CGD REPORTS

ANNUAL REPORT 2010

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Caixa Geral de Depositos

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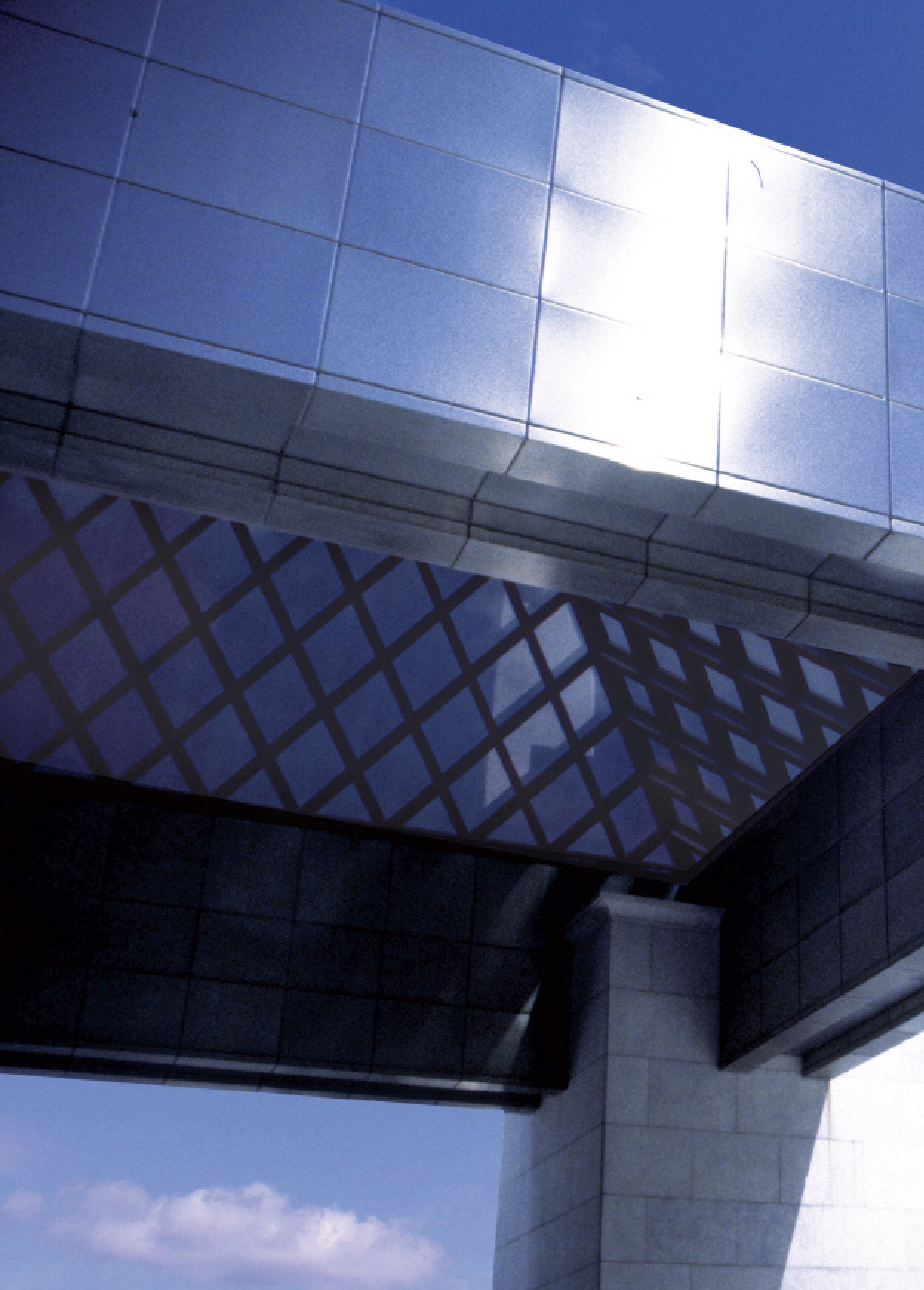

1. BOARD OF DIRECTORS' REPORT 2010

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CGD GROUP – CONSOLIDATED OPERATIONS

1.1. KEY INDICATORS

(EUR million)

