

Annual Report | 2004



2004

BNU

Banco Nacional Ultramarino
大 西 洋 銀 行



Annual Report | 2004



BNU

Banco Nacional Ultramarino
大 西 洋 銀 行



A. MACAU ECONOMY	7
Overview	8
Interest Rates	10
Foreign Exchange Market	11
Banking Sector	11
B. ACTIVITY OVERVIEW	15
Consumer Banking	16
Commercial Banking	16
Human Resources	16
Organisation and Systems	17
Banknote Issuing Functions	17
Community Support	17
C. RESULTS AND BALANCE SHEET	19
Results	20
Proposal for allocation of the net profit	22
Balance Sheet Structure and Changes	22

Contents

Governing and Auditing Bodies	28
Accounts	29
Shareholders with Qualified Holdings	34
Equity Investments	34
Principal Accounting Policies	35
External Auditors' Report	38
Opinion of The Sole Supervisor	39
Most Important Addresses	40



BANCO NACIONAL ULTRAMARINO

BNU
大西洋銀行

Macau Economy





A. Macau Economy

Overview

Macau economy recorded a strong performance in 2004 with the gross domestic product rising 28 percent, the third straight year that the economy has shown double-digit growth.

The economic expansion was driven by government policies to promote investment and the growth of the tourism sector, which in turn led to a sharp rise in private and public capital expenditure, a steep recovery in the property market and improved consumer and business confidence.

The continued growth of the Mainland economy, which recorded 9.5 percent in 2004, along with the Chinese government policy to ease visa restrictions, contributed strongly to the number of tourists visiting Macau.

Macau will further benefit from the growth of the Chinese economy as a member of the Pearl River Delta 9+2 group, formed to stimulate the economic development of the region in a coordinated way and which includes several Southeast China provinces and Hong Kong

Several initiatives were undertaken by the government to promote the implementation of the Closer Economic Partnership Agreement (CEPA).

The number of tourist arrivals in 2004 totalled 16.7 million, a 40.3 percent increase, due to a sharp rise in Mainland tourists that soared 66 percent, an impressive figure even taking into consideration the effects of the SARS epidemic in 2003. Visitors came mainly from Mainland China (57 percent of total arrivals), Hong Kong (30 percent) and Taiwan, China (8 percent). More than 3.5 million Mainland visitors travelled in 2004 under the new visa individual policy or 37 percent of total visitors from Mainland China.

Consequently, in 2004, the average occupancy rate of the hotel sector was 75.6 percent, up 11.3 percentage points over 2003.

The increase in the number of visitors contributed also to a rise of 43.5 percent in gambling revenues, which totalled MOP 42.3 billion in 2004.

In 2004, the property market showed a strong recovery ending a prolonged period of stagnation, boosted by the improved economic outlook, historical low mortgage rates and strong demand by residents and non-residents.

Against this background, housing prices and transaction volume for residential, commercial and office space rose steeply, in particular, in the 2nd half of the year.

Housing prices in some of the most central areas, which have been very depressed for many years, showed high double-digit growth.

The positive outlook for the growth of the tourism industry and the launching of new casino and hotels projects by the gaming concessionaires contributed to a sharp increase in non-residential fixed investment, which rose 47.5 percent.

In 2004, Venetian (Macau), opened its first casino in the Territory, the Sands Macau; Sociedade de Jogos de Macau (SJM) extended its operation to new casino facilities and Galaxy Resorts started operating a hotel and casino facility (the Waldo Hotel).

Special Administrative Region of Macao, China

Main Economic Indicators 2000 – 2004

	2000	2001	2002	2003	2004
Demand and Gross Domestic Product (% yoy)					
Real GDP (%)	4.6	2.9	10.1	14.2	28.0
Domestic Demand (%)	-8.8	-0.2	5.7	11.9	14.1
Private Consumption (%)	0.9	2.9	4.5	3.6	8.6
Public Consumption (%)	-9.8	-0.1	2.5	6.8	2.8
Gross Fixed Capital Formation (%)	-28.4	-0.9	9.4	45.7	36.8
Construction	-38.9	-31.7	11.9	72	30.9
Others	-6.4	21.8	6.9	17.1	46.1
Change in Inventories (%)	-16.1	-59.6	1239.2	34.7	13.9
Net Exports of Goods and Services (%)	39.6	6.4	17.3	17.4	47.4
Nominal GDP (in millions of USD)	6,731	6,187	6,824	7,924	10,306.6 ^(a)
GDP per capita (in USD)	14,394	14,253	15,567	17,805	22,557 ^(a)
Inflation and Unemployment					
Inflation rate (CPI % yoy)	-1.61	-2.00	-2.64	-1.56	1.00
Unemployment rate (%)	6.8	6.4	6.3	6.0	4.8
Tourism					
Visitors arrivals (1,000s)	9,162	10,279	11,531	11,888	16,673
From Mainland China	2,275	3,006	4,240	5,742	9,530
Visitors arrivals (% yoy)	23.1	12.2	12.2	3.1	40.3
From Mainland China	38.3	32.1	41.1	35.4	66.0
External Sector					
Exports of Goods (% yoy)	14.10	-5.20	5.50	9.40	8.30
Imports of Goods (% yoy)	6.20	8.50	9.30	13.30	23.70
Trade Balance (in millions of USD)	283	-87	-173	-174	-661
Balance of Current Accounts (in millions of USD)	2,177	2,323	2,768	3,337	4,872
Exp./Imp. of Goods Ratio (%)	90.75	77.67	93.10	93.70	80.90
Interest and Exchange rates					
Pataca Exchange Rate (1 US\$=)	8.026	8.034	8.033	8.021	8.023
Nominal Effective Exchange Rate Index	114.22	106.40	105.25	101.01	96.19
3 Month Average Interbank Rate (MAIBOR) (%)	6.2266	3.6787	1.7965	1.2171	0.4753
3 Month Average Interbank Rate (LIBOR) (%)	6.5353	3.6719	1.8727	1.2143	1.6243
Savings Interest Rate	4.500	0.125	0.060	0.001	0.130
Main Monetary Indicators	9.50	5.25	5.00	5.00	5.00
Main Monetary Indicators					
Money supply M ₁ (millions of MOP)	4,945	5,917	6,351	8,790	13,446
Money supply M ₂ (millions of MOP)	84,918	91,550	98,960	111,090	120,953
Total Credit (millions of MOP)	50,880	49,400	51,318	48,705	52,670
Total Deposits (millions of MOP)	103,267	110,542	119,572	129,663	142,841
Official Foreign Reserves at AMCM (millions of MOP)	74,976	85,222	97,960	114,717	130,608

yoy: year over year

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

(a) Provisional data



The gaming concessionaires also began the construction of new hotels and casinos, which will make Macau a major tourism destination.

