groups in the foreign markets, regardless of actual competition between them in the domestic market.

This new wave of mergers and take-overs has changed the relationship between the financial groups operating in the country. In most business indicators, the market share of the four main Portuguese groups, together with Santander, is now over 80 per cent. and the market share of the two leading groups (BCP and CGD) is over 50 per cent. Therefore, Portugal has a very high level of banking concentration, well above the European average.

For example, in Spain and France the five main banks represent 40 per cent. of the market, while Germany's five main banks account for just 17 per cent. Until very recently, only Finland and Holland had higher concentration levels than Portugal.

Parallel to this wave of consolidation, a new universal banking model philosophy is being introduced by several groups in the banking business.

These groups have in fact been extending their business to areas with growth potential and/or those sectors which still benefit from significant margins, and they now operate in most financial areas such as insurance, asset management, leasing and factoring.

There have also been continued efforts made by the Portuguese banks to improve their competitiveness through permanent technological and organisational innovation, ensuring a quick use of new technologies and their widespread use in banking transactions. Accordingly, investment has been intensified in the areas of telephone banking, automated teller machines (ATM's), the treatment of information and home banking and there has been a move towards global partnerships with telecommunication companies, primarily in order to take advantage of the growth potential of electronic trade on the Internet.

Several Portuguese groups are already operating through electronic channels in the different areas of this business and they are already benefiting from on-cost reductions in their operations.

In fact, the relative importance of operational costs on banking income has registered a decreasing trend over the last years and was approximately 58 per cent. at the end of 2002.

Notwithstanding the above-mentioned investment in new forms of distribution, with an emphasis developing on electronic channels, there has been a decrease in the number of branches in Portugal, which had 5,140 branches at the end of 2002. There is therefore a gradual growth of the geographic coverage by the expansion of the branch network. It should nevertheless be noted that this growth has not been followed by a corresponding increase in number of employees, which has in fact decreased, reflecting the growing investment in operational rationalisation.

There has been a remarkable expansion of the ATM and direct debit payment terminals network and Portugal is above the European average in the number of ATMs per million citizens and number of per capita transactions in ATMs and POSs.

Banking Regulation in Portugal

The Bank of Portugal has extensive supervisory and regulatory powers in relation to all credit and deposit-taking institutions in Portugal. Portuguese banks are subject to capital adequacy ratios conforming with EU Directives regarding the establishment of common standards for the measurement of capital, risk-weighted assets and commitments. However, there are some minor differences between EU requirements and the Bank of Portugal's approach, the latter imposing more onerous requirements in respect of the accounting treatment of overdue loan loss and pension fund provisions.

There are specific regulations regarding the need for regular audits by the Bank of Portugal, a specified accounting plan, limits on large exposures, minimum levels of provisions for loan losses and investments and mandatory contribution to the deposit guarantee fund. Compliance is monitored through periodic inspections and regular reviews of financial statements and returns.

CGD is regulated solely by applicable banking laws and the Bank of Portugal. It must comply with the regulations issued by the Bank of Portugal and the general regime governing credit institutions and financial companies under Decree Law 298/92 of December 1992 as amended. The principal rules with which the Group and all Portuguese banks must comply include the following:

(a) Solvency ratio

CGD's own funds must correspond to at least 8 per cent. of its total risk-weighted assets and off balance sheet contingent liabilities and its Tier 1 capital must not be less than 4 per cent. of this amount. As at 31 December, 2003, the Group's own funds corresponded to 8.7 per cent. of its total risk-weighted assets and off balance sheet contingent liabilities and its Tier 1 capital represented 6.7 per cent. of such amount.

(b) *Limitations on credit risk concentration*

Exposure is classified as a large exposure where the liabilities of a counterparty (or such counterparty's group) represent 10 per cent. or more of CGD's own funds. As a general rule, the total exposure to a counterparty (or such counterparty's group) should not exceed 40 per cent. and 25 per cent. respectively of CGD and the Group's own funds and the global value of large exposures cannot be greater than twelve and eight times respectively, the amount of such own funds. As at 31 December 2003, this last limit was exceeded in EUR 7.9 million.

(c) *Limitations on credit risk concentrations in relation to own funds*

The direct and indirect substantial shareholding stakes held by CGD in the share capital of entities other than credit institutions, financial companies, financial institutions, management companies of pension funds and insurance companies should not exceed 15 per cent. (individually) and 60 per cent. (in aggregate) of CGD's own funds. A shareholding stake will be considered substantial whenever it enables its holder to exercise a significant influence in the management of the relevant company to which such shareholding stake respects. Such significant influence is presumed to exist in cases where the shareholding stake represents at least five per cent. of the relevant company's share capital or voting rights. The shareholding stakes which are held for the account of any third parties or which are temporarily held in the context of an underwriting transaction will not be considered for the above purposes. As at 31 December 2003, the Group did not hold any significant direct or indirect substantial shareholding stake which exceeded such limit.