	2007	2008	2009	2010
Balance sheet				
Loans and advances to customers (gross)	69 636	77 432	79 627	84 517
Customer resources	54 039	60 128	64 256	67 680
Debt securities	16 231	19 929	25 182	19 307
Shareholders' equity	5 541	5 484	7 157	7 840
Assets (net)	103 554	111 060	120 985	125 862
Operating income				
Net interest income including income from equity investments	2 032	2 201	1 641	1 613
Non-interest income	568	845	867	978
Technical income from insurance operations	549	515	491	509
Net operating income	3 149	3 561	2 999	3 099
Gross operating income	1 414	1 722	1 063	1 132
Income before tax	1 075	662	374	364
Net income	856	459	279	251
Ratios				
Solvency ratio (Bank of Portugal)	10.1%	10.7%	12.6%	12.3%
Tier I (Bank of Portugal)	6.2%	7.0%	8.5%	8.9%
Non-performing credit / total credit (1)	2.07%	2.33%	3.00%	3.13%
Overdue credit / total credit	2.05%	2.38%	2.87%	2.93%
Accumulated impairment / overdue credit	121.4%	115.1%	105.3%	105.3%
Accumulated impairment / credit overdue for more than 90 days	137.9%	137.3%	122.4%	117.4%
Cost-to-income (consolidated operations) (1)	55.1%	51.2%	64.7%	63.3%
Cost-to-income (separate operations) (1)	50.0%	41.9%	59.6%	58.5%
Gross return on equity – ROE (1)	20.5%	12.6%	5.9%	5.0%
Return on equity after tax – ROE (1)	17.1%	9.6%	4.8%	4.1%
Gross return on assets – ROA (1)	1.09%	0.61%	0.32%	0.29%
Return on assets after tax – ROA (1)	0.91%	0.47%	0.26%	0.24%
Other indicators				
Number of bank branches	1 187	1 223	1 273	1 332
Portugal	811	831	848	869
Abroad	376	392	425	463
Number of representative offices	12	12	12	12
Number of employees (2)	20 464	20 869	22 237	23 083
CGD Portugal	9 695	9 727	9 791	9 672
In other banking institutions	3 953	4 170	4 495	5 029
Insurance companies	3 503	3 433	3 458	3 384
Financial companies	338	314	357	368
Other activities	2 975	3 225	4 136	4 630
Ratings (long / short term)				
Moody's	Aa1/P-1	Aa1/P-1	Aa2/P-1	A1/P-1
Standard & Poor's	A+/A-1	A+/A-1	A+/A-1	A-/A-2
Fitch Ratings	AA-/F1+	AA-/F1+	AA-/F1+	A/F1

(1) Indicator calculated in accordance with Bank of Portugal instructions.
(2) Does not include 274 CGD employees in the CGA Support Department or 99 employees engaged on public service secondment or in other situations.

1.2. CHAIRMAN'S STATEMENT

1. 2010, which coincides with the end of the term of office of CGD's current board of directors, was profoundly marked by the financial crisis starting in second half 2007 and extending through the whole of the last three year period.

2010 was particularly affected by the crisis's worsening impacts, deriving from the appearance of what is commonly referred to as the "sovereign debt crisis" in several member states of the European Union, affecting Greece in early 2010, immediately followed by Ireland, Portugal and Spain from the end of the first half.

Countries most affected by the sovereign debt crisis face a highly complex situation:

- They must drastically reduce debt and implement profound budget consolidation actions;

- Markets' perception of these countries significantly increases yields and spreads on credit in which the impact of interest on external public debt creates a vicious circle in terms of increasing debt levels;

- The access of such countries' banking system to the market as a consequence of the sovereign debt crisis, has become extremely difficult and in certain cases has been limited to ECB funding which, in turn, has imposed restrictions on the economy's borrowing requirements – investment and economic activity;

- Major deleverage in economies usually goes hand in hand with recession, increasing difficulties in making adjustments and mortgaging the future;

- The fact that their internal savings are generally lower than the European Union average, which reduces investment capacity.

2. Portugal is one of the member states more affected by the sovereign debt crisis.

We must therefore implement a rigorous adjustment programme, which currently comprises the "Stability and Growth Programme" (PEC) and wait and see whether the execution of the budget and measures set out in the PEC will be sufficient to regain the confidence of investors. Greater coordination of economic, budget and fiscal policy and the approval of more flexible and adequate instruments than those set out in the current European Union Economic Stabilisation Fund would obviously facilitate the adjustment process being implemented by the member states affected by the sovereign debt crisis.

In addition to reducing the budget deficit and public debt and increasing internal savings, the other side of the coin comprises the problem of economic growth. The issues at stake require short term results and major changes in our growth model, over the medium to long term. What is essentially required is, *inter alia*, a decisive response from civil society (businesspeople, workers, consumers, institutions), adequate public policies and an action strategy.

3. The **Portuguese banking system** is basically **sound** and national banks have demonstrated major resilience and solidity during the course of the financial crisis beginning in 2007. A major contributory factor has been its modern approach and the fact that it was not affected by property bubbles or toxic assets, implementing business models geared to retail banking and punctiliously complying with the rules defined by the regulators and supervisors to which they report.

The system, in general, and the biggest banks in particular have, **much higher capital ratios** (Tier I, Core Tier I and solvency) **than required by regulations, in line with risk levels in their balance sheets**. The solidity of Portuguese banks was confirmed by the stress tests performed in 2010.

It is, however, common knowledge that the sovereign debt crisis following the international crisis, affected the banking system, in terms of liquidity and profitability (already affected by the international crisis).

Substantially greater difficulties in access to funding, originated an increase in ECB funding in the first stage, followed by a certain decrease in last quarter 2010.

The situation, since the end of 2007 has been a major challenge for the banks whose capacity to respond and adjust has been remarkable.

There was, during the period as a whole, a year-on-year growth in credit, albeit progressively decelerating in an adverse economic environment. The banks fulfilled their mission of meeting the economy's borrowing requirements.

The evolution of asset quality was, on the other hand, more benign than in many other countries with banks having progressively reinforced their capitalisation levels.

As a consequence of the sovereign debt crisis, liquidity has been and continues to be the major challenge to be met by Portuguese banks in 2011. This explains banks' multifaceted approach to liquidity management and the importance of retail banking activity based on "traditional" financial intermediation to support the resilience of results and competitive positioning of each bank in its core markets.