The Government has been able to provide a further boost to the economy by increasing public investment in 31.9 percent in 2004, as the public revenue rose 30 percent due to soaring gambling taxes.

Several major public infrastructures were completed in 2004:

- The third Macau-Taipa bridge (Sai Van Bridge);
- The “Portas do Cerco” customs building and a large transport terminal;
- Several sport facilities for the 2005 East Asian Games.

Private consumption expenditure, which had a real growth of 8.6 percent in 2004, benefited from the improved economic situation and higher levels of employment and salaries.

Retail sales also benefited from the increase in spending of the growing number of tourists visiting Macau, in particular, those coming from Mainland China.

Exports grew 9 percent in 2004, due to a rise in exports to the American market (+6.5 percent) and to Europe (+3.4 percent), which remain as Macau’s two largest export markets (70.3 percent of the total export value).

Exports to Mainland China and Hong Kong rose 10.4 percent and 25.1 percent respectively, absorbing these markets together 21.5 percent of the total export value.

The strong expansion of domestic demand led to an increase in imports of 26.3 percent over 2003, in particular of capital and consumer goods.

Consequently, the ratio exports over imports declined from 93.7 percent in 2003 to 80.9 percent in 2004.

The elimination of the quota system for the textile and apparel industry may affect Macau’s exports in 2005.

In 2004, the unemployment rate declined to 4.8 percent reflecting strong demand for new staff and workers from casinos, hotels, restaurants and retail shops as well as from construction and public works.

In 2004, the CPI had a slight increase of 0.98 percent, as the trend for higher food, clothing and footwear and energy prices as well the recovery of the property market, put an end to the mild deflation of the last few years (in 2003 the CPI had declined -1.56 percent).

Interest Rates

The interbank short term interest rates for the Hong Kong dollar and the pataca remained at levels close to zero for the most part of the year, as strong capital inflows contributed to increase liquidity in the market.

Capital inflows were attracted by the recovery of the Hong Kong economy, its stock and property markets, as well as increasing speculation regarding a possible revaluation of the renminbi.

After the Fed raised the interest rate three times by 25 b.p. at a time, starting in June, the HK dollar interbank interest rates began to firm up by September, leading to an increase in the prime lending rate, for the first time since 2002, from 5 percent to 5.125 percent.

However, by the end of the year the prime lending rate was lowered to its previous level as capital inflows increased again.

The premium for Hong Kong dollar one-year forward

contract against the US Dollar fluctuated sharply from a minimum of 300 points in May to a maximum of 1620 points by the end of year.

Foreign Exchange Market

The Hong Kong dollar fluctuated in a range between 7.76 and 7.8 HK dollar to the US dollar, influenced by speculative capital inflows and by the trend in the exchange rate of the US dollar against major currencies.

The US dollar depreciated against the euro and the yen in 2004 albeit at a slower pace than in 2003, as the currency continued to be pressured by the need to attract capital to finance an increasing trade deficit and by very low interest rates.

The US dollar rates against most of the main Asian currencies fluctuated in a narrow range supported by intervention of the monetary authorities that limited the impact of capital inflows and of external accounts surpluses.

Against this background, the pataca, which is linked to the HK dollar, depreciated by 7.9 percent against the euro and by 4.6 percent vis-à-vis the yen, mirroring the behaviour of the US dollar against these currencies.

Banking Sector

The banking sector main indicators of activity and profitability improved in 2004 with the strong economy growth, the recovery of the property market and increase in private and public investment.

In 2004, banks in Macau were authorised to operate in renminbi namely in the areas of deposit taking, foreign exchange transactions and issuance of credit cards.

In 2004 customer deposits grew 10.2 percent compared

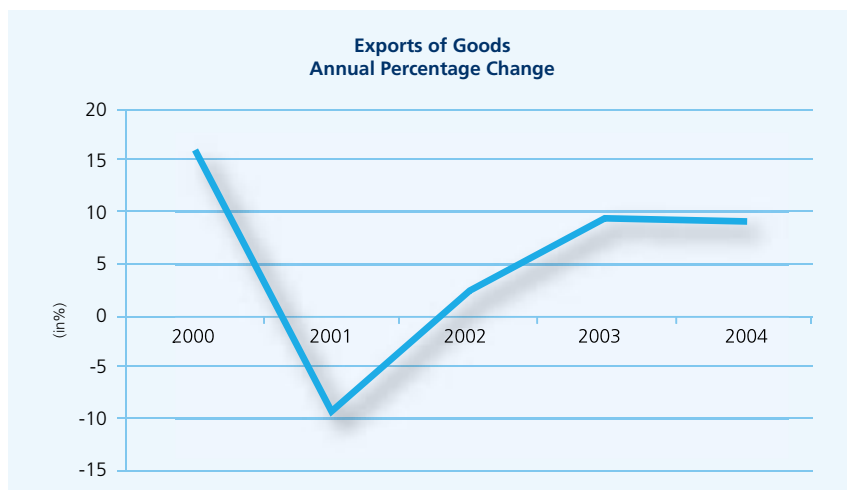
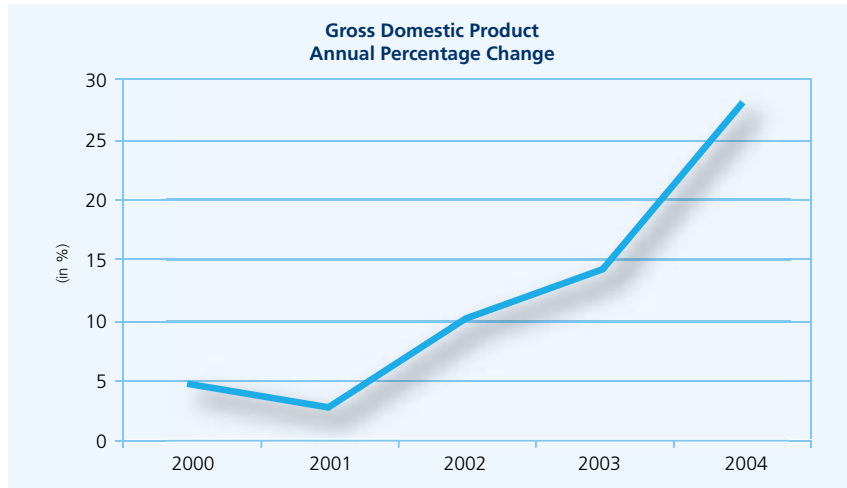
with the 8.2 percent growth recorded in the previous year, while credit to customers rose 8.1 percent as loan demand recovered after a period of stagnation.

