

# Report and Accounts 2003



BANCO NACIONAL ULTRAMARINO

**BNU**

Banco Nacional Ultramarino  
大西洋銀行



BANCO NACIONAL ULTRAMARINO

## Report and Accounts 2003

Banco Nacional Ultramarino S.A. started its operations in Macau in 1902, and is a member of Grupo Caixa Geral de Depósitos, the largest Portuguese financial services group, and one of the two note-issuing banks of the Macau Special Administrative Region, in the People's Republic of China.

Banco Nacional Ultramarino S.A. became, on July 1st 2001, a wholly owned subsidiary of Caixa Geral de Depósitos incorporated and with its head office in Macau and, on that date, it took over all assets and liabilities of the Macau Branch of BNU.

Banco Nacional Ultramarino S.A. provides a wide and diversified range of personal and commercial banking services which include credit and debit cards, deposit taking, consumer and mortgage loans, trade financing, fixed assets financing and investment products.

The Bank's services and products are distributed through its network of eleven branches and other channels, such as Internet and Telephone Banking, supported by an efficient and friendly customer service.

A copy of the annual report in Portuguese, Chinese and English can be downloaded from the Bank's website at [www.bnu.com.mo](http://www.bnu.com.mo).

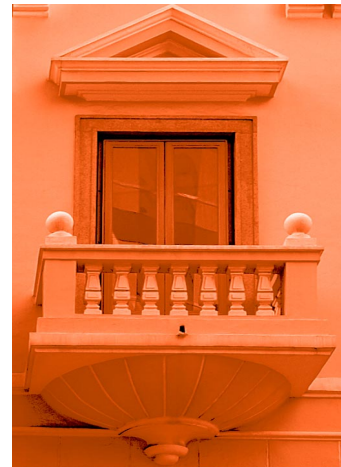
Printed copies in Chinese and Portuguese can be obtained upon request from:

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## A. Main Economic Developments

### 1. External Environment Overview

The recovery of the US economy, which at the beginning of the year was hampered by the impact of the war in Iraq and geopolitical tensions in business and consumer confidence, gathered pace in the second half of 2003 and real GDP grew 3.1 percent for the full year, compared with 2.2 percent in 2002.

The acceleration in the economic activity was mainly determined by stimulative fiscal and financial conditions and a marked rise in productivity.

Lower long-term interest rates and inflation expectations, a further reduction in the federal funds rate of 25 b.p. to one percent in June, and new tax cuts as well as a rebound in equity prices and buoyant housing market contributed to spur domestic demand.

Consumer spending, in particular spending in durable goods, recovered, despite weak employment gains, as the households' disposable income rose due to tax cuts and a high level of mortgage refinancing.

Business investment, which had been in a slump for the previous two years, rose at double-digit rates in 2003, helped by higher earnings expectations and low cost of capital.

A rise in government spending along with tax cuts led to a sharp increase in the government deficit and was an additional stimulus to the economic activity.

The economy benefited also from a growth in exports due to the world economic recovery, in particular of the main Asian economies and also a more competitively priced dollar exchange rate.

The euro zone economy, which fell into recession in the first half of the year, grew just 0.5 percent in 2003, lower even than the 0.9 percent growth recorded in 2002.

Consumer spending growth remained low due to a rise in the unemployment rate and modest salary increases.

Both net exports and business investment fell, adversely influenced by the rapid appreciation of the euro and lower profit margins.

The European Central Bank reduced the financing rate to 2 percent in June in response to the slowdown of the economic activity and to a fall in the inflation rate that approached the 2 percent target set out by the Central Bank.

The contribution of fiscal policies to stimulate the euro area economy as a whole was slightly negative although the budget deficits of both Germany and France exceeded the 3 percent limit established by the Growth and Stability Pact.



The Japanese economy showed signs of recovering and the real GDP growth rate reached 2.7 percent, the highest in the last few years, as the economy responded to an expansionist fiscal policy and to a monetary policy directed to increase the money supply, maintain short term interest near zero and to end deflation.

The economic activity was supported by a strong rebound in business investment as business confidence increased while other components of domestic demand remained subdued.

Exports continued to benefit from the recovery in the US economy and from the policy adopted by the authorities of intervening in the foreign exchange markets to prevent the rise of the yen against the US dollar.

The government continued the restructuring of the banking sector in order to reduce non-performing loans, where some progress was achieved, and to increase the banks' capital base.

Most Asian economies benefited from a more favourable external economic environment and, in particular, from the recovery in the US economy and from the growing importance of interregional trade and China trade.

The Indian economy posted in 2003, as in the previous year, a growth of 7.5 percent while the economies of Southeast Asia recovered strongly. In Thailand, where fiscal and development policies to stimulate domestic demand were adopted, real GDP rose 6.7 percent against 5.4 percent in 2002.

In South Korea, the growth rate of the economy fell from 7 percent in 2002 to 3.1 percent in 2003, despite the strong performance of the external sector, as private consumption declined affected by the high household debt burden and a rise in credit card delinquency rate.

**Greater China** China's economy grew 9.1 percent in 2003, the highest in a decade driven by domestic demand and exports, which recorded stronger growth than in a previous year.

Fixed assets investment, which was one of the major driving forces of the economic growth, rose 26.8 percent in 2003, accounting for 45 percent of the GDP, led by investment in real estate and public infrastructure, growth in bank lending as well as foreign investment in industrial facilities.

Industrial production increased by 17 percent, revealing great dynamism as China became a key centre for processing goods for exports and its integration in the world economy intensified.

Sales of consumer goods, which suffered a sharp slowdown in April and May 2003 due to the SARS epidemic, rebound in the second-half, recording a growth rate of 9.1 percent in 2003, helped by an increase in disposable income, which in turn led to a sharp rise in durable goods spending.

In 2003, China's external trade continued to show strong growth, in both exports and imports.

Exports, which rose by 34.6 percent in 2003, against 22.4 percent in 2002, gained market share in most

industries, in particular in electrical and electronic products.

Foreign exchange reserves rose by 41 percent in 2003 reaching 403 billion USD due to a strong inflow of foreign direct investment, which totalled 51 billion USD and to a short term capital growth, despite a reduced current account surplus.

The Consumer Price Index (CPI) rose by 1.2% in 2003, after a few years of deflation, mainly due to price increases in food, services, housing, fuel and utilities.

By the middle of year, political decisions were made and measures were undertaken to limit bank lending to some sectors that were showing excessive growth and in the fourth quarter the reserve requirement for banks was increased.

Economic conditions improved in Hong Kong in 2003, in particular in the 2<sup>nd</sup> half of the year after the end of the SARS epidemic, with real GDP growing by 3.2 percent against just 1.9 percent in the previous year.

The process of economic recovery was spurred by the positive performance of the external sector and a sharp rebound in the critical property market and in stock prices, which in turn bolstered consumer and business confidence.

Exports of goods and services rose by 12 percent in 2003 benefiting from the economic growth in the US and, in particular, in China, contributing mostly to the rise in the GDP.

Although for the full year real private consumption did not record any increase, by the end of the year retail sales initiated a recovery helped also by a sharp rise in the number of mainland tourists visiting Hong Kong.

Strong economic growth had a positive impact on the unemployment rate, which started to decline and there were indications that the deflationary trend that had been affecting the economy for many years was coming to an end with the Consumer Price Index reversing its downward trend in the last quarter of the year.

Hong Kong and Mainland China signed the Closer Economic Partnership Agreement (CEPA) on 29 June 2003, by which many Hong Kong exports to China will benefit from zero-tariffs, direct investment will be facilitated and Hong Kong local companies in most service sectors will be allowed to operate in China.

In Taiwan real GDP grew by 3.2 percent, slightly lower than in 2002, as consumer demand, affected by the SARS outbreak, high unemployment and low business investment, continued to weigh on the economy.

By the end of the year the economy started to show signs of recovery due to a rebound in exports of IT and electronic products, as well as to the implementation of more expansionary fiscal policies and interest rate cuts.

The unemployment rate, at its highest of the last few years, and the relocation of many factories to Mainland China continued to constrain the expansion of domestic demand and the Consumer Price Index declined slightly.