(d) *Limitations on substantial shareholdings in relation to the share capital of certain companies*

The direct and indirect substantial shareholding stakes to be held for three years or more by CGD in companies other than financial and insurance companies (as well as certain financial and insurance related companies) may not exceed 25 per cent. of the voting rights corresponding to such companies' share capital. As at 31 December 2003, the Group did not hold any significant direct or indirect substantial shareholding stake which exceeded such limit.

(e) *Fixed assets*

The global value of fixed assets (net of depreciation and provisions) excluding the elements deducted to calculate CGD's own funds cannot exceed the value of those funds. As at 31 December 2003, the global value of CGD's net fixed assets exceeded their own funds in €470.2 million.

(f) *Limitations on share portfolio and other equities not classified as fixed assets*

The total value of shares or other equities of any entity not classified as fixed assets cannot exceed 40 per cent. of the own funds of CGD. As at 31 December 2003, the total value of the Group's equity portfolio not classified as fixed assets represented 12.4 per cent. of its own funds.

TAXATION

The comments below are of a general nature based on current law and practice in each jurisdiction referred to. They relate only to the position of persons who are the owners of their Preference Shares and may not apply to certain classes of persons such as dealers. Any holders who are in doubt as to their personal tax position should consult their professional advisers.

Taxation in the Cayman Islands

Under current Cayman Islands law, there are no income, capital, transfer, profits or other taxes that would apply to the profits of the Issuer nor would any such taxes apply on dividend, redemption or liquidation payments by the Issuer to any Holder of the Preference Shares.

Taxation in Portugal

Under current Portuguese law, payments made by the Bank, acting through its France branch under the Subordinated Guarantee to a Holder of a Preference Share who is not a resident of Portugal for Portuguese tax purposes will not be subject to any Portuguese income, capital transfer, wealth, estate, gift, inheritance or other tax or duty.

Proposed EU Savings Directive

On 3 June 2003, the European Council of Economics and Finance Ministers agreed on proposals under which Member States will be required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State, except that, for a transitional period, Belgium, Luxembourg and Austria will instead be required to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). The proposals are anticipated to take effect from 1 January 2005.

SUBSCRIPTION AND SALE

Merrill Lynch International and Caixa-Banco de Investimento, S.A. (the “Managers”) have, pursuant to a Subscription Agreement (the “Subscription Agreement”) dated 25 June 2004, agreed to subscribe or procure subscribers for the Preference Shares at the issue price of €1,000 per Preference Share. The combined management, underwriting and selling commission will be 0.725 per cent. The Issuer will also reimburse the Managers in respect of certain of their expenses, and has agreed to indemnify the Managers against certain liabilities, incurred in connection with the issue of the Preference Shares. The Subscription Agreement may be terminated in certain circumstances prior to payment of the Issuer.

United States

The Preference Shares have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act.

Each Manager has agreed that, except as permitted by the Subscription Agreement, it will not offer, sell or deliver the Preference Shares (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the Closing Date within the United States or to, or for the account or benefit of, U.S. persons and that it will have sent to each dealer to which it sells any Preference Shares during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Preference Shares within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

In addition, until 40 days after the commencement of the offering, an offer or sale of Preference Shares within the United States by any dealer that is not participating in the offering may violate the registration requirements of the Securities Act.

United Kingdom

Each Manager has represented and agreed that, except as permitted by the Subscription Agreement:

- (a) it has not offered or sold and, prior to the expiry of the period of six months from the Closing Date, will not offer or sell any Preference Shares to persons in the United Kingdom except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995 (as amended);
- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the “FSMA”)) received by it in connection with the issue of the Preference Shares in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the Bank; and
- (c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Preference Shares in, from or otherwise involving the United Kingdom.

Portugal

Each Manager has represented and agreed that it has not offered or sold, and will not offer or sell, any Preference Shares to residents of Portugal otherwise than in accordance with applicable Portuguese law.

Cayman Islands

Each Manager has represented and agreed that no invitation will be made to the public in the Cayman Islands to subscribe for or purchase any Preference Shares, whether directly or indirectly.