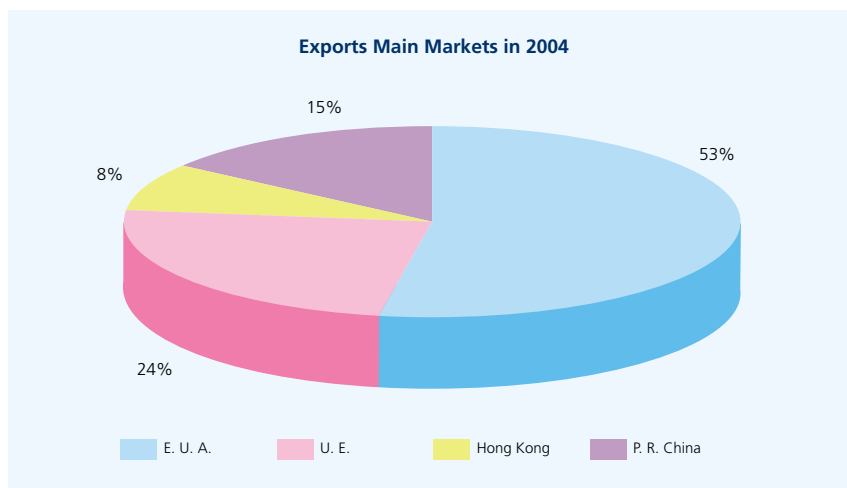
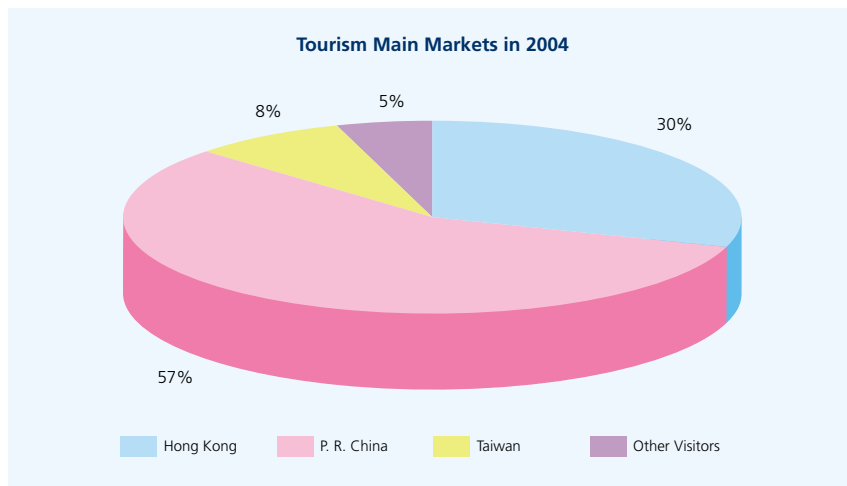
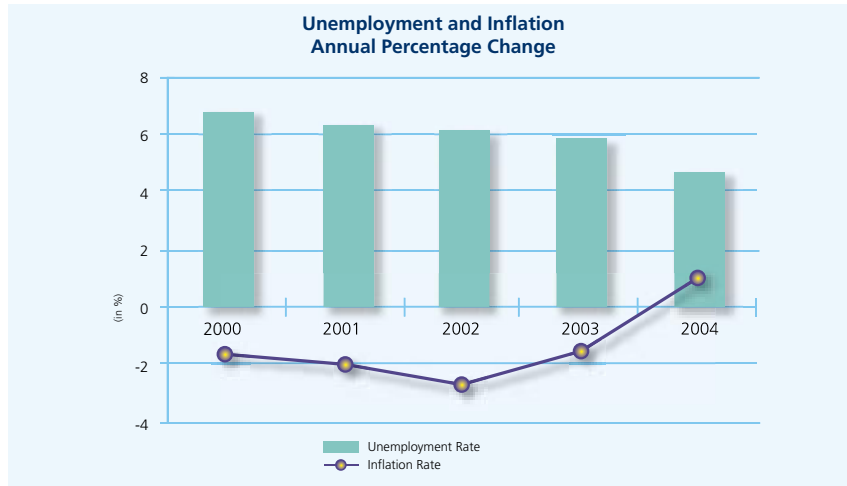
The profitability of banks in 2004 improved significantly with operating profits rising by 53 percent, despite a decline of 8.4 percent in net interest income, due in a large extent to a decline in interbank interest rates and narrow spreads for loans, in particular, housing loans.

The rise in non-interest income (+26 percent) and lower provisions requirements boosted operating profits



Main indicators of Macau economy – Graphs





BANCO NACIONAL ULTRAMARINO



Activity Overview





B. Activity Overview

Consumer Banking

One of the main components of our business model is the development of the consumer banking business by offering products and services that meet customer needs and by providing efficient customer service.

The distribution and cross-selling of services and products to a segmented clientele are key factors driven the creation of value.

Housing loans rose sharply due to a buoyant property market, combined with the new competitive features introduced to our mortgage loan product since December 2003.

Consumer loans rose as the Bank's car loan package is one of the most competitive in the market.

The number of credit cards issued increased by 14 percent and card sales volume and average card spend recorded double digit growth. Net charge-offs as a percentage of average outstanding amount remained below one percent.