**Special Administrative Region of Macao, China**  
**Main Economic Indicators 1999 - 2003**

	1999	2000	2001	2002	2003
<b>Demand and Gross Domestic Product (% yoy)</b>					
Real GDP (%)	-3.0	4.6	2.2	10.0	15.6
Domestic Demand (%)	1.3	-8.8	-0.2	4.2	11.8
Private Consumption (%)	1.5	0.9	2.9	4.8	4.9
Public Consumption (%)	15.5	-9.8	-0.1	2.4	6.0
Gross Fixed Capital Formation (%)	-6.8	-28.4	-0.9	3.3	40.5
Construction	-14.0	-38.9	-31.7	10.1	74.7
Others	13.0	-6.4	21.8	-0.5	10.2
Change in Inventories (%)	217.7	-16.1	-59.6	769.2	11.2
Net Exports of Goods and Services (%)	-13.4	39.6	6.4	18	14.6
Nominal GDP (in millions of USD)	6,134	6,198	6,207	6,765	7,899
GDP per capita (in USD)	14,351	14,394	14,298	15,432	17,782
<b>Inflation and Unemployment</b>					
Inflation rate (CPI % yoy)	-3.20	-1.61	-1.99	-2.64	-1.56
Unemployment rate (%)	6.4	6.8	6.4	6.3	6.0
<b>Tourism</b>					
Visitors arrivals (1,000s)	7,444	9,162	10,279	11,531	11,888
From Mainland China	1,645	2,275	3,006	4,240	5,742
Visitors arrival (% yoy)	7.1	23.1	12.2	12.2	3.1
From Mainland China	101.4	38.3	32.1	41.1	35.4
<b>External Sector</b>					
Exports of Goods (% yoy)	3.60	14.10	-5.20	6.40	9.4
Imports of Goods (% yoy)	9.60	6.20	8.50	10.40	8.7
Trade Balance (in millions of USD)	160	283	-87	-173	-174
Balance of Current Accounts (in millions of USD)	1,639	2,177	2,251	2,634	3,265
Exp. /Imp. of Goods Ratio (%)	88.01	90.75	77.67	93.10	93.68
<b>Interest and Exchange Rates</b>					
Pataca Exchange Rate (1US\$=)	7.992	8.026	8.034	8.033	8.021
Nominal Effective Exchange Rate Index	111.92	114.22	117.27	116.34	110.93
3 Month Average Interbank Rate (MAIBOR) (%)	5.9479	6.2266	3.6719	1.8727	1.0549
3 Month Average Interbank Rate (LIBOR) (%)	5.4800	6.5353	3.6787	1.7965	1.2171
Savings Interest Rate	3.50	4.50	0.13	0.060	0.034
Prime Rate (%)	8.50	9.50	5.25	5.00	5.00
<b>Main Monetary Indicators</b>					
Money supply M <sub>1</sub> (millions of MOP)	5,363	4,945	5,917	6,351	8,789
Money supply M <sub>2</sub> (millions of MOP)	86,096	84,918	91,550	98,960	111,090
Total Credit (millions of MOP)	53,024	50,880	49,400	51,318	48,703
Total Deposits (millions of MOP)	101,053	103,267	110,542	119,572	129,663
Official Foreign Reserves at AMCM (millions of MOP)	22,873	26,696	28,177	30,527	34,734

yoy: year over year

Sources: Statistics and Census Service of Macao (DSEC), Monetary Authority of Macao (AMCM), Economic Services

**2. Macau Economy** Macau economy continued to improve with real GDP growing 15.7 percent in 2003, the second year in a row that it recorded a double-digit growth rate.

In 2003 economic activity fluctuated sharply due the impact, in the first half of the year, of the Severe Acute Respiratory Syndrome (SARS) epidemic.

The growth in real GDP in the first and second quarters was 17.1 and -1.7 percent respectively but in the 2nd half of the year GDP rose at a rate of more than 20 percent.

The tourism sector, which suffered mostly from the effects of the SARS outbreak, in particular in the Great China area, recovered by the end of the year, lifting the growth rate of the economy.

The number of tourist arrivals in 2003 rose 3.1 percent, reaching 11.8 million, due to an increase in the number of tourists from Mainland China, which soared by 35.4 percent.

Mainland China became in 2003 Macau's main tourism market representing 48 percent of all tourist arrivals.

Tourist arrivals benefited from the strong economic growth in Mainland China and, since July 2003, from a policy adopted by China to grant residents in several cities in the Guangdong Province, Beijing and Shanghai individual travel visas to Macau and Hong Kong.

The number of tourists from Hong Kong and Taiwan declined in 2003 by 9.4 percent and 33.3 percent respectively, not recovering totally from the sharp falls recorded in the first two quarters of the year.

The gambling industry continued to show a sharp increase in activity in 2003. Gross gambling revenues rose 29.6 percent in 2003, after having increased 24.5 percent in the previous year.

The hotel sector was particularly affected by the SARS outbreak and, the hotel occupancy average rate at 64.3 percent in 2003, was lower than the 67.1 percent recorded in the previous year, despite the sharp rebound in demand in the 2<sup>nd</sup> half of the year.

The export of goods increased by 9.4 percent (against a 6.4 percent increase in 2002) mainly due to an increase in exports to European Union countries (+7.5 percent) and to the US market (+12.8 percent) as the economies of the main developed countries started to recover from a period of slow growth.

Macau exports continue to be dominated by the textile and garment industries, which made up 83.1 percent of exports in 2003.

Imports grew by 8.7 percent with imports from Mainland China and the European Union rising 11.9 percent and 10.9 percent respectively; while imports from Hong Kong decreased by 5.5 percent in 2003.

Macau's external trade is expected to get a boost from the signing in October 2003 of the Closer Economic Partnership Agreement (CEPA), with Mainland China, a free trade and economic cooperation pact that covers

three main areas, namely trade in goods, trade in services and trade and investment facilitation. As for the trade in goods, CEPA between the Mainland and Macau specifies a list of 273 products that will benefit from zero-import tariffs when exported from Macau to Mainland China.

CEPA also includes provisions that will grant easier access to Mainland's China market for a group of eighteen service industries, which include banking and insurance, and will facilitate cross-border direct investment as well as the cooperation and simplification of administrative procedures for small and medium-sized companies.

CEPA is expected to help diversifying Macau's industrial structure and achieving sustainable economic development.

Domestic demand, driven mainly by public consumption and fixed assets growth, rose 11.8 percent, as the Government stepped up expenditures to improve the Territory's infrastructure and investment in the construction sector rose.

Several new infrastructure projects began or were approved in 2003, such as:

- A third bridge between Macau and Taipa - work in progress. The bridge is 2,200 m long and has two decks, the upper one for regular traffic and the lower deck to operate during typhoons. A light surface train system will circulate in the lower deck all year round. It is expected to be finished by the end of 2004.
- The Fisherman's Wharf entertainment complex, under construction, is expected to open for business at the end of 2004.
- Several sports facilities to receive the 4<sup>th</sup> East Asian Games in 2005 - some of the facilities are already concluded and others will be finished early in 2005.
- A cross-border industrial zone between Zhuhai and Macau with 0.4 km<sup>2</sup> in the first stage. Companies will be able to set up factories in this area where they can take advantage of low production costs.
- A bridge that will connect Hong Kong, Zhuhai and Macau - the project has already been approved. The bridge, which will bring a host of benefits to the Pearl River Delta as a whole, is expected to be 29 km long and to be completed in 2008. The construction of such an infrastructure will reduce travelling time between these regions to just 25 minutes, which will be a welcomed development by both businessmen and tourists.
- A new connection by sea between Macau and Hong Kong airport - launched in October 2003, made it easier for Macau citizens to travel by plane through Hong Kong and for tourists to reach Macau.

The improvement in the economic situation, low mortgage interest rates and stronger demand from both residents and non-residents led to a higher volume of transactions, with housing prices soaring by 30 percent in some areas, after a prolonged period of falling prices.

The construction sector also began to recover and construction projects involving an area of more than 533,016

square meters were started in 2003, against just 157,494 square meters in 2002.

Macau's economy will also get a huge injection of capital from massive investment plans of the three gambling concessionaires.

- Stanley Ho's SJM will press on with the upgrading of its 11 casinos, including the construction of the Grand Lisboa, a 40-storey extension to the flagship Hotel Lisboa.
- Sands Macau casino, from the Las Vegas group Venetian is scheduled to open its first casino in the 1<sup>st</sup> half of 2004.
- Wynn Resorts (Macau) is required to invest at least 500 million USD in the first stage of its casino development under the terms of the contract signed with the Macau government.
- The Galaxy Holdings consortium will open a casino in the 2<sup>nd</sup> half of 2004.

The unemployment rate declined slightly to 6 percent mainly due to an increase in payrolls of companies operating in the construction and tourism related industries.

A stronger economy and the recovery in the property market in the 2<sup>nd</sup> half of the year helped to reduce deflationary pressures.