4. Within such a context, CGD's results were affected by two fundamental aspects:

- High impairment levels resulting from the depreciation of securities in its strategic investments portfolio as a consequence of negative capital market evolution;

- Negative evolution of net interest income as a result of low interest rates (Euribor) and the credit portfolio profile (with its high proportion of mortgages and medium and long term loans).

5. In such an unfavourable environment, CGD's global performance was highly positive. Reference should be made to the significant increase in shareholders' equity, as a sign of value creation. CGD Group's consolidated net income of EUR 251 million, was down 10% over the preceding year, particularly deriving from a decrease in net interest income and need to recognise impairment on securities.

I wish to stress the following aspects of CGD's performance:

- Shareholders' equity was up from EUR 7 157 million at the end of 2009 to EUR 7 840 million; the solvency ratio was 12.3%, TIER 1 8.9% and CORE TIER 1 8.8%;

- The deposits-to-loans conversion ratio remains close to 121%;

- Assets (net) were up 4% to EUR 126 billion;

- Loans and advances to customers totalled EUR 84.5 billion with balance sheet resources taken from (retail) customers of EUR 67.7 billion. Total resources, excluding institutional investors were EUR 84.2 million;

- Net commissions were up 12.2% to EUR 502.3 million;

- The overdue credit ratio, up from 2.87% to 2.93%, was not particularly expressive and lower than the sector average, taking into account the crisis situation affecting companies and households, affected by rigorous risk management policies.

6. The Group continued to perform well in its various operating areas, in 2010.

The expansion of its international operations was fundamentally marked by the formation of a new investment and development bank in Mozambique and the issue of a licence to set up another bank in Angola. A partnership agreement with Banif

Group was entered into in Brazil for a 70% equity investment by CGD Group in Banif Corretora de Valores e Câmbio.

The Group's international operations contributed EUR 78.8 million to CGD's consolidated net income, before impairment, in 2010, representing 15.4% of the total. Net assets as a whole accounted for around EUR 21 billion.

In turn, **Caixa – Banco de Investimento's** positive performance translated into a contribution of around EUR 35 million to the group's consolidated net income.

Lastly, **healthcare and insurance operations** were penalised by portfolio impairment and the losses made by hospital activity which continue to reflect the impact of the current growth stage.

7. Caixa, as the benchmark institution in the Portuguese financial system, has added responsibilities deriving from its history and values. Based on its vision for the future, Caixa can only occupy a front line position in terms of sustainable development. Sustainability has been assumed at the highest levels within CGD and transversally applied through the institution as a whole.

In the community relationships domain, Caixa has sponsored a large number of actions designed to achieve social, educational, cultural and environmental well-being with the aim of improving the population's living conditions.

Special reference should be made to the activity of the Caixa Geral de Depósitos – Culturgest Foundation, which is one of CGD's most relevant intervention instruments in the domain of cultural action operating on behalf of the Portuguese population and national and foreign creators and artists. The Foundation, in 2010, maintained its usually intense level of activity in the broadest range of cultural areas.

8. In the three year period 2008-2010 (comprising a period of profound financial and economic crisis), CGD continued to play a fundamental role in the economy and reinforced its solvency, as evidenced by the following key indicators:

	Change 2007-2010
Credit	**+ 20.9%**
Individual customers	+ 9.8%
Mortgage loans	+ 9.9%
Corporate	+ 23.3%
General government	+ 44.0%
Deposits	**+ 13.3%**
Individual customers	+ 14.9%
Corporate	+ 14.7%
Solvency (consolidated)	
Solvency	+ 2.2 p.p. to 12.3%
Tier I	+ 2.1 p.p. to 8.9%
Core Tier I	+ 3.0 p.p. to 8.8%
Overdue credit – proportion in sector	**27.8% in 2007**
	20.3% in 2010

A reduction in net income was, however, inevitable during the three year period. This derived from significantly higher impairment owing to depreciation of EUR 1 232 million in securities portfolios, during the said period and a drop in net interest income from EUR 2 081 million in 2008 to EUR 1 533 million in 2009 and EUR 1 415 million in 2010, strongly correlated with the level of interest rates (with 6 month Euribor down from 4.73% in 2008 to 1.43% in 2009 and 1.10% in 2010).

Reference should be made to endeavours to contain the increase in spreads for companies, with a view to shoring up the Portuguese economy, in addition to greater efforts to improve commercial competences to make improvements to levels of service to individual and corporate customers.

Caixa's board of directors has, as one of its main missions, set itself the twofold objective of internally reinforcing medium / long term distinctive and differentiating factors, while furthering its commitment to operating as the main partner of both households and companies as a catalysing force in the Portuguese economy.

Caixa Group has, in business terms, reinforced its competitive position over the last 3 years, retaining its clear lead in deposit-taking (up 1.5 p.p. over December 2007), unit trust investment funds, financial insurance (a 14.7 p.p. increase in sales over 2007) and specialised credit, while also achieving pole position in loans and advances to customers (up 0.6 p.p. over December 2007), based on the consolidation of its lead in terms of mortgage loans and its achievement of market share in the corporate segment, particularly SMEs.

Caixa's lead of domestic retail business is also visible in its branch office network transformation process, particularly local branches whose customer service model has been irreversibly geared to relational management, focusing on sales and services and the creation of different experiences designed to retain customer loyalty.