The Bank's network of POS terminals was also extended to new merchants and merchant sales volume soared sharply.

We launched incentive schemes for our customers, namely associating the credit card usage to the redemption of ice cream and supermarket coupons and offering gas coupons upon application to the BNU Car Loan.

We reinforced our communication with customers, by making use of several media (billboards, newspaper advertisements, direct mailing, e-mails, SMS messages, etc.), with several joint promotions on BNU products and services during the year (privileged dining program, exclusive discount offers & redemption, etc).

BNU established network connections with an insurance

company and with an electronic trade platform for structured investment products. This enabled our Customer Service Representative to retrieve the latest information on insurance products and structured products in real time.

An agreement was also signed with an insurance company for the Bank to act as an agent to sell life insurance products. A staff team from the branches and private banking area was especially trained to sell this product.

Commercial Banking

BNU continued to focus its activity in financing the expansion of the infrastructure of the tourism sector, which is expected to expand rapidly in the years ahead. The Bank took a participation in a syndicated loan to Wynn Resorts (Macau) to finance the construction of a hotel and a casino.

The Bank continues also to support its clients in the areas of trade finance, public works and construction of residential apartments through both short term finance and providing guarantees.

Human Resources

Given the tight condition in the labour market, which led to an increase in staff turnover, especially frontline and IT staff, we have put in place new programmes to recruit and train new staff.

We provided training and educational programs to staff on various topics, including: banking operations, insurance, management skills, investment products, computers, credit cards, money laundering, Macau taxation, Macau company law, auditing, credit and finance, anti-money laundering, counterfeit notes and employment regulation. In addition, in-house training on customer service & selling skills was organised for branch managers and operations managers.

Organisation and Systems

- We started the implementation of the new IAS rules and the Basel II agreement.
- We reviewed and updated the customer database to facilitate customer analysis.
- We improved the access to customer information for the purpose of credit application.
- Several management and automation systems have been developed successfully, in order to simplify the business processes, reduce costs and improve customer service.
- We successfully linked our ATM network to the China Union Pay network, through the existing connection with JETCO, allowing China Union Pay cardholders to do transactions at BNU ATM network.
- Enhancements have been made to our POS terminals and the ATM system to enable our POS merchants to accept JETCO member bank cards for retail purchase transactions.
- To fight counterfeit card using at our ATMs, the ECD (Enhanced Card Driver) was installed in the latest model ATMs.
- All mandatory Visa and MasterCard compliances, including the MasterCard ICA extension compliance, were implemented on schedule.
- BNU Online Phase II Project was completed, and enhancements were implemented, including special exchange rates, e-mail messages to advise recipients upon completion of fund transfers and housekeeping functions.
- We coordinated efforts for outsourcing the ATMs cash replenishment and banknotes and coins delivery to a specialised company.

- We completed the CGD International Network Reengineering project that connects BNU Macau network to CGD international private network.
- The SWIFT-Net IP Network migration was done on time as specified by SWIFT. Under the new network infrastructure, the communications between BNU and SWIFT are using TCP/IP protocol and VPN technology for better protection.
- We finalized the “Fire Escape Emergency Procedure” in order to prepare the fire drill planned for 2005.

Banknote Issuing Functions

A new series of banknotes will be issued in 2005 with a totally new design and additional security features.

Community Support

The Bank joined efforts with Macau's Red Cross to collect donations for the Southeast Asia Tsunami victims and also made a donation to the relief effort.

In 2004 donation boxes to support the activities of Tung Sin Tong and Associação de Reabilitação de Toxicodependentes de Macau were installed in our branches.

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

Macau XV Arts Festival, Macau XVIII International Music Festival and the 5th Anniversary of Macau Cultural Centre Celebration Program, which are important events in the cultural scene of Macau, continued to have the support of the Bank.



Results and Balance Sheet





C. Results and Balance Sheet

1. Results

Net profit

The Bank's financial performance improved markedly in 2004, a trend that is expected to continue in 2005.

The Bank's net profit rose 40.1 percent to MOP 80.057 million driven by a strong growth in mortgage and consumer lending and the increase in revenue from fee generating services and transactions, despite the negative effect of lower net interest income.

Policies implemented to reduce operating costs and the improvement in quality of the credit portfolio contributed also positively to the Bank's results.

Net Interest Income

Net interest income amounted to MOP 164.6 million, less MOP 0.41 million, or 0.2 percent when compared with MOP 164.9 million recorded in 2003.

Interest income (-10.4 percent) and interest expense (-20.3 percent) decreased significantly due to the sharp drop in interest rates.

The net interest income was impacted negatively by the very low interbank HKD/MOP interest rates which, during most of the year, were at levels close to zero percent, affecting the profitability of the interbank placements which represent a significant part of the total assets.

The increase in the Bank's consumer loans, which has a higher interest rate spread, and a higher percentage of prime based loans in the credit portfolio also helped soften the impact of lower interbank interest rates in the net interest income.

Net Non-Interest Income

Net non-interest income in 2004 increased by 72.6 percent to MOP 80.3 million from MOP 46.5 million in the previous year due to:

- Net profits from financial transactions increased by 60.8 percent, reflecting increased profits from foreign exchange transaction due to higher turnover and a more volatile USD/HKD exchange rate.
- Net commissions and fees increased by 50.3 percent mainly caused by an increase in commissions from credit facilities and card business.