The Consumer Price Index declined by 1.57 percent in 2003 while in 2002 it had decreased by 2.65 percent.

**Interest Rates** The interbank short term interest rates for the Hong Kong dollar and pataca were stable and very close to the US dollar rates until September when the HK dollar suddenly strengthened.

Stronger capital inflows as well as repeated intervention by the Hong Kong Monetary Authority (HKMA) to bring the market exchange rate to the peg level of 7.8 caused a sharp rise in liquidity and led to a drop in interest rates to levels near zero for the remainder of the year.

The aggregate balance of funds in the banking system, as calculated by HKMA rose to more than HKD 50 billion by the end of the year.

The Hong Kong dollar one-year forward rate against the US dollar went from a premium of 150 points at the start of the year to a discount of minus 620 points by year-end.

The prime lending rate for Hong Kong dollars and patacas remained at 5 percent throughout the year and the savings rate was lowered to 0.001 percent.

**Foreign Exchange Market** The Hong Kong dollar remained closed to its pegged rate of 7.8 to the US dollar until September when it strengthened to 7.6920 as short positions were unwound, influenced by expectations of a possible revaluation of the renminbi, US dollar weakness in foreign exchange markets and stronger capital inflows, as the stock and

property markets recovered against a background of an improved economic outlook.

The HK dollar exchange rate became highly volatile in the last quarter of the year, influenced also by the impact of several IPOs of large Chinese companies.

The Hong-Kong Monetary Authority (HKMA) intervened repeatedly to stem the revaluation of the currency and to stabilize the market.

The depreciation of the US Dollar against the euro and the yen accelerated in 2003 affected by the widening of the US trade and budget deficits, expectations of lower returns on US dollar assets and negative interest rate differentials.

The depreciation of the US dollar was less significant against other Asian currencies like the Indian rupee and fluctuated in a narrow band against the renminbi.

The pataca, which is linked to the HK dollar, depreciated against the euro by 19.4 percent and against the yen by 14 percent reflecting the depreciation of the US dollar against these currencies.

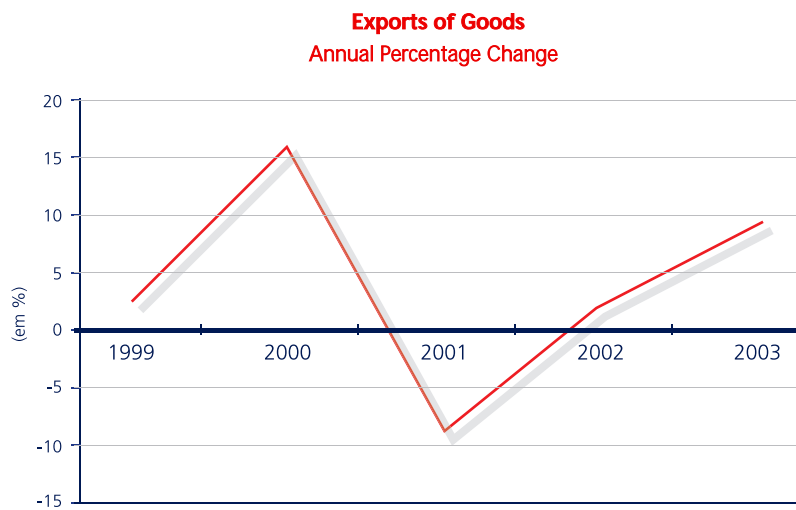
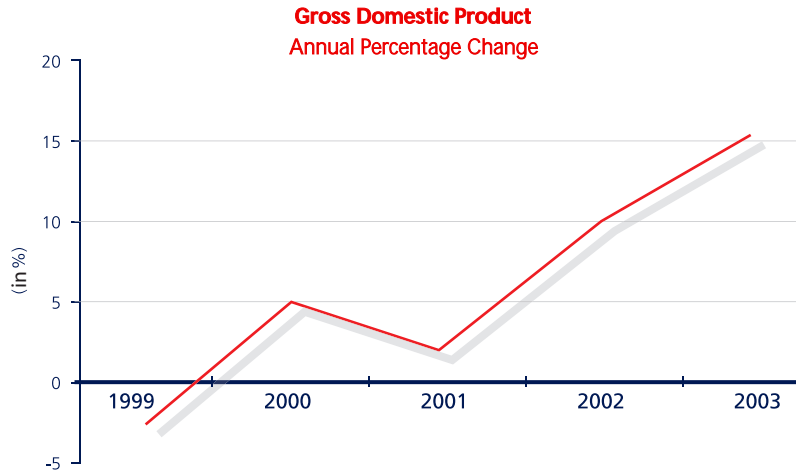
**Banking Sector** Against a background of a strong economy the performance of the banking sector improved markedly.

Customer deposits grew 8.4 percent in 2003 compared with 8.2 percent in the previous year while loans to businesses and individuals decreased by 1.4 percent after a drop of 5.4 percent in 2002.

Therefore, the banking sector continued to build up liquidity by increasing the amount of monetary bills in their portfolio and interbank net placements abroad with the loan-to-deposit ratio in a downward trend declining further to 32 percent from 35 percent in the previous year.

Despite a decrease of 13.5 percent in net interest income attributable to the drop in interest rates and a lower loans volume, operating profits rose 9.7 percent mainly due to a reduction in provisions made and higher fee income.

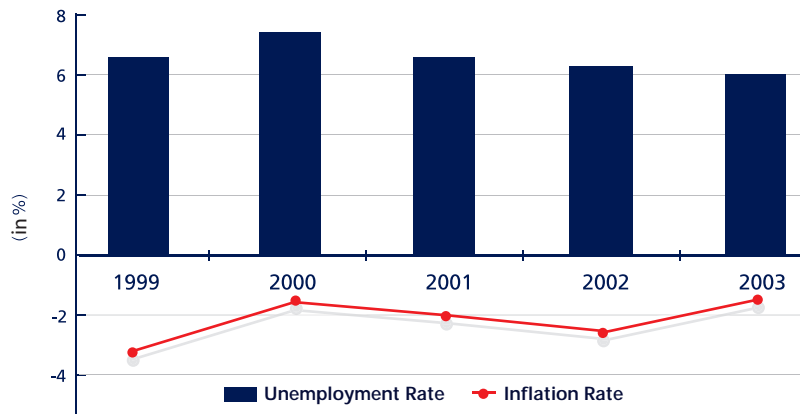
### Main Indicators of Macau Economy - Graphs



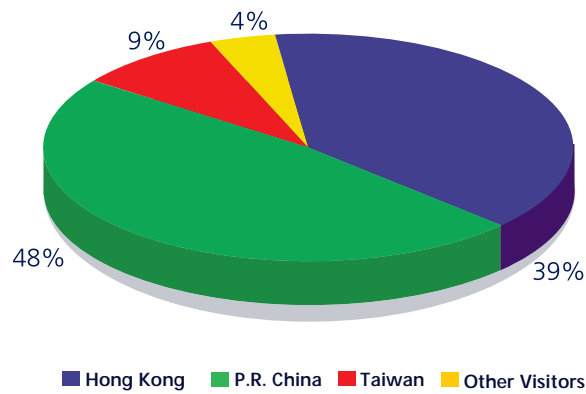


## Main Indicators of Macau Economy - Graphs

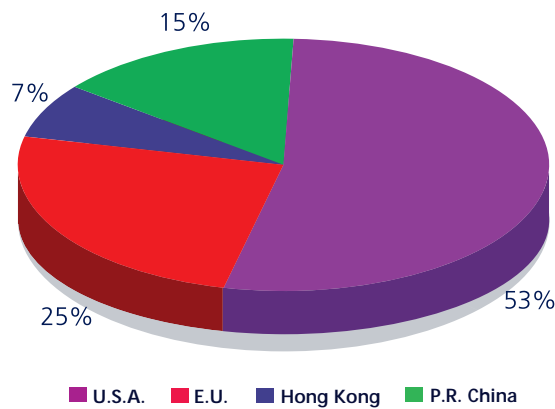
### Unemployment and Inflation Annual Percentage Change



### Tourism - Main Markets in 2003



### Exports - Main Markets in 2003





## B. Main Business Areas

*"Better service for the customer is for the good of the public, and this is the true purpose of any company."*

Konosuke Matsushita (1894-1989), the founder of Matsushita Electric, Japan

Delivering the right products, at the appropriate level of service, at the right time and through the right channels, to target customers, is the essence of our activity.