The fundamental pillars of this transformation, in internal terms, was to create physical, organisational and technical conditions, leading to a proactive, multifaceted approach of agents and customer service areas, with the ultimate objective of reinforcing Caixa's commercial effectiveness and quality of service:

- The new branch office model, which is currently visible in more than 500 branches, has reorganised customer reception and service areas in addition to customers' freedom of in-branch movement, creating a new environment based on a layout geared to proximity, utility and comfort for each visit and favouring the development of relationships;

- With the strengthening of the customer segmentation base, the relational management service has been extended to embrace a growing number of added value or potentially added value customers, with different value proposals for each segment. More than 990 Caixazul customer managers, 720 Caixa Empresas and 760 Caixa Mais commercial assistants and distance banking service models currently provide personal proactive services to almost 890 thousand individual customers, self-employed businesspeople and small and micro companies, representing more than three times the number of customers with dedicated relational management than at the start of 2008 and more than 20% of our current customer base, making Caixa the leading domestic bank in terms of customer care and service;

- The process of change was supported by an extensive training programme for all commercial teams, to align and assimilate new commercial dynamics. In terms of tools, improvements were made to branch office work platforms, providing all functions with customer relational management support information and functionalities;

- As a consequence of the various actions taken and commitment to the service and quality of customer experience, in addition to the marked reinforcement of involvement and customer loyalty levels to Caixa, reference should be made to the significant increase in customer satisfaction indices, assessed both by external studies (up 0.5 points in the ECSI Portugal 2009 Individual Customers Satisfaction Index and up 6 p.p. in the percentage of SME customers using Caixa as their main bank, Data E 2010) and internal programmes (up 6.2 p.p. in the branch office programme, up 3.5 p.p. in the Caixazul programme and up 3.6 p.p. in the SME programme, in comparison to the average for 2007).

Reference should also be made to the development of risk competences using new risk management and credit recovery tools and methodologies.

Priority continued to be afforded to exports, notably in the form of lines of credit and trade finance development, particularly the Iberian Offer.

The international expansion strategy was important as an offset element, in addition to its two strategic objectives of supporting the internationalisation of Portuguese communities and growth of CGD as an institution.

The acceleration of the group's internationalisation, with its opening of subsidiaries in Angola and Brazil, was accompanied by a growing contribution of external activity to CGD Group's results.

Reference should also be made to the excellent performance of investment banking and expressive increase in the share of insurance operations, reinforcing a clear market lead.

Internally, CGD has significantly reinforced its budget control and rigour achieving a 2.3% reduction of structural costs in the three year period (down 3.4% in employee costs and down 0.7% in external supplies and services), which, together with higher turnover, has enabled CGD to considerably outperform the market average in terms of efficient management, measured by the general expenditure / turnover ratio.

As regards its contribution to the stability and strength of the financial system, CGD played a decisive role in the management of Banco Português de Negócios, with the aim of protecting the interests of depositors, state / taxpayers and workers, providing the said institution with around EUR 5 billion in terms of state backed liquidity funding operations.

In terms of interbank market operations, CGD has reinforced its support for other national financial institutions.

A restructuring project for CGD's corporate architecture was produced, taking into consideration regulatory changes and the objective of immunising banking operations from the volatility of non-core assets.

9. Lastly, reference to CGD's priorities for 2011:

a) Greater efforts in support of exports / internationalisation – Caixa should operate as a fundamental support bank for export companies and internationalisation. Reference should, herein, be made to its commitments to lines of credit, foreign trade operations, the "Iberian Passport" product, support for trade missions and advisory services to customers through its network of subsidiaries and branch and representative offices in 24 countries;

b) Increasing its share of the SME market. Caixa Geral de Depósitos should continue to operate in this domain, reinforcing its credit portfolio's share of the SME market;

c) Supporting the capitalisation of companies and microfinance. Intervention in this area is fundamental to guarantee the financing of investments needed to improve the competitiveness of companies and reduce their financial costs. CGD has two highly relevant initiatives in progress: one, already in place comprises the formation of the European Venture Club; and the other will comprise the formation of a capitalisation fund with other banks in Portugal and international equity funds, in support of good SMEs;

d) Furthering the expansion of personalised management and a multichannel customer approach. These are fundamental elements representing Caixa's difference and position in retail banking and have been designed to increase our customers' levels of involvement and loyalty.

   Constant innovation – incremental or disruptive – in products, channels, sales processes, price formulas and respective transposition to different market segments or commercial inter-network approaches have been and will continue to be a critical factor in Caixa's success, illustrated by the fact that it was considered the 1st Portuguese Bank and 16th in Europe in innovation investment ("The 2010 EU Industrial R&D Scoreboard").

At the same time the operation of the customer and business intelligence and advanced marketing competences designed to increase the assertiveness of value proposals for each customer and even more geared and proactive commercial dynamics will continue to represent an enhancement factor in terms of the virtuous cycle of knowledge, segmentation, differentiation and loyalty of our current and potential customers.

e) Intensifying and diversifying liquidity sources. The adopting of a commercial strategy enabling balance sheet liquidity risk to be reduced, by taking in balance sheet resources in terms of retail banking activity and diversifying funding sources in international markets.