Net Operating Income

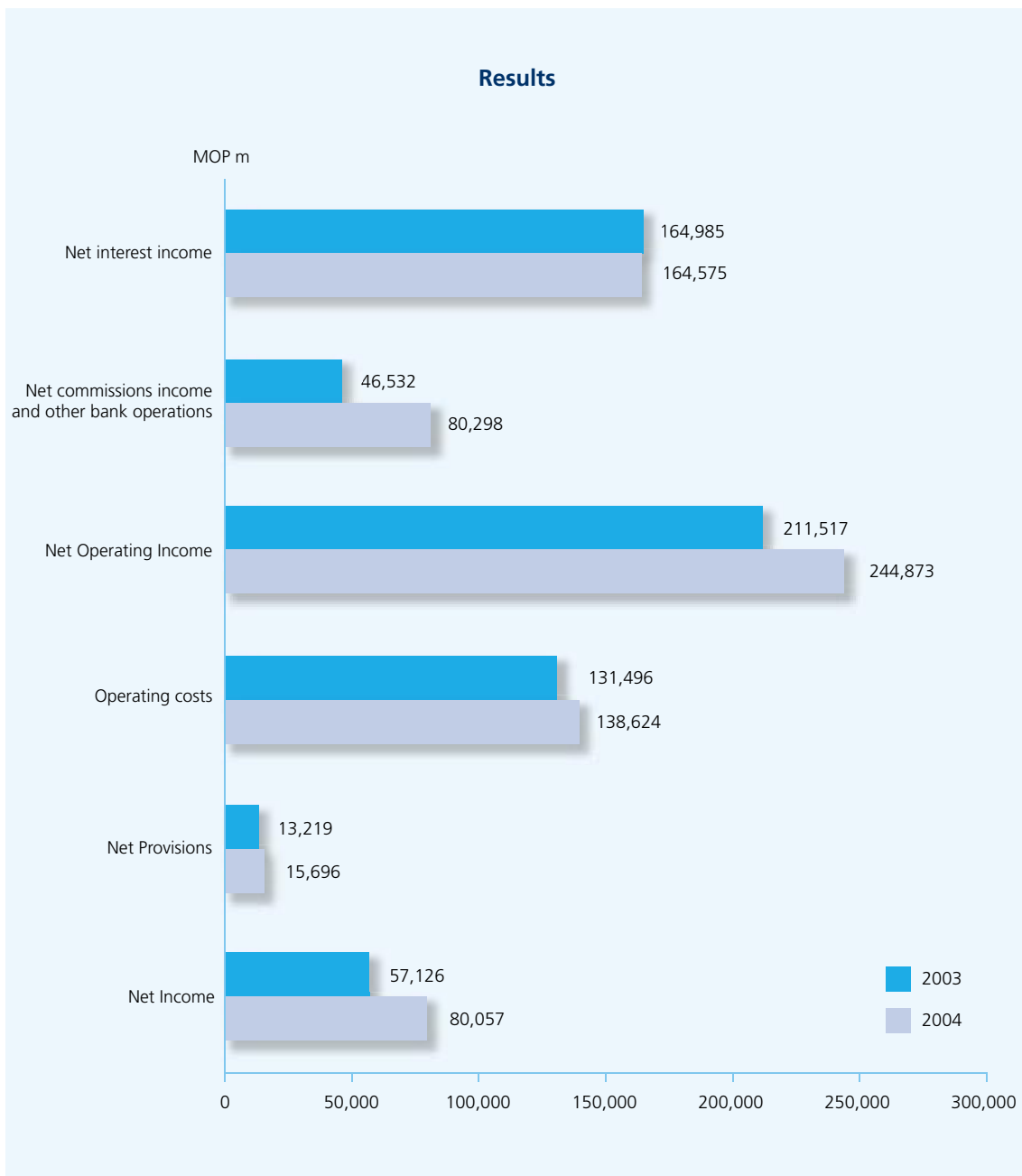
Net operating income increased by MOP 33.3 million, or 15.8 percent, amounting to MOP 245 million. The contribution of the net interest income to the net operating income was 67 percent, significantly lower than in the previous year.

In 2004 the revenues from commissions and treasury rose significantly, in line with the Bank's objective of increasing the relative importance of fee generating services and products in the Bank's results.

Net commissions and fees and net profits from financial transactions represented 15.1 percent and 11.2 percent, respectively of the net operating income (11.6 percent and 7.6 percent in the previous year).

Operating Costs

Operating costs increased by MOP 6.9 million in 2004, up 5.3 percent when compared with 2003, totalling MOP 138.34 million, reflecting the following changes in its main components:



- Staff expenses rose just by 0.7 percent, amounting to MOP 84.7 million, due the increase in salaries and other compensation paid.

- Third party supplies and services increased by 8.5 percent, amounting to MOP 33.9 million;

- Depreciation increased by 12.9 percent.

The ratio cost-to-income¹ at 56.6 percent was six percentage points lower than in 2003.

¹ (Staff Expenses + Third Party Supplies and Services + Other Administrative expenses) / Net Operating Income



Provisions

Provisions made in 2004, net of provisions released, amounted to MOP 15.6 million, higher MOP 2.5 million than in 2003 due mainly to an increase in provisions for generic credit risks, which are made in accordance with rules from the Monetary Authority of Macau.

The net charge for specific provisions was MOP 4.8 million, a decrease of MOP 9.6 million in respect to 2003, as the quality of the credit portfolio improved.

Net provisions made for credit to customers and credit card advances were significantly less than in the previous year.

The net charge for other provisions was slightly higher at MOP 1.884 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 80,057,458.24 is allocated as follows:

- For Legal Reserves, according to the art. 60 of Macau Financial System Act
MOP 16,011,491.65
- For Other Reserves, the remaining amount
MOP 64,045,966.59

3. Balance Sheet Structure and Changes

Net Assets

As of December 31st, 2004, the net total assets amounted

to MOP 14,409 million, an increase of 10.7 percent over 2003.

In 2004, the weight of placements with banks dropped to 56.6 percent from 62.7 percent in the previous year, while credit to customers represented 24.7 percent of net total assets in 2004, against 20.7 percent in 2003.

Loans and Advances

Total loans and advances to Macau entities amounted to MOP 3 billion, an increase of 35.8 percent, due mainly to a rise in mortgage and consumer loans, while external credit increased by 10 percent.

Loans and advances to Macau companies decreased by 1.8 percent mainly due to a drop in short term loans to finance working capital needs.

The increase in credit to customers was mainly due to the growth in mortgage lending and consumer loans.

Retail lending benefited substantially from the growth in personal and housing loans.

Housing loans outstanding increased significantly benefiting from the recovery in the property market.