In BNU, we measure our success through our customers' preference, emphasising in our strategy and our daily activity the following major points:

- **To have products and services adjusted to customers' needs**

We strive to provide the products that best meet our customers' needs and expectations in a banking market that is more and more competitive.

A critical point is also to raise the level of customer service across our distribution channels in order to reduce our response time and facilitate the customer relationship with bank.

- **To provide several access channels** - Because every customer has unique needs, we have developed alternative channels in order to provide banking services 24 hours a day, 7 days a week. Along with deploying electronic systems, we have been looking after our most important points of business - the branches - making them look appealing and comfortable. Despite the availability of ATM's, telephone, internet and mobile banking, customers still prefer to come into our branches for some transactions and counselling.

- **Foster cross sell** - Experience has demonstrated that a customer with several products in one bank shows more loyalty than one with only one or two products. Therefore cross-selling a diversified range of products and services is critical to our performance.

We have been pursuing the goal of increasing the share of fee based products and services in the bank's revenues.

- **Care about human resources** - Fostering good relationships among our employees reflects into good relationships with our customers.

By giving special attention to the welfare of our employees, our most valuable asset, we reinforce their loyalty to the bank and their productivity.

- **Implement comprehensive risk management** - Improve our risk management system in the areas of credit, markets, liquidity and operational risk in order to move in the direction pointed by Basel II Accord and to correctly evaluate and price the risks involved to generate adequate returns on the bank's capital.

**1. Personal Banking Personal Lending**

- On April 2003, a new consumer loan was launched, called BNU Car Loan, to provide finance to buyers of new and used cars. A very competitive interest rate, an extended repayment period and a fast approval process are key features of this product.
- On the second half of the year, several campaigns were conducted with car dealers. Special conditions were given to customers that applied successfully to a BNU Car Loan and a special package was designed exclusively for the staff of a Macau company.
- Regarding Housing Loans, were implemented several measures to face competition: interest rate was lowered, application was made easier and the product was promoted with selected real estate agents.

By the end of the year 2003 the outstanding balance was 18% higher than last year.

**Credit and Debit Cards**

- On September 2003, we were the first Bank in Macau to launch the Platinum Visa Card in MOP, a credit card that offers unique privileges and customer service. Visa Platinum comes with a large credit limit (minimum MOP 100,000.00), personalised concierge services for travel and entertainment assistance, generous travel accident insurance and an attractive array of exclusive benefits.

A 24-hours Customer Service Hotline (00853-3963963) BNU was created only to assist BNU Platinum Visa cardholders.

- Once again we keep on having a leading position in the credit card issuing business and its performance was highly appraised. We received three prizes from Visa International for the 2003/2002 period (*Highest Average Card Spend - Gold Card, Highest Average Card Spend - Platinum Card and Largest Platinum Card Issuer*) and one prize from MasterCard International (*Highest Growth Rate in 2003 - Number of Cards in Macau*).
- A major credit card promotion campaign was conducted from May to August, to increase the number of credit cards issued, card sales volume, average card spending and credit card advances.
- In 2003 the number of credit cards issued rose 9%, with the transactions volume increasing 3%.
- Debit card issuing, in particular Maestro cards that may be used worldwide, rose 3 percent.

**Access Channels**

- In August, BNU Mobile Banking was launched: a new banking service that allows customers to access their accounts in BNU from their mobile phone or other WAP (Wireless Application Protocol) enabled device. This free service is available in Chinese, Portuguese and English, 24 hours a day, 7 days a week. Customers have now at their fingertips the possibility of checking their account balances, enquiring on the latest

transactions, paying Credit Card or other bills, transferring money and performing many other transactions anywhere, anytime.

- We continued further developing BNU Online, an Internet banking service, in order to enhance its features and provide a more user-friendly service to customers.
- New services like the payment of government taxes, credit card bills and CTM telephone bills were made available in BNU ATM network and other Macau ATM's, with the "Jet Payment" logo.

- Promotions**
- We reinforced our communication with customers, by making use of several media (billboards, TV commercials, newspaper advertisements, mailing, e-mails, SMS messages, etc.), with several promotions on BNU products and services during the year.
  - We also offered incentives such as cinema tickets and supermarket coupons related to credit card usage and gas coupons on the occasion of the launching of BNU Car Loan.

**2. Commercial Banking** In the commercial banking area we continued to support our existing customers as well as new business initiatives in tourism related industries and in public construction works by providing both financing and guarantees.

Competition among local banks to increase the commercial loans portfolio led to lower margins, in particular for the most creditworthy borrowers.

Loans to businesses in Macau increased by 6.6 percent in 2003 due mostly to a rise in medium term loans for investment, with trade financing and other short-term financing recording a decrease of 7.8 percent.

Bank guarantees issued at the request of our customers rose by 31.3 percent.

In 2003 the number of POS terminals installed increased 13.5 percent, while the transactions volume soared 27.7 percent, contributing to strengthen our relationship with small retail business merchants.

We participated as a co-lead manager in an issuing of 120 million USD of floating-rate notes for the financing of the construction of Macau Sands Casino.

The Bank also participated in syndicated loans facilities to offshore borrowers, namely to Inchroy Credit Corp HK and the Korea Exchange Bank.

**3. Human Resources** The Bank employs 284 employees (286 in previous year) with 201 being assigned in central services and 83 in our branch network.

We provide the best possible opportunity for personal development and career progression to every employee. Various training programs and academic development plans have been prepared, identifying the needs of staff as well as the business needs of the organisation.

Two private hospitals in Hong Kong have been included in the Bank's Medical Assistance Scheme, which will contribute to improve the quality of the health service provided to the staff and dependants.

Special care and preventive measures against infectious disease in particular regarding SARS have been strictly implemented, according to the guidelines of the Department of Health in order to safeguard the health and safety of our staff.

**4. Organization and Systems** In 2003 we continued to enhance the different transaction platforms by implementing changes determined by customer needs, regulatory requirements and technology advances.

The Bank replaced the outdated IT and networking equipment, improved data storage and backup facilities in order to maintain a stable and high availability infrastructure in support of daily operations.

The entire ATM processing system was replaced with the latest version of a higher capacity platform, being our objective to reach a high level of system availability.

The BNU Mobile Banking service was launched with the latest WAP technology, which enables customers to access their accounts with BNU through their mobile handset or other WAP (Wireless Application Protocol) devices anywhere and anytime.

The credit card system was modified to meet new compliance rules issued by Visa and MasterCard and management information requirements.

The global network integration project was started with the objective of linking up BNU with Caixa Geral de Depósitos, our parent company, and its subsidiaries in Portugal and other regions, allowing information to be shared more effectively and timely. The central retail banking database was improved to ensure that the latest and most accurate customer information is available.

Several manuals related to new products and services were launched during the year, namely BNU Mobile Banking, BNU Car Loan, BNU Platinum Card.

Starting from June, 150 reports became available through BNU Intranet, replacing printed copies.

Integration and enhancement of the internal administrative subsystems have been completed to improve workflow and productivity.

A contingency plan was developed to ensure the availability of banking services in case of a SARS outbreak.

**5. Community Support** Our Bank considers, as an essential part of its activity, the support of the community where our customers and employees live.

In 2003 donation boxes to support the activities of Tung Sin Tong, World Vision and Red Cross organizations were installed in our branches.

The Bank also granted several scholarships to students of Macau University, Macau Science and Technology University and Macau Institute for Tourism Studies.

Macau XIV Arts Festival Cultural and Macau XVII International Music Festival, which are important events in the cultural scene of Macau, continued to have the support of the Bank, among several others.



## C. Results and Balance Sheet

**1. Results** The performance of the Bank continued to improve in 2003 with the Net Results increasing by 12.9 percent  
**Net Profits** to reach MOP 57.1 million despite difficult trading conditions, in particular in the first half of the year as the economy was affected by SARS, which weighed on consumer and business confidence.

The Bank's financial performance was also affected by the very low interest rate, which dropped close to zero in the last quarter of the year contributing to a decline in net interest income.

A decrease in operating costs as well as lower provisions' charges were positive factors influencing the Bank's results.

**Net Interest** Net Interest Income amounted to MOP 164.9 million, less MOP 0.92 million, or 0.6 percent when compared  
**Income** with MOP 165.9 million recorded in 2002.

Interest income (-19.2 percent) and interest expense (-32.3 percent) decreased significantly due to the sharp drop in interest rates.

Given that a significant part of the Bank's assets was placed in the interbank market, the fall in interest rates in the third quarter to close to zero had a significant impact on net interest income by eroding the profitability of customer deposits and account balances.