The deposit-taking objective is fully compatible with the national objective of spurring internal savings, household savings (as well as companies and the state), contributing towards the aim of meeting the economy's borrowing requirements.

Deleverage and diversification of financing sources, entailing an integrated communication strategy with investors, institutions and the international media are other modus operandi of the banks.

Deceleration of credit growth has been occurring on account of the reduction in the demand for credit, owing to greater selectivity in lending which is obviously more expensive.

Clear-sightedness entails the requirement for a lending ranking scheme based not only on the assessment of risk factors (in any event increasingly more decisive in terms of decisions) but also in terms of impact on the Portuguese economy (naturally favouring exports, innovative and high added value projects).

f) Increasing CGD's international expansion. CGD should have an adequate presence in countries which are fundamental for the internationalisation process of Portuguese companies, either in the form of commercial activities or investment.

g) Restructuring the corporate model. The implementation of a new corporate model enabling the elimination of capital market volatility on the bank's results and making adjustments to prudential ratios to the new Basel III rules. This new model will require the creation of mechanisms needed for the performance of corporate type functions, namely those associated with strategic, risk and liquidity management.

10. The board of directors wishes to express its gratitude to its State Shareholder, Bank of Portugal and CMVM (Securities Market Commission), Audit Board, Statutory Auditor and External Auditor, for their valuable cooperation and monitoring of CGD's activity.

We are grateful for the preference and trust of our customers which we shall do everything possible to merit as CGD is not only interested in being the most solid but also the best Portuguese bank

Last but not least, the board of directors wishes to express its gratitude to all CGD Group workers for their high level of commitment and professionalism in performing their duties, enabling the group to continue to merit its customers' confidence in the current difficult economic environment.

Fernando Faria de Oliveira
Chairman of Board of Directors

1.3. EXECUTIVE SUMMARY

Board of Directors
(Standing) Pedro Cardoso, Rodolfo Lavrador, Jorge Tomé and José de Araújo e Silva (members)
(Seating) Francisco Bandeira (deputy-chairman), Fernando Faria de Oliveira (chairman) and Norberto Rosa (member)

Caixa Geral de Depósitos Group's (CGD Group's) consolidated net income of EUR 250.6 million in 2010 was down by 10.2%. against the previous year's EUR 278.9 million. This evolution translated the recognition of EUR 339.1 million in impairment on financial investments, in the income statement, most of which already recognised in fair value reserves.

The depreciation of securities, witnessed since the start of the current financial crisis has forced CGD to recognise impairment, particularly on CGD investments and securities in the group's insurance portfolios, as a cost for the year, totalling a respective accumulated amount of EUR 1 231.7 million, since the start of 2008.

Income before tax and minority shareholders' interests were down 2.7% over 2009 to EUR 364.4 million.

Operating income from banking and insurance activities was up 3.3% by EUR 99.9 million to EUR 3 099.4 million in comparison to the preceding year. This growth benefited from the 12.2% increase in net commissions to EUR 502.3 million.

The 7.7% decrease in net interest income over the previous year to EUR 1 415.3 million, derived both from the impact of the reduction of interest rates, which affected profitability, taking into account the composition of the credit portfolio and higher funding costs. It should be remembered that CGD's option to afford priority to its support for the economy, even with a certain inevitable reduction of profitability, translated into a policy of moderation in setting loan spreads.

Income from financial operations was down 37.6% in 2010 to EUR 124.4 million against the preceding year's EUR 199.5 million.

The technical margin on insurance operations was up 3.6% by EUR 17.8 million over the preceding year to EUR 509 million.

The operating costs trend (up 1.6% to EUR 1 967.2 million) was one of containment, having benefited from the evolution of CGD's separate operations, whose reduction, in all cost components was around 2.4%.

Impairment of other assets (net) for the year, was EUR 354.7 million of which amount EUR 339.1 million relative to EDP, ZON and BCP shares, unit trust investment funds and the group's insurance companies' investment portfolios, translating into losses, a large part of which previously recognised in fair value reserves.

As regards CGD Group's consolidated balance sheet, assets (net) were up by 4% over December 2009 to EUR 125.9 billion. Shareholders' equity was up 9.5% by EUR 692 million to EUR 7 840 million, over end 2009, benefiting from the EUR 550 million increase in share capital in December 2010.

Loans and advances to customers (gross), were up 6.1% by EUR 4.9 billion over December 2009 to EUR 84.5 billion with mortgage lending, in Portugal, up 1.3% and corporate loans up 3.1%. Customer resources also turned in a positive level of performance with a 5.3% increase to EUR 67.7 billion over the preceding year. These evolutions translated a deposit-to-loans conversion ratio of 121.0%.

The solvency ratio, on a consolidated basis, including retained earnings, at 12.3%, with a Tier I ratio of 8.9% and Core Tier I ratio of 8.8%, translated CGD's solidity.

CGD reduced its ECB funding to EUR 6.55 billion in second half 2010. Total assets eligible for ECB funding at the end of 2010 were around EUR 13 billion.

The credit overdue for more than 90 days ratio was 2.63%, with a respective impairment cover ratio of 117.4%.

Notwithstanding the difficult economic and financial circumstances, CGD continues to enjoy the highest ratings awarded to a Portuguese banking Group.