France

Each Manager has represented and agreed that it has not offered or sold, and will not offer or sell, directly or indirectly, Preference Shares to the public in France and has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in France the Offering Circular or any other offering material relating to the Preference Shares and that such offers, sales and distributions have been and will only be made in France to qualified investors (*investisseurs qualifiés*) acting for their own account, all as defined in, and in accordance with, articles L.411-1 and L.411-2 of the French *Code monétaire et financier* and décret No. 98-880 dated 1 October 1998.

Germany

Each Manager has confirmed that it is aware of the fact that no German sales prospectus (*Verkaufsprospekt*) within the meaning of the Securities Sales Prospectus Act (*Wertpapier-Verkaufsprospektgesetz*, the “Act”) of the Federal Republic of Germany has been or will be published with respect to the Preference Shares and that it will comply with the Act and any other laws and legal and regulatory requirements applicable in the Federal Republic of Germany with respect to the issue, sale and offering of securities, whether as part of their initial distribution or as part of any resale of the Preference Shares in the secondary market. In particular, each Manager has represented that it has not engaged and has agreed that it will not engage in a public offering (*öffentliches Angebot*) within the meaning of the Act with respect to any Preference Shares otherwise than in accordance with the Act.

The Netherlands

Any Preference Shares (including rights representing an interest in a Preference Share in global form) that are offered, as part of their initial distribution or by way of any re-offering, in The Netherlands, shall only be offered, and this Offering Circular may only be distributed and circulated, and any offer of these Preference Shares shall only be announced in writing (whether electronically or otherwise) in The Netherlands, to individuals or legal entities who or which trade or invest in securities in the conduct of a business or profession (“**Professional Investors**, which include banks, securities intermediaries (including dealers and brokers), insurance companies, pension funds, collective investment institutions, central governments, large international and supranational organisations, other institutional investors and other parties, including treasury departments of commercial enterprises, which as an ancillary activity regularly invest in securities), provided that in the offer and in any documents or advertisements in which a forthcoming offering of such Preference Shares is publicly announced (whether electronically or otherwise) it is stated that such offer is and will be exclusively made to such Professional Investors in The Netherlands.

General

No action has been taken by the Issuer, the Bank or the Managers that would, or is intended to, permit a public offer of the Preference Shares in any country or jurisdiction where any such action for that purpose is required. Accordingly, each Manager has undertaken that it will not, directly or indirectly, offer or sell any Preference Shares or distribute or publish any offering circular, prospectus, form of application, advertisement or other document or information in any country or jurisdiction except under circumstances that will, to the best of its knowledge and belief, result in compliance with any applicable laws and regulations and all offers and sales of Preference Shares by it will be made on the same terms.

GENERAL INFORMATION

Authorisation

The issue of the Preference Shares was duly authorised by a resolution of the Board of Directors of the Issuer dated 23 June 2004 and the giving of the Subordinated Guarantee was duly authorised by a resolution of the Board of Directors of the Bank dated 16 June 2004.

Listing

Application has been made to list the Preference Shares on the Luxembourg Stock Exchange. A legal notice relating to the issue of the Preference Shares and the constitutional documents (including the Articles of Association) of the Issuer and the Bank are being lodged with the Registrar of Commerce and Companies (Registre du Commerce et des Sociétés) in Luxembourg where such documents may be examined and copies obtained.

Clearing Systems

The Preference Shares have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The ISIN for this issue is XS0195376925 and the Common Code is 019537692.

No significant change

Save as disclosed in this Offering Circular, there has been no significant change in the financial or trading position of the Issuer since 10 March 2004 and of the Group since 31 December 2003 and there has been no material adverse change in the financial position or prospects of the Group since 31 December 2003.

Litigation

Save as disclosed in this Offering Circular, neither the Issuer nor the Bank is involved in any legal or arbitration proceedings (including any proceedings which are pending or threatened of which the Issuer or the Bank is aware) which may have or have had in the 12 months preceding the date of this Offering Circular a significant effect on the financial position of the Issuer or the Bank.

Accounts

The auditors of the Issuer and the Bank are Deloitte & Touche Quality Firm Serviços Profissionais de Auditoria e Consultoria, S.A. (“Deloitte”). Deloitte have audited the unconsolidated financial statements of the Bank and the consolidated financial statements of the Group for the financial years ended 31 December 2002 and 2003.