The increase in the Bank's commercial medium-term credit portfolio and of high-yielding personal lending helped to reduce the negative impact of the lower interest rates.

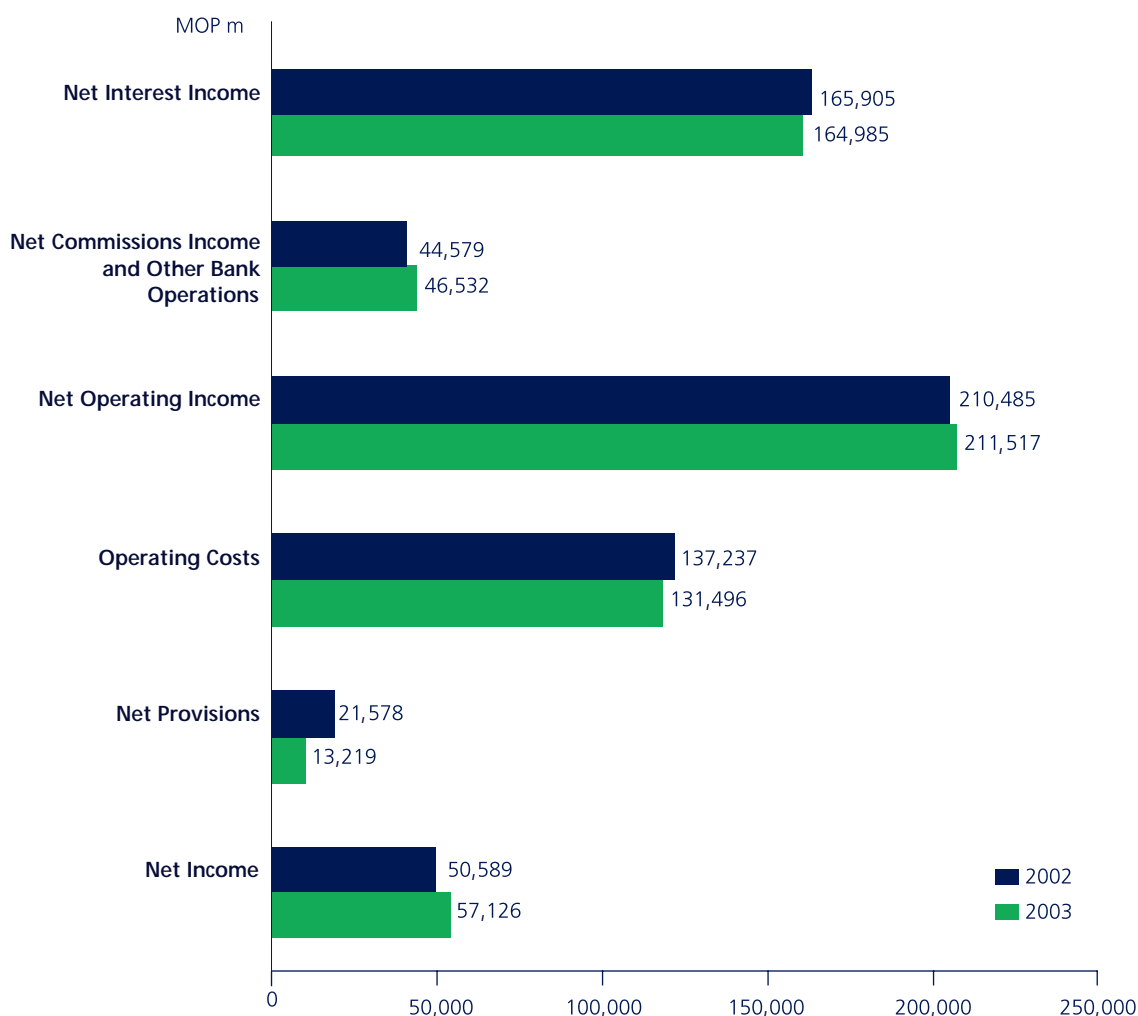
**Net Non-Interest** Net Non-Interest Income in 2003 increased by 4.4 percent to MOP 46.5 million from MOP 44.5 million  
**Income** in the previous year due to:

- A Net Profits from Financial Transactions increase by 12.1 percent, reflecting a higher customer transactions' volume and higher spreads in the 3rd quarter of the year, due to the volatility of the USD/HKD exchange rate.
- A Net Commissions and Fees decrease by 0.4 percent mainly caused by a reduction in commissions earned by participating in syndicated loans facilities.

**Net Operating** Net Operating Income increased by MOP 1 million, or 0.5 percent, amounting to MOP 211 million, mainly due  
**Income** to the rise in Net Commissions Income and Other Bank Operations.

The Net Interest Income contributed with 78 percent to the Net Operating Income, slightly lower than in 2002.

## Results



Net Commissions and Fees and Net Profits from Financial Transactions represented 11.6 percent and 7.6 percent, respectively of the Net Operating Income (11.7 percent and 6.8 percent in previous year).

**Operating Costs** Operating Costs decreased by MOP 5.7 million in 2003, down 4.2 percent when compared with 2002, totalling MOP 131.4 million, reflecting the following changes in its main components:

- Staff Expenses increased by 0.6 percent, amounting to MOP 84.1 million, reflecting the rise in salaries and other compensation paid;
- Third Party Supplies and Services decreased by 13.1 percent, amounting to MOP 31.2 million;
- Depreciation decreased by 11.7 percent, reflecting a fall in intangible fixed assets depreciation.

The ratio cost-to-income<sup>1</sup> at 62 percent was three percentage points higher than in 2002.

<sup>1</sup>  $(\text{Staff Expenses} + \text{Third Party Supplies and Services} + \text{Other Administrative Expenses}) / \text{Net Operating Income}$



**Provisions** Provisions made in 2003, net of provisions released, amounted to MOP 13.2 million, less MOP 8.4 million (- 38,7 percent) than the MOP 21.5 million made in 2002.

The net charge for specific provisions increased to MOP 13.8 million from the previous MOP 8.3 million, due to provisions made against several commercial loans.

Provisions made against credit card advances were lower than in 2002.

Regarding provisions for generic credit risks, which are made in accordance with rules from the Monetary Authority of Macau, MOP 0.884 million were written-back while provisions of MOP 7.9 million were made in the previous year.

The net charges for other provisions decreased from MOP 4.9 million to MOP 0.269 million.

## **2. Proposal for Allocation of the Net Profit**

According to the law and the company rules, it is submitted for the approval of the Annual General Assembly, that the Net Profit of MOP 57,125,671.76 is allocated as follows:

- For Legal Reserves, according to the art. 60 of Macau Financial System Act: MOP 11,425,134.35
- For Other Reserves, the remaining amount: MOP 45,700,537.41

## **3. Balance Sheet Structure and Changes**

As of December 31<sup>st</sup>, 2003, the Net Total Assets amounted to MOP 13,017 million, a decrease of 4.3 percent over 2002.

In 2003, Placements with Banks and Loans and Advances for use in Macau represented 62.6 percent and 16 percent, respectively of the Net Total Assets showing no significant change in respect to 2002.

**Loans and Advances** Total loans and advances for use in Macau amounted to MOP 2.2 billion, an increase of 12.2 percent, while external credit declined by 30.7 percent.

