

Distribution Channels

Branch Office Network

CGD Group network had 1 095 branches, at year end, (780 nationwide and 315 abroad). Domestic operations continued to concentrate on branch office rationalisation. The closure of 15 former BNU and Banco Postal branches was partly offset by the opening of 12 branches in new locations.

CGD Group Banking Branches

	2003	2004
CGD (Portugal) ^(a)	781	778
Caixa-Banco de Investimento	2	3
Banco Simeón	170	173
Banco Nacional Ultramarino (Macao)	11	11
Banco Comercial e de Investimentos (Mozambique)	33	32
Banco Interatlântico (Cape Verde)	4	4
Banco Comercial Atlântico (Cape Verde)	23	24
Mercantile Lisbon Bank Holdings	15	14
CGD Branches	55	56
Total	1 094	1 095
Representative Offices	10	10

(a) Includes 47 Empresas & Soluções network branches in 2004.

One of the branch offices opened in 2004, belongs to the Empresas & Soluções network and another specialises in foreign residents in Portugal. The latter branch is housed in CNAI (National Immigrants' Support Centre) premises under an agreement with ACIME (High Commissariat for Immigration and Ethnic Minorities).

Pursuant to its internationalisation strategy, CaixaBI opened a branch office in Madrid.

Caixautomática and Multibanco Networks

In 2004, CGD continued to endeavour to improve its self-service banking facilities and their direct use by promoting the use of appropriate automation facilities for banking operations using electronic media, with the aim of converting from a "transaction" to a "relationship" bank, providing customers and the banking business with added value.

The provision of Caixautomática and Multibanco networks has played a relevant complementary role in branch terms, helping to increase automation as a vehicle permitting such term developments.

Caixautomática

CGD's private in-house cash machine system – CAIXAUTOMÁTICA – plays a vital role in automating routine operations as a complementary branch channel, increasing efficiency and leeway for branches' commercial operations.

To improve service quality, the total number of 2 334 installations (20% up over last year) was technologically upgraded and reinforced.

In terms of technological renovation, several new items of equipment with new functionalities were introduced. These include cheque dispensing equipment and automatic, intelligent banknote and cheque counters, the latter involving digitalisation.

The increase in the automation rate was furthered with the rollout of the "Integrated Transaction Migration Programme" as a follow-up to the pilot programme, one of the aspects of the "Revision of the Branch Office Organisational Model Network project".

Quality and security issues involved the development of control tests to ensure the good operation of automatic equipment, notably in respect of the new dispensing equipment's detection of counterfeit banknotes.

Multibanco

There was a 5% increase in the total number of Caixa assisted automatic Multibanco ATM network machines, shared with SIBS, to 1 675 or a market share of 16.6%, particularly ATM installations in non-banking locations, to exploit convenience sites such as those afforded by companies, railway stations, hospitals, universities, petrol stations and major retail outlets, with a growth of around 15% and whose relative proportion increased from 45% to 49% of total installations.

Automatic Payment Terminals

There was an 11% increase in the size of the automatic payment terminal network in 2004. In management terms, reference should be made to the reformulating of the business model, to reduce communications costs and modify the pricing structure, in an endeavour to cover CGD's costs as a terminal support bank.

New Electronic Banking Channels

Further consolidation of multi-channel relationships, supported by digital economy channel diversification and integration and development of pre-existing electronic channels is one of CGD's dominant activities. The articulation between these personal and electronic channels, is part of our customer-focus strategy, geared to meeting customers' needs and expectations and leveraging value achievement, particularly enhancing online access to Caixa.

CGD Group intensified and improved access to multi-channel platforms, as set out below:

Individual customers:

- Caixadirecta;
- Caixadirecta *on-line* (internet);
- Caixadirecta WAP (mobile internet);
- Caixadirecta SMS;
- Caixadirecta *Invest* online brokerage;
- CaixaMóvel;

Corporate and Institutional customers:

- Caixa e-banking;

And the following platform:

- Caixa Contact Center.

Caixadirecta

The Caixadirecta telephone banking service provides customers with a broad range of operations, in terms of account information and usage, mortgage and personal credit simulations and information on CGD products. It also provides customers with an English and, in 2004, a French and Spanish IVR (Interactive Voice Response) facility.

CaixaDirecta recorded a significant increase in new subscriptions during the course of the year, with customer growth of around 25% and an approximate 16% increase in operations.

Caixadirecta *on-line*

Caixa's multi-channel internet banking platform made fresh progress, in terms of security and level of service, in 2004. An additional security parameter required users to key in their tax numbers for withdrawals/transfers, providing the service with extra security without the need to memorise yet another code. In quality of service terms, reference should be made to ACEP's (Electronic Commerce Association) certification of the <https://caixadirecta.cgd.pt> site, inclusion of new functionalities, notably the introduction of direct debits, debit and credit card subscriptions and cancellations, use of minors' accounts by authorized persons in addition to the first exclusive term deposit for Caixadirecta customers.

Customers' acceptance of this service is exemplified by the 25% increase in the total number of active contracts over the preceding year and the more than 60% increase in the number of operations performed.

This was also mirrored in the press by specialised market survey organisations' research, ranking Caixadirecta on-line first out of the diverse banking sites in terms of "unique" visitors ("hits"), in 2004 for the second consecutive year.