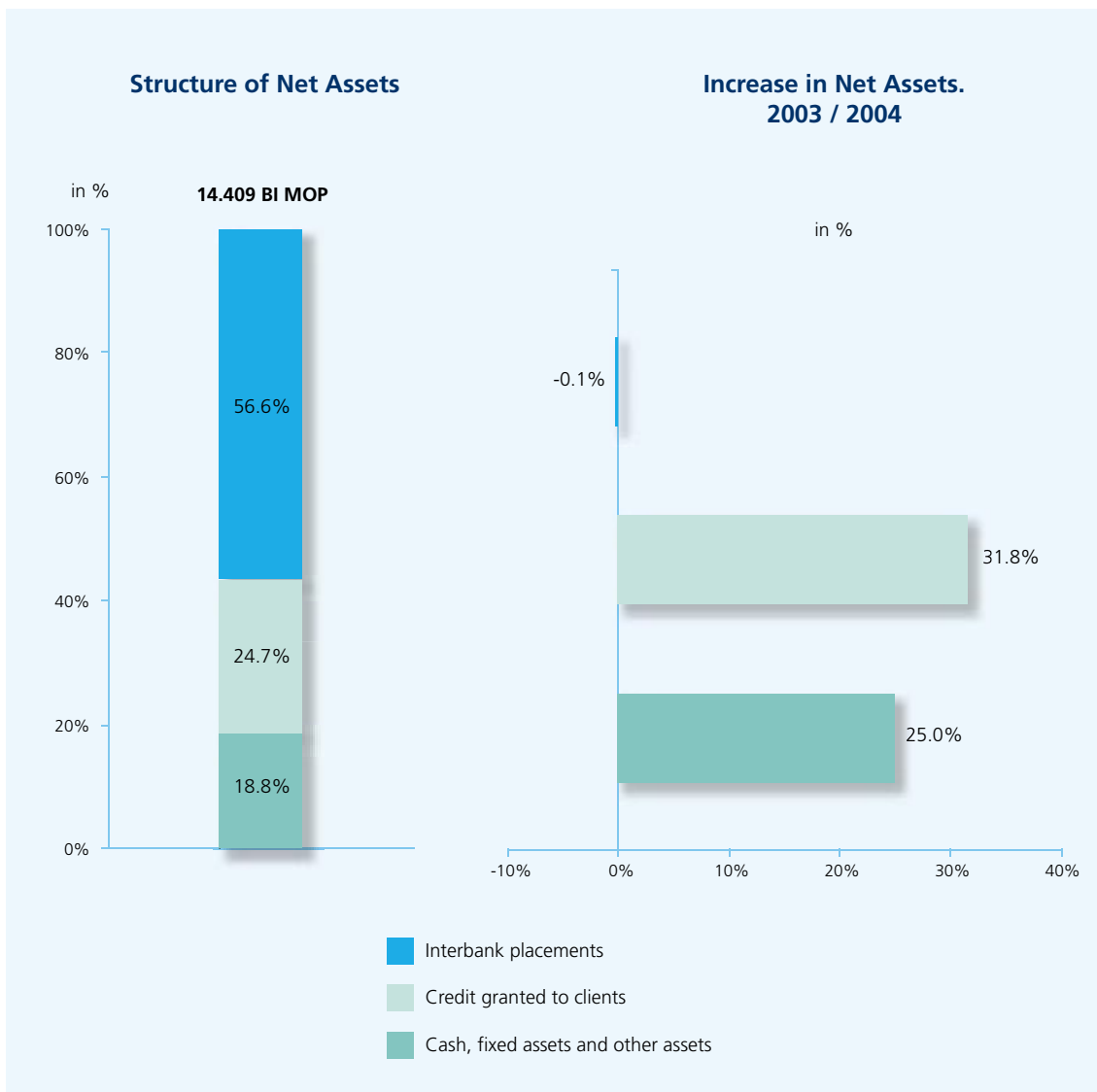
Placements with banks decreased just 0.5 percent.

Most interbank placements are in the form of short term deposits with banks in Hong Kong and monetary bills issued by the Macau Monetary Authority.

Customer Deposits

Total customer deposits, from the private and public sectors, continue to show strong growth as the economy expands.

As of December 31st 2004, total customer deposits



amounted to MOP 11,542 million, a rise of 15 percent, while total deposits from Macau residents rose 19.6 percent.

The structure of total customer deposits improved markedly, since current and savings deposits grew at a higher rate (52.4 percent) than time deposits (8.9 percent).

Time deposits totalled MOP 8 billion as of December 31st 2004, accounting for 69.3 percent of total deposits, against 76.3 percent at the end of 2003.

Amounts Due From Banks

Amounts due from banks totalled MOP 615 million, decreasing by MOP 390 million, making up 4.2 percent of the total liabilities, a reduction of 3.4 percentage points.

Capital Adequacy Ratio

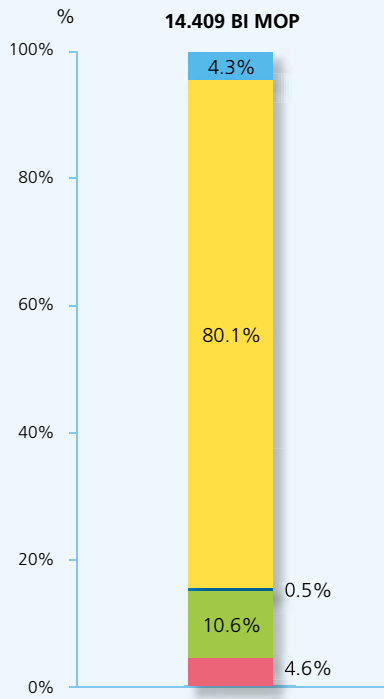
The capital adequacy ratio, calculated according to the rules established by the Monetary Authority of Macau, moved from 15.5 percent in 2003 to 14.9 percent in 2004.