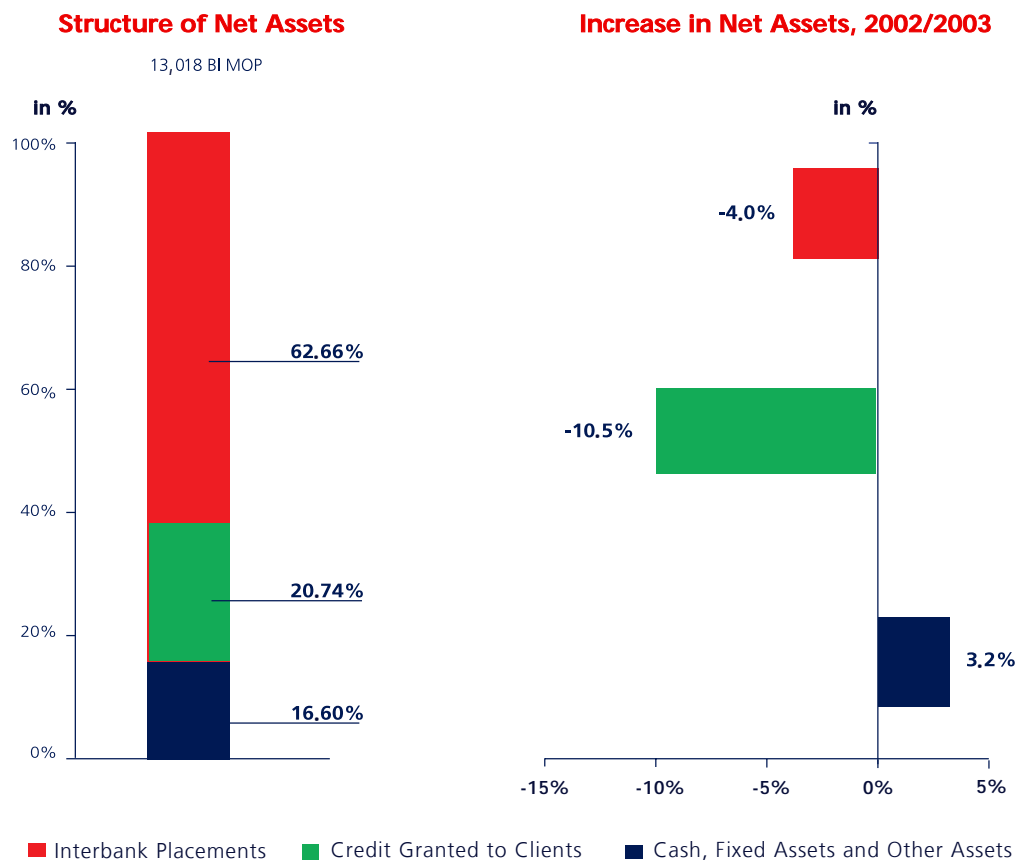
Loans and advances to businesses for use in Macau increased by 6.6 percent mainly due to a rise in medium-term loans which increased 11 percent.

Personal lending, which rose 21.9 percent, benefited substantially, both from the growth in personal and housing loans.

Housing loans outstanding increased by 18.3 percent benefiting from the recovery in the property market.

Placements with banks decreased 4 percent as a decline in the lending activity and an increase in local customer deposits generated additional liquidity in Hong Kong dollars and patacas.

Most Interbank Placements are in the form of deposits with banks in Hong Kong and in Macau.

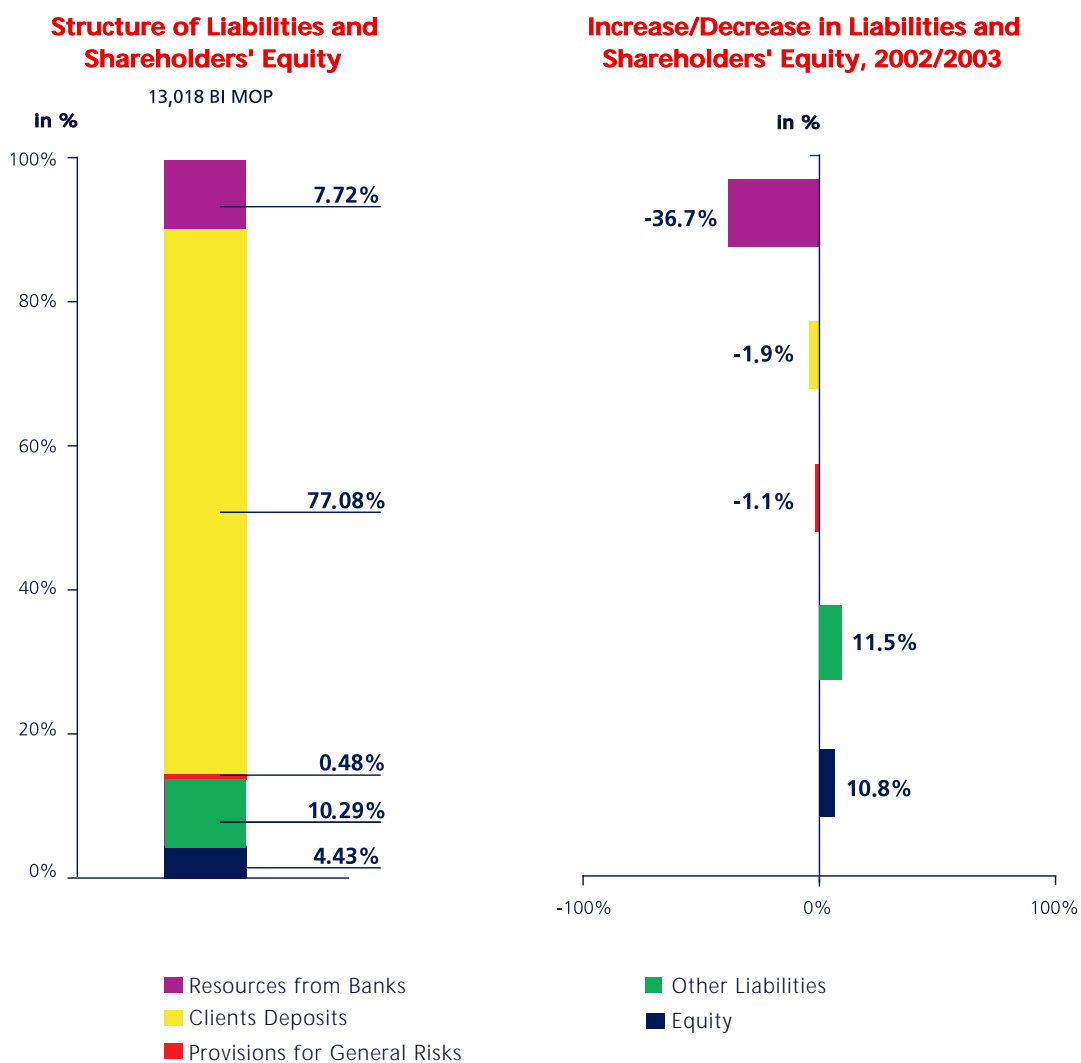


**Customer Deposits** Total Customer Deposits, from the private and public sectors, which amounted to MOP 10,033 million, decreased by 1.9 percent, but total deposits from customers in Macau rose 6.3 percent.

Time deposits decreased 5.5 percent and current and savings deposits increased by 23 percent.

Time Deposits totalled MOP 7.6 billion as of December 31<sup>st</sup> 2003, accounting for 76.3 percent of Total Deposits, against 79.2 percent at the end of 2002.

**Amounts due from Banks** Amounts due from banks totalled MOP 1,004 million, decreasing by MOP 583 million, making up 7.7 percent of the total liabilities, a fall of 4.3 percentage points.



**Capital Adequacy Ratio** The capital adequacy ratio is calculated according to Notice no. 012/93-AMCM and Notice no. 013-AMCM dated August 27, 1993 and Circular no. 003/A/94 and Circular no. 004/A/94 issued by the Monetary Authority of Macau.

The total capital ratio increased from 13.08 percent in 2002 to 15.45 percent in 2003, well above the required 8 percent.

Total capital amounted to MOP 639 million, higher than the MOP 589.3 recorded in 2002.



## Governing and Auditing Bodies

### BOARD OF THE GENERAL MEETING

Chairman	:	Joaquim Jorge Perestrelo Neto Valente
Vice-Chairman	:	Liu Chak Wan
Secretary	:	Maria de Lurdes Nunes Mendes da Costa

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### BOARD OF DIRECTORS

Chairman	:	CAIXA GERAL de DEPÓSITOS, S.A., Represented by Miguel José Pereira Athayde Marques
Vice-Chairman	:	Herculano Jorge de Sousa
Members	:	CAIXA - PARTICIPAÇÕES SGPS, S.A., represented by António Luís Neto  COMPANHIA DE SEGUROS FIDELIDADE, S.A., represented by Leonel Alberto Range Rodrigues  Artur Jorge Teixeira Santos

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### EXECUTIVE COMMITTEE

President	:	Herculano Jorge de Sousa
Vice-President	:	Artur Jorge Teixeira Santos
Member	:	COMPANHIA DE SEGUROS FIDELIDADE, S.A., represented by Leonel Alberto Range Rodrigues

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<b>SOLE SUPERVISOR</b>	:	Chui Sai Cheong
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## Accounts