1.4. GROUP PRESENTATION

1.4.1. EQUITY STRUCTURE

Caixa Geral de Depósitos' equity capital is owned by the Portuguese state as its sole shareholder. The state approved a share capital increase of EUR 550 million at 31 December 2010 increasing CGD's share capital to EUR 5 050 million.

1.4.2. MILESTONES

1876 Formation of Caixa Geral de Depósitos, under the aegis of the Junta de Crédito Público, for the essential purpose of taking in mandatory deposits required by the law or the courts.

1880 Formation of Caixa Económica Portuguesa, to receive and administer the deposits of the less moneyed classes in a de facto merger with CGD in 1885.

1896 CGD is spun off from the Junta de Crédito Público. Formation of Caixa de Aposentações for salaried workers and the Monte da Piedade Nacional, for pawnbroking operations under CGD administration.

1918 CGD starts to perform general credit operations.

1969 CGD up to the said date, a public service, subject to the state's administrative rules, becomes a state-owned public limited liability company.

1975 Formation of Paris branch.

1982 Formation of the Locapor and Imoleasing leasing companies. The following years witnessed the formation of property fund managers Fundimo (1986) and unit trust fund company Caixagest (1990). Equity investments were also made in the brokerage companies Sofin (1998) and consumer credit company Caixa de Crédito (2000).

1988 Formation of Caixa Group as the majority shareholder in Banco Nacional Ultramarino and Companhia de Seguros Fidelidade.

1991 Acquisition of Banco da Extremadura and Chase Manhattan Bank España, in Spain, with a name change to Banco Luso-Español.

1992 Equity investment in the venture capital company Promindústria, giving rise to the Caixa Investimentos investment company, in 1997.

1993 CGD becomes an exclusively state-owned public company confirming its status as a universal bank operating in a fully competitive regime, without prejudice to being particularly geared to the formation and taking in of savings and providing support to Portuguese development.

1995 Acquisition of Banco Simeón (in Spain).

1997 Formation of new Banco Comercial de Investimentos de Moçambique.

1998 Formation of HPP – Hospitais Privados de Portugal, later to become CGD Group's healthcare arm.

2000 Acquisition of Mundial Confiança insurance company and Banco Totta & Comercial Sotto Mayor de Investimentos, SA, later to become Caixa – Banco de Investimento.

2001 CGD opens its East Timor branch.

The Paris branch assimilates Banque Franco Portugaise to create the France branch.

2002 Rationalisation and consolidation of the commercial banks in Spain, in the form of a merger between Banco Luso-Español, Banco de Extremadura and Banco Simeón.

2004 CGD Group becomes the domestic insurance sector leader through its acquisition of the Império Bonança insurance company, in 2004.

CGD takes a controlling interest in Mercantile Lisbon Bank Holding of South Africa, via a capital increase.

2006 Banco Simeón changes its name to Banco Caixa Geral.

2008 Formation of Parcaixa (share capital of EUR 1 billion: 51% CGD and 49% Parpública).

Permission to set up Banco Caixa Geral Brasil, with operations starting 2009.

Formation of Caixa Geral de Depósitos – Culturgest Foundation.

Caixa Seguros becomes Caixa Seguros e Saúde, SGPS, SA after a reorganisation of the said business areas, with the transfer of the HPP universe from Fidelidade Mundial's to Caixa Seguros's balance sheet.

2009 Resumption of CGD Group's presence in Brazil through the start-up of Banco Caixa Geral Brasil.

Equity investment in Banco Caixa Geral Totta de Angola, in which CGD and Santander Totta control 51% of the total.

2010 Exercising of a purchase option on 1% of the share capital of Partang, SGPS, SA, which owns 51% of the share capital of Banco Caixa Geral Totta de Angola (BCGTA) giving CGD a controlling interest in the holding company and indirectly in the bank itself, in July 2010.

Formation of Banco Nacional de Investimento (BNI) in Mozambique, 70 million meticais of whose capital was paid up by shareholders i.e. around EUR 1.6 million.

Agreement for a 70% equity investment in Banif Corretora de Valores e Câmbio (Banif CVC) by CGD Group.

1.4.3. DIMENSION AND INTERNATIONAL RANKING OF GROUP

CGD Group retained pole position in most of its business areas, in 2010, while also increasing its market shares in various sectors. The following table provides a summary of CGD Group's position in the national market:

MARKET SHARES IN PORTUGAL

	Dec. 2009		Dec. 2010	
	Share	Ranking	Share	Ranking
Banking				
Assets (net) [(a)]	30.6%	1st	31.2%	1st
Loans and advances to customers [(b)]	20.5%	1st	20.9%	1st
Loans and advances to companies	15.5%	2nd	16.1%	2nd
Loans and advances to individual customers	23.6%	1st	23.6%	1st
Mortgage loans	27.1%	1st	26.8%	1st
Customer deposits [(b)]	28.9%	1st	28.5%	1st
Individual customers' deposits	34.0%	1st	33.2%	1st
Insurance [(c)]	**30.3%**	**1st**	**34.5%**	**1st**
Life insurance	31.2%	1st	37.0%	1st
Non-life insurance	28.1%	1st	27.1%	1st
Specialised credit [(d)]				
Property leasing	18.7%	3rd	21.8%	2nd
Equipment leasing	14.3%	1st	19.4%	1st
Factoring	14.7%	4th	13.1%	4th
Asset management				
Unit trust investment fund [(e)]	23.8%	1st	23.1%	1st
Property investment fund (FII) [(e)]	14.0%	1st	14.6%	1st
Pension fund [(f)]	9.6%	4th	11.1%	4th
Wealth management [(g)]	27.7%	1st	27.0%	1st