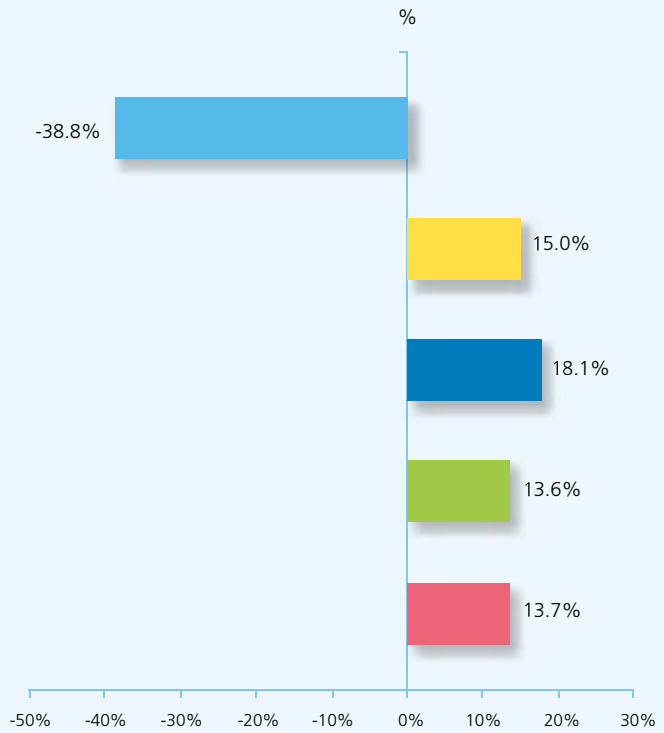
The Bank's total capital amounted to MOP 707 million, higher than the MOP 639 million recorded in 2003.

At 14.9 percent, the capital adequacy ratio, which was calculated in accordance with 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, is well above the required 8 percent.

Structure of Liabilities and Shareholders' Equity



Increase/decrease in Liabilities and Shareholders' Equity, 2003/2004



- Resources from banks
- Clients deposits
- Provisions for general risks
- Other liabilities
- Equity

B. N. ULTRAMARINO

24







Governing and Auditing Bodies

BOARD OF THE GENERAL MEETING

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

Board of Directors

Chairman : CAIXA GERAL de DEPÓSITOS, S.A., represented by Miguel José Pereira Athayde Marques up to the 19th October 2004

CAIXA GERAL de DEPÓSITOS, S.A., represented by Carlos da Silva Costa since the 20th October 2004

Vice-Chairman : Herculano Jorge de Sousa

Members : CAIXA - Equity Investments SGPS, S.A., represented by António Luís Neto
COMPANHIA DE SEGUROS FIDELIDADE, S.A., represented by Leonel Alberto Range Rodrigues

Artur Jorge Teixeira Santos

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

Sole Supervisor: Chui Sai Cheong

Accounts

BANCO NACIONAL ULTRAMARINO. S.A. BALANCE SHEET AS OF DECEMBER 31, 2004

ASSETS	GROSS ASSETS	PROVISIONS, AMORTIZATIONS AND NET VALUE	NET ASSETS
	(in units of MOP)		
CASH	276,214,051.41	0.00	276,214,051.41
DEPOSITS WITH AMCM	147,280,417.20	0.00	147,280,417.20
DEBT CERTIFICATES ISSUED BY THE MACAU GOVERNMENT	1,411,561,177.67	0.00	1,411,561,177.67
ACCOUNTS RECEIVABLE	26,058,505.02	0.00	26,058,505.02
DEPOSITS WITH OTHER CREDIT INSTITUTIONS			
IN MACAU	16,763,784.08	0.00	16,763,784.08
DEPOSITS WITH OTHER CREDIT INSTITUTIONS ABROAD	93,415,848.98	0.00	93,415,848.98
GOLD AND SILVER	0.00	0.00	0.00
OTHER CURRENT ASSETS	2,316,606.09	0.00	2,316,606.09
CREDIT GRANTED	3,683,852,468.68	125,539,990.56	3,558,312,478.12
PLACEMENTS WITH CREDIT INSTITUTIONS			
IN MACAU	1,166,000,000.00	0.00	1,166,000,000.00
DEPOSITS AT CALL AND TIME DEPOSITS WITH			
CREDIT INSTITUTIONS ABROAD	6,983,118,642.71	0.00	6,983,118,642.71
SHARES, BONDS AND QUOTAS	458,742,281.17	17,683,557.34	441,058,723.83
INVESTMENT OF ASSIGNED FUNDS	0.00	0.00	0.00
DEBTORS	238,368.94	0.00	238,368.94
OTHER PLACEMENTS	0.00	0.00	0.00
FINANCIAL INVESTMENTS	34,592,250.00	6,000,000.00	28,592,250.00
PROPERTY	179,001,694.08	38,837,680.56	140,164,013.52
EQUIPMENT	66,861,280.33	58,635,516.67	8,225,763.66
DEFERRED COST	9,714,089.93	5,666,033.99	4,048,055.94
START - UP EXPENDITURE	0.00	0.00	0.00
FIXED ASSETS IN PROGRESS	0.00	0.00	0.00
OTHER FIXED ASSETS	1,488,003.79	0.00	1,488,003.79
INTERNAL AND ADJUSTMENT ACCOUNTS	104,313,483.36	0.00	104,313,483.36
TOTAL	14,661,532,953.44	252,362,779.12	14,409,170,174.32



BANCO NACIONAL ULTRAMARINO. S.A. BALANCE SHEET AS OF DECEMBER 31, 2004

LIABILITIES	SUB-TOTAL	TOTAL
	(in units of MOP)	
BANK NOTES IN CIRCULATION		1,393,683,870.00
CURRENT DEPOSITS	2,829,750,760.23	
DEPOSITS AT CALL	0.00	
TIME DEPOSITS	6,651,511,378.95	9,481,262,139.18
GOVERNMENT DEPOSITS	2,060,745,671.35	
AMOUNTS DUE TO CREDIT INSTITUTIONS IN MACAU	21,778,331.59	
AMOUNTS DUE TO OTHER LOCAL ENTITIES	0.00	
AMOUNTS DUE TO CREDIT INSTITUTIONS ABROAD	593,227,302.05	
ASSIGNED FUNDS	0.00	
PAYABLE BANK CHEQUES	89,618.85	
CREDITORS	27,489,644.43	
OTHER LIABILITIES	21,110,189.23	2,724,440,757.50
INTERNAL AND ADJUSTMENT ACCOUNTS		79,857,269.83
PROVISIONS FOR RISKS		94,281,225.07
CAPITAL	400,000,000.00	
OTHER RESERVES	69,415,434.06	469,415,434.06
NET PROFIT BROUGHT FORWARD		86,172,020.44
NET PROFIT FOR THE YEAR		80,057,458.24
TOTAL		14,409,170,174.32