### BANCO NACIONAL ULTRAMARINO, S.A. BALANCE SHEET AS OF DECEMBER 31, 2003

ASSETS	GROSS ASSETS (in units of MOP)	PROVISIONS, AMORTIZATIONS AND NET VALUE	NET ASSETS
CASH	106,699,570.70	0.00	106,699,570.70
DEPOSITS WITH AMCM	117,600,066.76	0.00	117,600,066.76
DEBT CERTIFICATES ISSUED BY THE MACAU GOVERNMENT	1,173,567,142.33	0.00	1,173,567,142.33
ACCOUNTS RECEIVABLE	31,996,304.11	0.00	31,996,304.11
DEPOSITS WITH OTHER CREDIT INSTITUTIONS IN MACAU	11,035,740.14	0.00	11,035,740.14
DEPOSITS WITH OTHER CREDIT INSTITUTIONS ABROAD	22,588,393.08	0.00	22,588,393.08
GOLD AND SILVER	0.00	0.00	0.00
OTHER CURRENT ASSETS	2,316,261.59	0.00	2,316,261.59
CREDIT GRANTED	2,821,679,365.60	121,819,406.45	2,699,859,959.15
PLACEMENTS WITH CREDIT INSTITUTIONS IN MACAU	1,424,996,900.00	0.00	1,424,996,900.00
DEPOSITS AT CALL AND TIME DEPOSITS WITH CREDIT INSTITUTIONS ABROAD	6,731,628,237.87	0.00	6,731,628,237.87
SHARES, BONDS AND QUOTAS	468,642,884.22	24,926,784.50	443,716,099.72
INVESTMENT OF ASSIGNED FUNDS	0.00	0.00	0.00
DEBTORS	290,455.40	0.00	290,455.40
OTHER PLACEMENTS	0.00	0.00	0.00
FINANCIAL INVESTMENTS	34,592,250.00	6,000,000.00	28,592,250.00
PROPERTY	172,501,908.28	35,321,367.86	137,180,540.42
EQUIPMENT	63,677,540.75	56,361,598.92	7,315,941.83
DEFERRED COST	5,915,472.04	4,242,639.90	1,672,832.14
START-UP EXPENDITURE	0.00	0.00	0.00
FIXED ASSETS IN PROGRESS	0.00	0.00	0.00
OTHER FIXED ASSETS	1,403,603.79	0.00	1,403,603.79
INTERNAL AND ADJUSTMENT ACCOUNTS	75,469,519.36	0.00	75,469,519.36
<b>TOTAL</b>	<b>13,266,601,616.02</b>	<b>248,671,797.63</b>	<b>13,017,929,818.39</b>

**BANCO NACIONAL ULTRAMARINO, S.A.**  
**BALANCE SHEET AS OF DECEMBER 31, 2003**

<b>LIABILITIES</b>	<b>SUB-TOTAL</b> <b>(in units of MOP)</b>	<b>TOTAL</b>
BANK NOTES IN CIRCULATION		1,242,240,650.00
CURRENT DEPOSITS	1,828,213,586.55	
DEPOSITS AT CALL	0.00	
TIME DEPOSITS	6,343,461,582.69	8,171,675,169.24
GOVERNMENT DEPOSITS	1,861,960,191.76	
AMOUNTS DUE TO CREDIT INSTITUTIONS IN MACAU	64,532,149.54	
AMOUNTS DUE TO OTHER LOCAL ENTITIES	0.00	
AMOUNTS DUE TO CREDIT INSTITUTIONS ABROAD	940,132,069.00	
ASSIGNED FUNDS	0.00	
PAYABLE BANK CHEQUES	327,092.82	
CREDITORS	25,280,228.15	
OTHER LIABILITIES	16,584,040.83	2,908,815,772.10
INTERNAL AND ADJUSTMENT ACCOUNTS		55,521,544.01
PROVISIONS FOR RISKS		84,089,228.54
CAPITAL	400,000,000.00	
OTHER RESERVES	57,990,300.06	457,990,300.06
NET PROFIT BROUGHT FORWARD		40,471,482.68
NET PROFIT FOR THE YEAR		57,125,671.76
<b>TOTAL</b>		<b>13,017,929,818.39</b>

**BANCO NACIONAL ULTRAMARINO, S.A.**  
**BALANCE SHEET AS OF DECEMBER 31, 2003**

<b>MEMORANDUM ACCOUNTS</b>	<b>AMOUNT</b> <b>(in units of MOP)</b>
VALUES RECEIVED FOR SAFE KEEPING	93,217,365.51
BILLS FOR COLLECTION	72,759,101.44
SECURITIES RECEIVED	6,430,842,276.56
GUARANTEES ON ACCOUNT OF CUSTOMERS	1,471,884,259.79
LETTERS OF CREDIT OUTSTANDING	205,477,744.97
BILLS AND ACCEPTANCES AVAILABLE FOR DISCOUNT	0.00
SECURITIES DEPOSITED	0.00
FORWARD FOREIGN EXCHANGE PURCHASES	57,443,625.00
FORWARD FOREIGN EXCHANGE SALES	55,835,902.52
OTHER MEMORANDUM ACCOUNTS	5,325,181,510.23
OF WHICH: PUBLIC TREASURY-CURRENT ACCOUNT	8,963,578.68

**BANCO NACIONAL ULTRAMARINO, S.A.**  
**PROFIT AND LOSS ACCOUNT FOR THE YEAR 2003**  
**INCOME STATEMENT**

<b>DEBIT</b>	<b>AMOUNT</b>	<b>CREDIT</b>	<b>AMOUNT</b>
	<b>(In units of MOP)</b>		
INTEREST EXPENSE	156,325,397.90	INTEREST INCOME	319,424,751.69
STAFF COST	84,100,284.80	BANK OPERATIONS INCOME	35,953,548.86
OF WHICH:		OTHER BANK OPERATING INCOME	17,113,103.33
REMUNERATIONS OF BOARD OF DIRECTORS AND SUPERVISOR COMMITTEE	5,295,156.58		
SALARIES AND WAGES	68,691,532.36	INCOMES FROM SECURITIES AND FINANCIAL INVESTMENTS	1,885,552.06
BENEFITS	9,583,996.83	OTHER BANK INCOME	5,561,160.06
OTHER	529,599.03	NON-BANKING INCOME	39,444.63
THIRD PARTY SUPPLY EXPENSES	4,883,195.82	OPERATING LOSSES	0.00
THIRD PARTY SERVICE EXPENSES	26,374,010.36		
OTHER BANK COSTS	14,344,396.98		
TAXES	1,177,034.00		
NON-BANKING EXPENSES	1,379,156.61		
DEPRECIATIONS	11,373,571.03		
PROVISIONS	25,291,773.84		
OPERATING INCOME	54,728,739.29		
<b>TOTAL</b>	<b>379,977,560.63</b>	<b>TOTAL</b>	<b>379,977,560.63</b>

**BANCO NACIONAL ULTRAMARINO, S.A.**  
**PROFIT AND LOSS ACCOUNT FOR THE YEAR 2003**  
**PROFIT AND LOSS ACCOUNTS**

<b>DEBIT</b>	<b>AMOUNT</b>	<b>CREDIT</b>	<b>AMOUNT</b>
	<b>(in units of MOP)</b>		
OPERATING LOSSES	0.00	OPERATING INCOME	54,728,739.29
ACUMULATED LOSSES FROM PREVIOUS YEARS	55,627,679.66	ACUMULATED INCOME FROM PREVIOUS YEARS	12,592,601.28
EXTRAORDINARY LOSSES	74,650.45	EXTRAORDINARY INCOME	1,675,986.43
INCOME TAX	10,658,666.00	PROVISIONS USED	54,489,340.87
PROFIT FOR THE YEAR	57,125,671.76	LOSS FOR THE YEAR	0.00
<b>TOTAL</b>	<b>123,486,667.87</b>	<b>TOTAL</b>	<b>123,486,667.87</b>

**HEAD OF ACCOUNTING**

**PRESIDENT OF EXECUTIVE COMMITTEE**

**MARIA CLARA FONG**

**HERCULANO JORGE SOUSA**



## Shareholders with Qualified Holdings

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

Shareholders with a qualified holding:

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



## Equity Investments

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

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





## Principal Accounting Policies

### a) - Revenue Recognition

Provided it is probable that the economic benefits associated with a transaction will flow to the Bank and the revenue and costs, if applicable, can be measured reliably, revenue is recognised on the following bases:

- i. Interest income is recognised in the profit and loss account as it accrues, except in the case of non-accrual loans and advances where interest is credited to a suspense account.  
Non-accrual loans and advances represent credits that are overdue for more than 3 months. For prudence purpose, interest income from non-accrual loans and advances which has been credited to the profit and loss account is reversed and transferred to the above suspense accounts. Suspended interest recovered is recognised in the profit and loss account when received.
- ii. Fees and commission income are taken into account when earned, unless they relate to transactions involving an interest rate risk or other risks that extend beyond the current period, in which case they are amortised over the period of the transactions.
- iii. Dividend income is recognised when received.

