

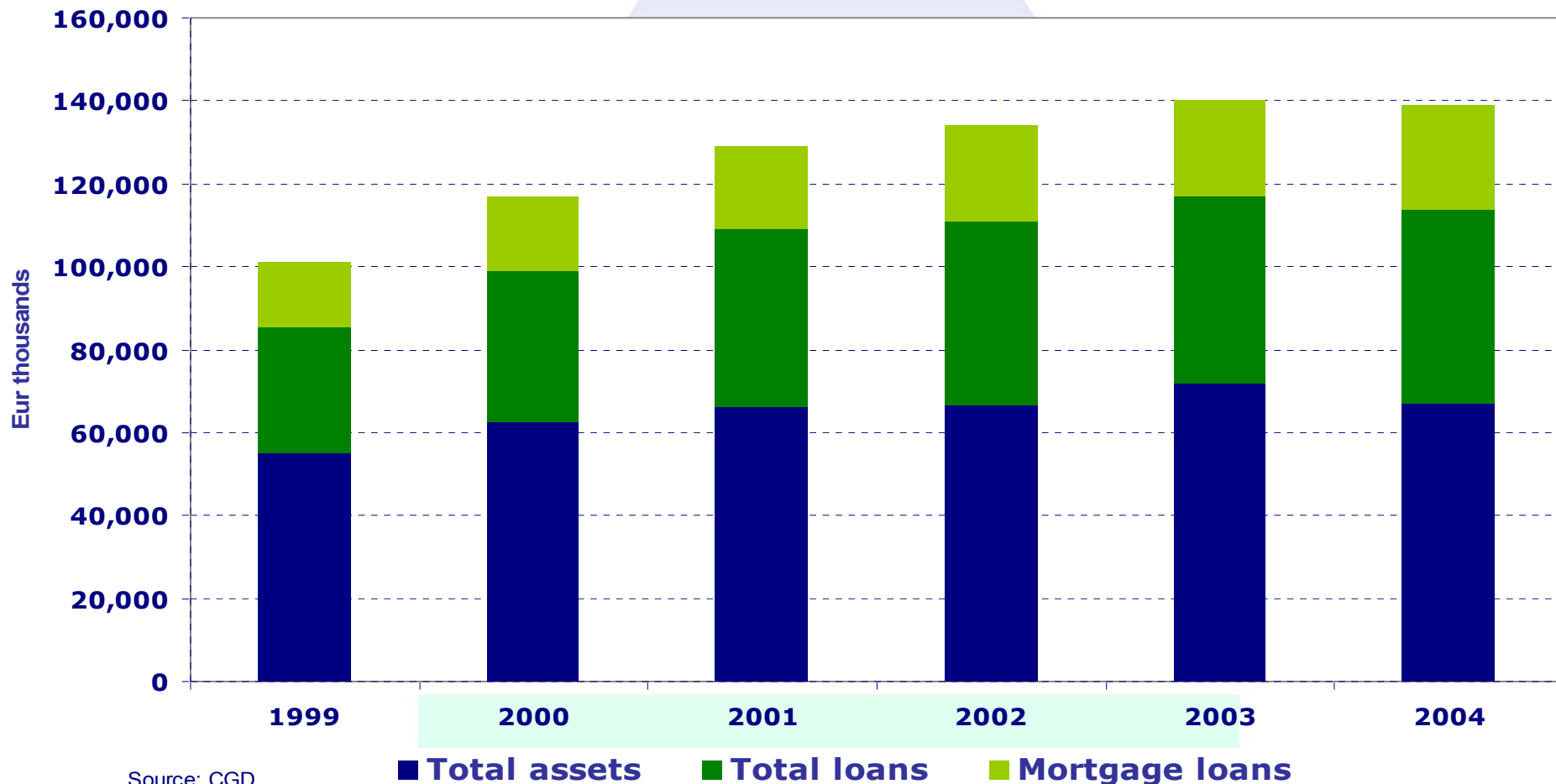


**9th Central European
Covered Bond Conference
Budapest**

Mortgage Funding in Portugal 1999 - 2004

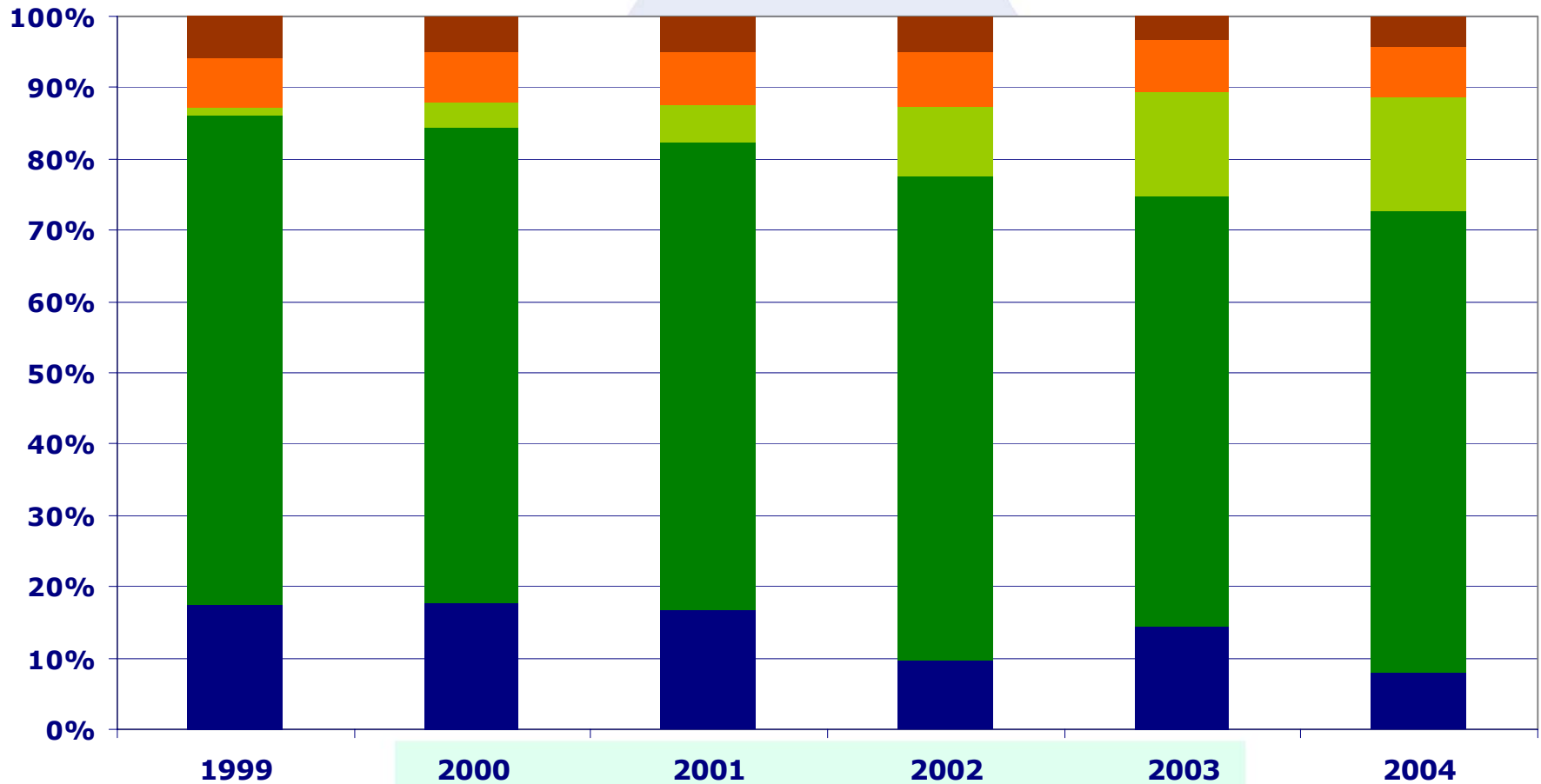
October 2005

The share of mortgages in CGD's asset structure



Source: CGD

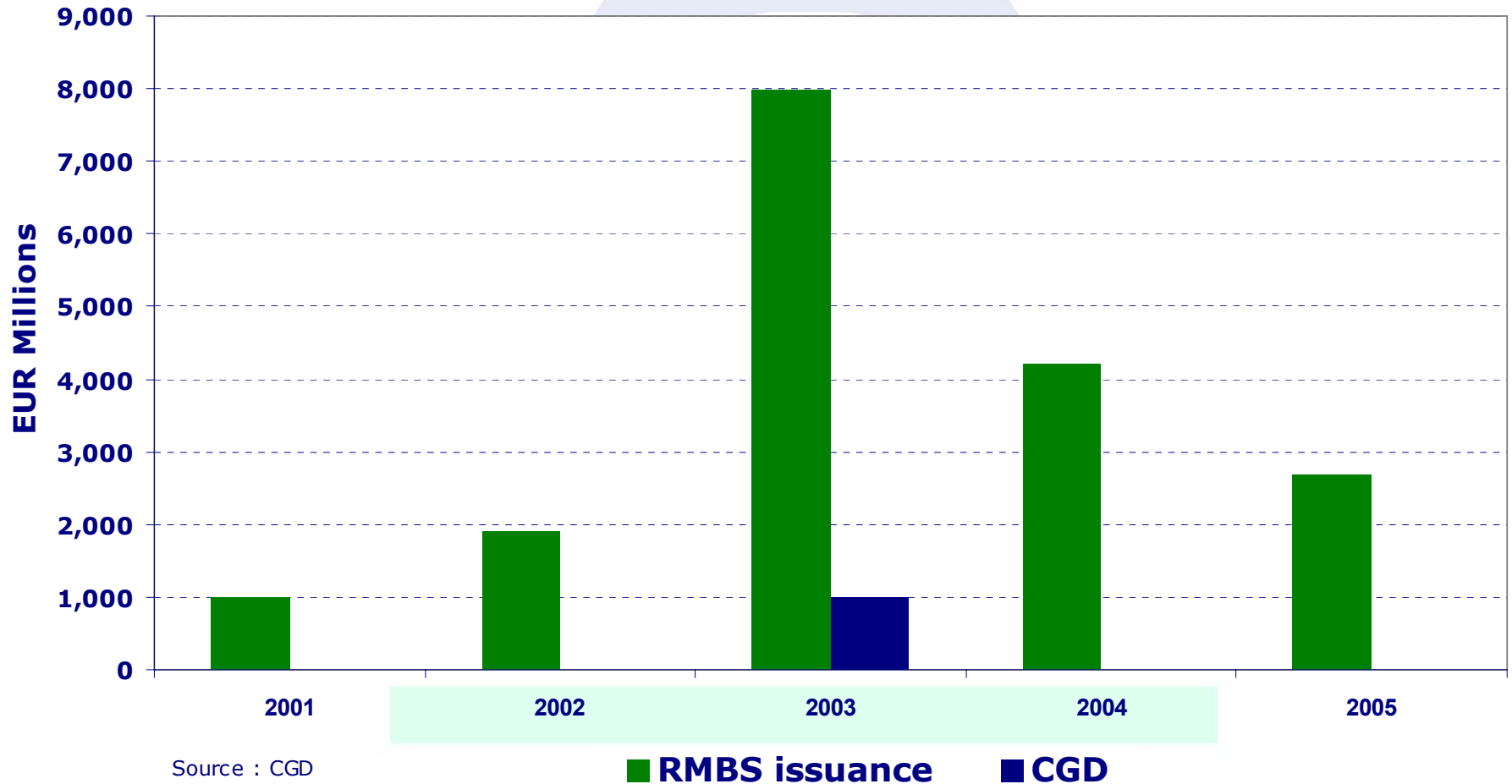
CGD 's Liabilities Structure



Source: CGD

■ Money market
 ■ Deposits
 ■ Bond issuance
 ■ Equity
 ■ Other

Residential Mortgage Backed Securities



Mortgage Backed Securities

Although the Securitization Law was approved in 1999 (DL 453/99), only in 2001 we saw the first RMBS under Portuguese law.

After 2002, with new legislation simplifying the process and excepting the bonds of withholding tax, we start seeing bigger amounts of issuance.

Since 2003, the issuance has slowed down not only because the funding needs of the banks are smaller but most of them were waiting for the covered bond law to be approved.

Portuguese Covered Bonds

Current Legislation

Only CGD and BII have issued OH, and presently, there are no outstanding issues, mainly because:

- Bonds were fully placed with domestic retail clients which tend to consider their banks as safe, demoting the additional security that a covered bond provides, and;
- For international investors the instrument wasn't perceived as a good investment alternative because it carried withholding tax.

Portuguese Covered Bonds

Future Legislation

Developments:

- In a scenario of strong development of the different European Covered Bonds markets, Caixa initiated an extensive analysis of the more representative European models and after consulting the rating agencies and some issuers, Caixa presented a proposal for new legislation to the Ministry of Finance;
- The Ministry of Finance, in cooperation with the Bank of Portugal, has reviewed that draft and presented it for discussion to a working group formed by the major Portuguese banks;