Caixadirecta WAP

There was a 50% increase in mobile internet Caixadirecta WAP service contracts, over the preceding year. The service enables CGD customers to access their accounts on WAP equipped mobile phones, with the same level of security as online. Operations include the stockmarket, consultations, payment for services and credit cards, transfers, requests for cheques, information on Caixagest fund listings and card-related operations.

Caixadirecta SMS

The Caixadirecta SMS mobile banking service was launched at the beginning of the year. It enables individual customers to use text messaging for banking operations on their accounts.

Caixadirecta Invest

There was another significant increase of around 45% in the number of "Caixadirecta Invest" online brokerage service contracts in 2004, together with an increase of around 54% in the number of successfully completed operations, over 2003.

CaixaMóvel

Another, totally innovative, mobile banking service pilot trial in Portugal, in partnership with EF Tecnologias, was launched at end 2004. This involved minor items payments, particularly geared to the car park segment and purchases of goods and services from traders subscribing to the service.

Caixa e-banking

In the corporate segment, "Caixa e-banking" continues to introduce new functionalities such as foreign exchange information, direct debits and a new form of navigation. Enhancements particularly include the possibility of paying the new municipal property and various other taxes.

Although this transactional growth derived from an increase in the number of subscribers, it also particularly derived from the service's growing functional attractiveness, continuous upgrades and the introduction of new functionalities since its May 2002 inception.

The service benefited from a major advertising campaign in 2004, to secure new customers and promote current customer usage.

There was a significant 41% increase in the number of customers and 60% increase in operations.

Caixa Contact Center

The CGD Caixa Contact Center is responsible for managing incoming and outgoing calls, executing operations and giving product and service-related explanations to CGD Group customers, securing business through via "up" and "cross" selling strategies, performing telemarketing campaigns, retaining customer loyalty and performing loan recovery actions.

The 2nd call centre restructuring project stage took place, in 2004, with the unifying of the transaction and information lines. This involved the provision of new access numbers (single nationwide access and mobile number) for incoming calls and implementation of the services provision model for outgoing calls, notably telemarketing and loan recovery actions. The STC (Loan Recovery Service) also became part of the Caixa Contact Center in 2004.

www.cgd.pt

The www.cgd.pt site has accompanied the bank's banking activities, providing relevant information and adding thrust to current campaigns. According to data supplied by Marktest, Caixa's site was the most consulted during the whole of the year with 345 000 "unique" users (i.e. "hits") in third quarter.

Other Developments

A pilot Corporate TV trial was organised in 13 branches. This multimedia contents transmission system, using branch window and waiting/reception area monitors, enables qualitative improvements to be made to communication with Caixa customers.

In partner channels distribution areas, relationships with partner sites were strengthened from a twofold viewpoint

of increasing the relevance of their services to CGD customers and providing specifically targeted financial services e.g. household, cars, university, online shopping, training, etc.

Reference should be made, in this area, to the May inception of the CGD Automobile Channel on the www.fastaccess.pt site, which systemises financial solutions for motorists' requirements, including a consumer finance and leasing simulator.

Bolsa Caixa Imobiliário

Caixa provides its Bolsa Caixaimobiliário internet service on www.cgd.pt and in 116 multimedia kiosks located in branches, shopping and events centres, with information on mortgage-related products and services.

Risk Management

In 2001, CGD adopted a risk management model, centralising the assessment, management and control of different types of CGD Group risk such as credit, market, liquidity, foreign exchange, interest rate risk, etc... in its Risk Management Department, consolidating its commercial areas' risk-taking actions.

The said department, operationally independent from the risk originating areas, plays an essential technical role in making a final, comprehensively based, risk decisions.

Credit Risk

Group Procedures

Caixa's approach to credit risk is based on two fundamental aspects: the production of risk assessments and credit risk control implicit in CGD's credit portfolio.

The credit process begins with CGD Group's commercial areas or its foreign branches, which are responsible for

submitting the proposal. Management is responsible for issuing technical risk assessment opinions incorporating the project's expected economic-financial evolution and effect and perception of any additional risk factors.

Opinions on relevant economic groups and (commercial/industrial) companies are complemented by in-house risk-rating procedures. The methodology is used for Caixa Group as a whole and enables a comparison to be made between the results obtained and those upon which any information has been supplied by external rating agencies.

The analysis includes the evolution of the principal indicators based on various considerations: product, customer segment, decision-making structure, level of financial system exposure by operating sector and geographical area and prudentially defined "major risk" limits.

Management also monitors the portfolio periodically, usually once a year, examining new or old operations involving customers whose global exposure to CGD Group exceeds certain limits.

Reference should be made to the introduction of a new computer tool which, in terms of credit opinion management, provides, inter alia, decentralised but selective access.

Risk Assessment Criteria

Models supported by systematic analysis are used as the basis for the credit assessment risk, both lending and off-balance sheet operations:

- transparency and quality of economic-financial information;
- management quality, operating efficiency, influence of economic environment attached to customer or risk, market/competitiveness, geographical area, operating sector, contingencies, relationship with CGD and banking sector, enabling the identification of both endogenous and exogenous risks;