(a) Considering the consolidated operations of the five biggest Portuguese banking system groups.
(b) Source: Bank of Portugal (Monetary and Financial Statistics). Credit includes securitised operations.
(c) Dec. 2010 – Source Portuguese Insurance Companies Association. Referring to activity in Portugal.
(d) Source: ALF (Portuguese Leasing and Factoring Association).
(e) APFIPP (Portuguese Investment Funds, Pensions and Wealth Association).
(f) Source: Portuguese Insurance Institute. Joint CGD Pensões, SA and Fidelidade Mundial, SA shares.
(g) Source: CMVM (Securities Market Commission).

CGD's committed support for the national economy translated into a reinforcement of its market share of loans and advances to companies from15.5% to 16.1%. Its market share of mortgage loans was down from 27.1% to 26.8% with a market share of around 40% in loans and advances to general government. In global terms, the market share of loans and advances to customers was reinforced from 20.5% to 20.9%.

Caixa retained pole position in customer deposits, in Portugal, with a market share of 28.5% (down 0.4 pp over December 2009). It has a market share of 33.2% of the individual customers segment and 15.3% of the companies segment, representing an increase of 5.2 p.p. in the year.

Caixa Seguros e Saúde was by far and away the national leader in the insurance area with an increase in global market share from 30.3% to 34.5%. Its market share of life insurance was 37.0% and in the case of non-life insurance 27.1%.

In the financial leasing area, Caixa Leasing e Factoring retained pole position in the equipment leasing ranking, reinforcing its market share to 19.4%. The company's 21.8% property leasing market share enabled it to rise to second position in this subsector's ranking.

Caixagest's share of unit trust investment funds management activity remained at 23%, having retained its market lead in a year characterised by a large volume of redemptions of treasury and bond funds. Fundimo increased its share of the property investment funds market to 14.7% and also retained its market lead. CGD Group also retained first place in the wealth management ranking by amounts with a market share of 27%.

The performance of Caixa – Banco de Investimento (CaixaBI) continued to merit recognition in 2010. Global Finance and Euromoney magazine selected CaixaBI as the "Best Investment Bank in Portugal" and "Best Debt bank in Portugal", in 2010, respectively. *Project Finance* magazine, in turn, awarded "European Hi-Speed Rail Deal of the Year 2010" status to the ELOS (high speed Portugal – Spain rail link) project.

In the primary debt market, the Bloomberg league table ranked the bank as the principal bookrunner for euro bonds issued by national entities for the fourth consecutive year, with CaixaBI coming 3rd in the capital market area (equities) based on CMVM data.

CaixaBI consolidated its position in the M&A market in Portugal in the financial advisory area coming in second place in the Bloomberg ranking. A similar performance level was achieved in the financial intermediation area in which, according to data relating to November, released by the CMVM, CaixaBI achieved a 131% increase over the same period last year with a market share of 16%.

Various project finance area rankings also positioned CaixaBI amongst the principal world players: 1st place in Portugal, 6th in Iberia, 24th in Europe and 43rd worldwide, as mandated lead arranger for PFI / PPP project finance loans. This is indicative of the contribution and importance of the operations led by CaixaBI in the international market.

As in past years, *The Banker* magazine produced a list of the Top 1 000 World Banks in 2010. Caixa Geral de Depósitos once again improved its position coming 113th (126th in 2009 and 128th in 2008), based on shareholders' equity (Tier I). CGD also improved its position in the ranking from 103rd to 101st based on asset volumes.

1.4.4. EVOLUTION OF CGD GROUP

CGD Group reinforced its intervention in international markets with historical, linguistic and cultural affinities in 2010, in light of the economic and financial slowdown which was particularly felt in the Eurozone. Special mention should be made of the group's activity in Lusophone Africa and Brazil, which represented a further step forward in exploiting the synergies of CGD's worldwide presence.

In Angola, permission was given, at the start of 2010, to form Banco para Promoção e Desenvolvimento (BPD), with a start-up capital of five hundred million dollars jointly and equally owned by CGD and Sonangol Groups. BPD will concentrate on supporting the development of the Angolan and Portuguese economies.

Reference should also be made, in the case of Angola, to CGD's exercising of its purchase option on 1% of the share capital of Partang, SGPS, SA, which owns 51% of the share capital of Banco Caixa Geral Totta de Angola (BCGTA), in July 2010. This gives CGD a controlling interest in the holding company and indirectly in the bank itself.

In Mozambique, permission was given to form Banco Nacional de Investimento (BNI), 49.5% of whose capital to be held by CGD, 49.5% by the State of the Mozambique through the National Directorate for the Treasury and 1% by Banco Comercial e de Investimentos (CGD Group). The title deed for the formation of BNI was signed in June 2010. 70 million meticais of the share capital or around EUR 1.6 million was paid up by shareholders. BNI will concentrate on supporting the development of Mozambique's economy.

Caixa – Banco de Investimento (CaixaBI), in progressing its international strategy, plans to have a presence in Angola and Mozambique over the short term.