### b) - Loans and Advances

Loans and advances are stated in the balance sheet after deducting specific and general provisions for possible losses. Provisions are made against specific advances as and when the directors have doubts on the ultimate recoverability of principal or interest in full. Specific provision is made to reduce the carrying value of advances to customers, net of any collateral, to the expected net realizable value based on the directors' assessment of the potential losses on those identified advances, and with reference to the requirements of Autoridade Monetaria de Macau ("AMCM"). The Provisions are reviewed periodically and adjustments, either addition charge or amount written back, are made when considered necessary by the directors.

When there is no realistic prospect of recovery, the outstanding advances and other accounts is written off.

### c) - Investment in Securities

Investment in debt securities is carried at amortised cost less any provision for impairment in value.

Investment in equity securities are held for long term purposes and are included in the balance sheet at cost less any provision for impairment in value.

The carrying amounts of investment in securities are reviewed at each balance sheet date to assess the credit risk and whether the carrying amounts are expected to be recovered. Provisions are made when the carrying amounts are not expected to be recovered and are recognised as an expense in the profit and loss account.

Provision against the carrying value of investment in securities is reversed to the profit and loss account when the circumstances and events that led to the write-downs or write-offs cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future.

Upon disposal or transfer of the investments in securities, any profit and loss thereon is accounted for in the profit and loss account.

#### **d) - Fixed Assets and Depreciation**

Fixed assets are stated at cost less accumulated depreciation. Depreciation is calculated on the straight-line basis at annual rates estimated to write off the cost of each asset over its expected useful life. The annual rates are as follows:

Land and buildings	2%
Leasehold improvements and software	33.33%
Office equipment, furniture and fixtures	10% to 50%

When assets are sold or retired, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposals is included in the profit and loss account.

At each balance sheet date, internal and external information is used to assess whether any fixed assets are impaired. If any such indication exists, the recoverable amount of the fixed asset is estimated and where relevant, an impairment loss is recognised to reduce the fixed asset to its recoverable amount. Such impairment losses are recognised in the profit and loss account.

The gain or loss on disposal of a fixed asset is the difference between the net sales proceeds and the carrying amount of the relevant fixed asset, and is recognised in the profit and loss account.

#### **e) - Foreign Currencies**

The books and records are maintained in original currencies and being revalued into Macau Patacas. Transactions in foreign currencies are translated into Macau Patacas at exchange rates at the transactions dates. Monetary assets and liabilities denominated in other currencies at the balance sheet date are translated into Macau Patacas at rates of exchange in effect at the balance sheet date. Exchange differences are dealt with in the profit and loss account.

#### **f) - Operating Leases**

Leases where substantially all the rewards and risks of ownership remain with the leasing company are accounted for as operating leases. Rental applicable to such operating leases is charged to the profit and loss account on a straight-line basis over the period of the relevant leases.

#### **g) - Off Balance Sheet Instruments**

Off balance sheet financial instruments arise from futures, forward and swap transactions undertaken by the Bank in the foreign exchange and interest rate markets.

Financial instruments designated and qualified as hedges are valued on an equivalent basis to the assets, liabilities or net positions that they are hedging. Any gain or loss is recognised on the same basis as that arising from the related assets, liabilities or positions being hedged.

Interest rate swap transactions undertaken as part of the management of asset and liability portfolios are separately identified and the net swap receipts/payments are accrued and included in interest income or expense.

Assets, including gains, resulting from off balance sheet interest rate and exchange rate contracts that are marked to market are included in "Other accounts". Liabilities, including loss, resulting from such contracts, are included in "Other accounts and provisions".

#### **h) - Impairment of Assets**

Assets, other than financial assets, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be fully recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised in the profit and loss account. The recoverable amount is the higher of an asset's net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of the asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit.

Reversal of impairment losses recognised in prior years is recorded when there is an indication that the impairment losses recognised for the asset no longer exist or have decreased. The reversal is recorded as income or as a revaluation increase.

#### **i) - Provision for Overall Banking Risk**

The provision is created in order to provide against possible financial assets' impairment. The provision made is based on estimates made by the Bank and is reviewed periodically. Adjustments are made when considered necessary.

## **J) - Employee Benefits**

The Bank provides a defined contribution plan for all employees. The defined contribution plan requires members of the plan and the Bank to contribute 5% and 10% of basic salary respectively. The Bank's contributions to the defined contribution plans are charged to the profit and loss account in the year to which they relate.

The Bank also operates a non-contributory retirement scheme for 4 employees and 3 retired employees, which provides benefits derived from a formula under the Portugal Retirement Fund Scheme in Portugal.

In accordance with the advice of holding company CGD, the Bank's contribution to defined benefits pension is charged to the profit and loss account so as to spread the regular cost over the service lives of the 4 employees. Retirement fund payment to the 3 retired employees is charged to the provision account in the year in which they relate.



## External Auditors' Report

### **External Auditors' Report to the Shareholders of Banco Nacional Ultramarino S.A. (Incorporated in Macau with Limited Liability)**

We have audited the financial statements of Banco Nacional Ultramarino, S.A. for the year ended 31st December 2003 and have issued an audit report thereon with an unqualified opinion on the 5th February 2004.

We have compared the attached financial statements summary with the above mentioned audited financial statements. The financial statements summary is the responsibility of the bank's directors.

In our opinion, the financial statement summary is consistent with the above mentioned audited financial statements.

In order to obtain a more comprehensive understanding of the bank's financial condition and operating results, the financial statements summary should be read in conjunction with the audited financial statements.

Lowe Bingham & Matthews - PricewaterhouseCoopers  
Certified Public Accountants

Macau, 5<sup>th</sup> February 2004



## Opinion of the Sole Supervisor

Shareholders:

In accordance with article 32 (e) of the Articles of Association, the Board of Directors of Banco Nacional Ultramarino, S.A. submitted to the Sole Supervisor the balance sheet, accounts and annual report in relation to the bank's operation in year 2003. In addition, the external auditors' report as prepared by "Lowe Bingham & Mathews - PricewaterhouseCoopers" for the bank in relation to its activity in same year was also provided.

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

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

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

The Sole Supervisor had also reviewed the external auditors' report and found that the report reflected truly the financial situation and performance of the bank as at close of business on 31st December 2003, as well as result of activity for the year then ended and which were prepared under the accounting principles applicable on banking activity.

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

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

Macau, 18<sup>th</sup> March, 2004

Sole Supervisor

Chui Sai Cheong



## Most Important Addresses

### **CAIXA GERAL DE DEPÓSITOS**

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

### **BANCO NACIONAL ULTRAMARINO, S.A.**

#### **Head Office**

Av. Almeida Ribeiro, nº22  
Tel.: 355111  
Fax: 355653  
Telex:88202BNUMC OM 88351 BNUFX OM  
E-mail: [markt@bnu.com.mo](mailto:markt@bnu.com.mo)  
<http://www.bnu.com.mo>  
Swift:BNULMOMX

#### **Credit Card Centre**

Av. Almeida Ribeiro, nº22  
Tel.: 335533  
Fax: 713119

### **BNU Branch Network**

#### **Central Branch**

Av. Almeida Ribeiro, nº22  
Tel.: 355111  
Fax: 355130

#### **Mercado Vermelho**

Av. Almirante Lacerda, nº90-92  
Telef.: 371166  
Fax: 211619

#### **Sidónio Pais**

Av. Sidónio Pais, nº20-20A  
Tel.: 584436  
Fax: 524589

#### **Fai Chi Kei**

Rua Comandante João Belo  
R/C Edf. Teng Pou Kok  
Tel.: 260165  
Fax: 260637

#### **Macau Airport Branch**

Aeroporto de Macau  
Tel.: 861309  
Fax: 861310

#### **Taipa**

Rua de Évora, "Flower City", R/C  
Quarteirão 40, Taipa  
Tel.: 833633  
Fax: 833622

#### **Iao Hon**

Rua 1 do Bairro Iao Hon,  
Edf Iao Kai  
Tel.: 571921  
Fax: 400395

#### **São Lourenço**

Rua João Lécaros, nº5-5B  
Telef.: 572259  
Fax: 933200

#### **Horta e Costa**

Av. Horta e Costa, nº54-56  
Tel.: 517962  
Fax: 527853

#### **Areia Preta**

Estrada Marginal do Hipódromo, 147 - C  
Tel.: 470032  
Fax: 470160

#### **Chong Fu**

Alameda Heong San, nº58  
Edf. Chong Fu R/C  
Tel.: 703478  
Fax: 705180