A summary of the auditors’ report on the consolidated financial statements for the year ended 31 December, 2003 is as follows:

- Emphasis paragraph referring that the Bank has assumed the responsibility for payment of potential losses arising from contingencies of Banco Bandeirantes, S.A., under the terms of the Contract of Association entered into with Unibanco – União de Bancos Brasileiros, S.A. in December, 2000. The amounts that the Bank agrees to pay, net of the tax effect, with respect to the contingencies that are currently being analysed, as well as other contingencies that may be claimed, will be compensated by corresponding utilisation of the Fund for general banking risks, and so will not affect net income for the years in which the payments will eventually materialise;
- Emphasis paragraph describing the impact on the Group’s consolidated financial statements of the methodology for determining unrealised losses on equity investments recorded as “Other Investments” and the respective provisions required, introduced by Bank of Portugal Notice 4/2002 of 25th June. In this respect, provisions recorded in the consolidated financial statements of the Bank in 2003 under the new regime, net of reversals, amounted to €30,155 thousand (€34,007 thousand having been charged to reserves) in accordance with the transitory regime allowed by the above-mentioned Notice, under which provisions may be recorded over a five or ten year period, depending on the activity sector of the participated companies.

A summary of the auditors' report on the consolidated financial statements for the year ended 31 December, 2002 is as follows:

- Emphasis paragraph describing the new methodology for determining unrealised losses on equity investments recorded as “Other Investments” and the respective provisions required, introduced by Bank of Portugal Notice 4/2002 of 25th June. In this respect, provisions recorded in the consolidated financial statements of the Bank in 2002 under the new regime amounted to €55,780 thousand, of which €50,163 thousand was charged to reserves, in accordance with the transitory regime allowed by the above-mentioned Notice, under which provisions may be recorded over a five or ten year period, depending on the activity sector of the participated companies;
- Emphasis paragraph describing the impact on the consolidated financial statements of recording for the first time, in accordance with the equity method, the Group's 4.88 per cent. and 12.55 per cent. participating interests in Unibanco – União de Bancos Brasileiros and Unibanco Holdings, respectively, as it was considered, under the provisions of Article 1(c) of Decree-Law 36/92 of 28 March, that the Bank has significant influence on their management. This change was reported to the Bank of Portugal. In this respect, the application of the equity method to these investments as of 31 December, 2002, had the impact of decreasing reserves by €329,081 thousand and increasing net income for the year, net of dividends eliminated in the consolidation process, by €2,098 thousand.

Arthur Andersen (Independent Auditors) audited the accounts of the Bank for the year ended 31 December, 2001. A summary of the auditors' report on the financial statements for the year ended 31 December, 2001 is as follows:

- Emphasis paragraph describing the changes in the methodology for valuing and recording the Bank's liabilities for retirement pensions, as a result of the changes introduced by Bank of Portugal Notice 12/2001 of 23 November and of the merger of the Bank with Banco Nacional Ultramarino, S.A. (BNU). In this respect:
 - The overall effect of changes in actuarial assumptions used to determine liabilities with the Bank's and BNU's employees, which are in compliance with Bank of Portugal Notice 12/2001, was a net reduction in liabilities in the amount of €19,054 thousand;
 - In accordance with the new rules for recording pension liabilities introduced by Bank of Portugal Notice 12/2001, the Bank deferred actuarial and financial losses in the amount of €188,608 thousand, which were reflected in the caption “Prepayments and accrued income – Value Fluctuation”;
 - Also in 2001, after obtaining authorisation from the Bank of Portugal, the Bank charged to reserves the negative deviations not recorded in the caption “Prepayments and accrued income – Value Fluctuation” and part of the increase in the liability due to early retirements, in the total amount of €110,079 thousand. Additionally, in the consolidated financial statements, the Bank also charged to reserves the deferred costs as of 31 December, 2000 relating to the increase in BNU's liability due to early retirements, in the amount of €75,641 thousand.
- Emphasis paragraph describing the impact on the Bank's non consolidated reserves of the merger with BNU, which occurred in 2001.

For a better understanding of the above issues the reading of the complete versions of the opinions included in the annual reports of the Bank, together with the respective financial statements, is recommended.

The Bank currently prepares audited consolidated and non-consolidated financial statements on an annual basis.

Documents

Copies of the following documents will be available from specified office of the Paying and Transfer Agent for the time being in Luxembourg so long as any of the Preference Shares remains outstanding:

- (a) the Articles of Association of the Issuer and the constitutional documents (including the Articles of Association) of the Bank (with an English translation thereof);
- (b) the unconsolidated and consolidated audited financial statements of the Bank in respect of the financial years ended 31 December 2002 and 31 December 2003 (with an English translation thereof);
- (c) the most recently published audited annual financial statements of the Issuer and the Bank (when available) and the most recently published unaudited interim financial statements of the Issuer (if any) and the Bank (with an English translation thereof); and
- (d) the Subscription Agreement, the Agency Agreement and the Subordinated Guarantee.

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