BANCO NACIONAL ULTRAMARINO. S.A.
BALANCE SHEET AS OF DECEMBER 31, 2004

MEMORANDUM ACCOUNTS	AMOUNT
	(in units of MOP)
VALUES RECEIVED FOR SAFE KEEPING	142,178,250.79
BILLS FOR COLLECTION	59,700,679.11
SECURITIES RECEIVED	7,867,608,740.55
GARANTEES ON ACCOUNTS OF CUSTOMERS	1,740,705,665.69
LETTERS OF CREDIT OUTSTANDING	333,742,760.96
BILLS AND ACCEPTANCES AVAILABLE FOR DISCOUNT	0.00
SECURITIES DEPOSITED	0.00
FORWARD FOREIGN EXCHANGE PURCHASES	601,877,873.94
FORWARD FOREIGN EXCHANGE SALES	601,703,719.77
OTHER MEMORANDUM ACCOUNTS	4,277,603,031.60
OF WHICH: PUBLIC TREASURY-CURRENT ACCOUNT	6,472,865.67



BANCO NACIONAL ULTRAMARINO. S.A. PROFIT AND LOSS ACCOUNT FOR THE YEAR 2004 INCOME STATEMENT

DEBIT	<u>ACCOUNT</u>	CREDIT	<u>ACCOUNT</u>
	(in units of MOP)		
INTEREST EXPENSE	124,549,086.65	INTEREST INCOME	286,349,487.47
STAFF COST	84,723,855.98	BANK OPERATIONS INCOME	60,413,906.93
OF WHICH:		OTHER BANK OPERATING INCOME	27,529,750.42
REMUNERATION OF BOARD OF DIRECTORS AND SUPERVISOR COMMITTEE	5,880,924.64		
		INCOMES FROM SECURITIES AND FINANCIAL INVESTMENTS	2,774,275.54
SALARIES AND WAGES	68,223,540.81	OTHER BANK INCOME	15,717,119.80
BENEFITS	9,705,270.79	NON-BANKING INCOME	50,336.08
OTHER PERSONNEL EXPENSESE	914,119.74	OPERATIONG LOSSES	0.00
THIRD PARTY SUPPLY EXPENSES	4,990,543.82		
THIRD PARTY SERVICE EXPENSES	28,917,059.80		
OTHER BANK COSTS	28,193,787.72		
TAXES	1,111,736.30		
NON-BANKING EXPENSES	1,259,606.50		
DEPRECIATIONS	12,840,588.74		
PROVISIONS	34,650,421.71		
OPERATION INCOME	71,598,189.02		
TOTAL	<u><u>392,834,876.24</u></u>	TOTAL	<u><u>392,834,876.24</u></u>

BANCO NACIONAL ULTRAMARINO. S.A.
PROFIT AND LOSS ACCOUNT FOR THE YEAR 2004
PROFIT AND LOSS ACCOUNTS

DEBIT	<u>AMOUNT</u> (in units of MOP)	CREDIT	<u>AMOUNT</u>
OPERATIONG LOSSES	0,00	OPERATING INCOME	71.598.189,02
ACCUMULATED LOSSES FROM PREVIOUS YEARS	15.093.374,20	ACCUMULATED INCOME FROM PREVIOUS YEARS	25.545.631,14
EXTRAORDINARY LOSSES	169.202,40	EXTRAORDINARY INCOME	1.671.947,36
INCOME TAX	15.006.702,00	PROVISIONS USED	11.510.969,32
PROFIT FOR THE YEAR	80.057.458,24	LOSS FOR THE YEAR	0,00
TOTAL	<u>110.326.736,84</u>	TOTAL	<u>110.326.736,84</u>

HEAD OF ACCOUNTING

MARIA CLARA FONG

PRESIDENT OF EXECUTIVE COMMITTEE

HERCULANO JORGE DE SOUSA



Shareholders with Qualified Holdings

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

Shareholders with a qualified holding:

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

Equity Investments

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

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

Principal Accounting Policies

(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 Monetária 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.

Investments in listed shares are stated at the lower of cost and market value at the balance sheet date. Investments in unlisted shares are stated at cost less provision for other than temporary diminution 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:

Freehold and leasehold 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) Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Bank. It can also be a present obligation arising from past events that is not recognized because it is not probable that an outflow of economic resources will be required or the

amount of obligation cannot be measured reliably.

A contingent liability is not recognized but is disclosed in the notes to the accounts. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognized as a provision.

(i) 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.

(j) 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.

(k) 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 percent and 10 percent 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 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 2004 and have issued an audit report thereon with an unqualified opinion on the 28th February 2005.

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, 28th February 2005

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 2004. 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 2004, as well as result of activity for the year then ended and which were prepared under the accounting principles applicable on banking activity.

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

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

Macau, 18th March, 2005

Sole Supervisor

Chui Sai Cheong



Most Important Addresses

CAIXA GERAL DE DEPÓSITOS

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

BANCO NACIONAL ULTRAMARINO, S.A.

Head Office

Av. Almeida Ribeiro, no. 22
Tel.: 355111 Fax: 355653
Telex:88202BNUMC OM 88351 BNUFX OM
E-mail: markt@bnu.com.mo
<http://www.bnu.com.mo>
Swift:BNULMOMX

Credit Card Centre

Av. Almeida Ribeiro, 22
Tel.: 335533 Fax: 713119

BNU Branch Network

Central Branch

Av. Almeida Ribeiro, 22
Tel.: 355111 Fax: 355130

Mercado Vermelho

Av. Almirante Lacerda, No. 90-92
Tel: 371166 Fax: 211619

Sidónio Pais

Av. Sidónio Pais, No. 20-20A
Tel.: 584436 Fax: 524589

Fai Chi Kei

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

Agência do Aeroporto de Macau

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, No 5-5B
Tel: 572259 Fax: 933200

Horta e Costa

Av. Horta e Costa, No 54-56
Tel.: 517962 Fax: 527853

Areia Preta

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

Chong Fu

Alameda Heong San, No 58 Edf. Chong Fu R/C
Tel.: 703478 Fax: 705180