The recommencement of CGD Group's banking operations in Brazil, through Banco Caixa Geral Brasil (BCG Brasil), was highly successful. The success of this initiative was confirmed, in first half 2010, by two operations designed to leverage corporate and investment banking operations in the Brazilian market:

- BCG Brasil increased its share capital from 123 million to 400 million reais to endow the bank with the necessary resources to enable it to expand its respective business plan up to 2012;

- CGD Group entered into a partnership agreement with Banif Group in Brazil for a 70% equity investment in Banif Corretora de Valores e Câmbio, SA (Banif CVC). The acquisition will permit a broader, more consistent range of activity in the Brazilian capital market.

There were two capital increases in Spain with the objective of maintaining the solvency ratios of Banco Caixa Geral at adequate levels: one in May for an amount of EUR 20 million and another in October for around EUR 26 million, mainly subscribed for and paid up by CGD. The downgrade of the rating on the Portuguese Republic partly justifies the need to increase the bank's capital, given its high level of exposure to Portuguese assets.

In Cape Verde, Banco Interatlântico increased its capital from 400 million to 1 billion Cape Verde escudos, in April 2010. CGD matched this capital increase by maintaining its 70% equity investment in the bank.

Reference should be made in terms of the activity of Caixa Seguros e Saúde, SGPS (CSS), to the February opening of the new Cascais hospital managed by HPP Saúde, as a PPP. The HPP ACE grouping was formed in March as a provider of miscellaneous services to the group's hospitals. July witnessed a EUR 25 million increase in the equity capital of HPP – Hospitais Privados de Portugal, SGPS, subscribed for and paid up by CSS which increased the size of its investment to 94.33%.

Various operations were realised in second half 2010 for the purpose of concentrating the full amount of CGD Group's investment in CaixaBI, in Gerbanca, SGPS, which is a directly and indirectly wholly owned CGD subsidiary.

Reference should, lastly, be made to the disposal of the full amount of the 17.6% equity investment in UNICRE, in May, and 5% of the capital of EDP – Energias de Portugal, in September and December.

CAIXA GERAL DE DEPÓSITOS GROUP (*)	DOMESTIC		INTERNATIONAL	
COMMERCIAL BANKING	Caixa Geral de Depósitos, SA		Banco Caixa Geral (Spain)	99.8%
			Banco Caixa Geral Brasil	100.0%
			BNU (Macau)	100.0%
			CGD Subsidiária Offshore Macau	100.0%
			B. Comercial do Atlântico (C. Verde)	59.3%
			B. Interatlântico (C. Verde)	70.0%
			Mercantile Bank Hold. (South Africa)	91.8%
			Parbanca, SGPS	100.0%
			B. Com. Invest. (Mozambique)	51.0%
			Partang, SGPS	51.0%
			Banco Caixa Geral Totta de Angola	26.0%
ASSET MANAGEMENT	Caixa Gestão de Activos, SGPS	100.0%		
	Caixagest	100.0%		
	CGD Pensões	100.0%		
	Fundimo	100.0%		
SPECIALISED CREDIT	Caixa Leasing e Factoring – IFIC	51.0%	BCI – ALD (Mozambique)	46.1%
	Locarent	50.0%		
	Credip – IFIC	80.0%		

...continued

CAIXA GERAL DE DEPÓSITOS GROUP (*)	DOMESTIC		INTERNATIONAL	
INVESTMENT BANKING AND VENTURE CAPITAL	Gerbanca, SGPS	100.0%	A Promotora (Cape Verde)	52.7%
	Caixa – Banco de Investimento	99.7%	GCI – S. Capital Risco (Mozambique)	34.6%
	Caixa Capital	99.7%	Banco Nacional Invest. (Mozambique)	50.0%
	Caixa Desenvolvimento, SGPS	99.7%		
INSURANCE AND HEALTHCARE	Caixa Seguros e Saúde, SGPS	100.0%	Garantia (Cape Verde)	65.4%
	Comp. Seg. Fidelidade Mundial	100.0%		
	Império Bonança Comp. Seguros	100.0%		
	Via Directa Comp. de Seguros	100.0%		
	Cares Companhia de Seguros	100.0%		
	Companhia Port. de Resseguros	100.0%		
	Fidelidade Mundial, SGII	100.0%		
	GEP – Gestão de Perit. Automóveis	100.0%		
	EAPS – E. Análise, Prev. e Seg.	100.0%		
	HPP – Hosp. Privados Portugal, SGPS	100.0%		
	HPP – Lusíadas	100.0%		
	HPP – Boavista	100.0%		
	HPP – Algarve	100.0%		
	HPP Saúde – Parcerias Cascais	100.0%		
	HPP Viseu, SA	65.0%		
	LCS – Linha de Cuidados de Saúde	100.0%		
	Multicare – Seguros de Saúde	100.0%		
	EPS – Gestão de Sistemas de Saúde	100.0%		
AUXILIARY SERVICES	Caixatec – Tecnologias de Informação	100.0%	SISP (Cape Verde)	12.9%
	Imocaixa	100.0%	Inmobiliaria Caixa Geral (Spain)	99.8%
	Sogrupo Sistema Informação ACE	100.0%		
	Sogrupo Compras e Serv. Partilh. ACE	100.0%		
	Sogrupo IV Gestão de Imóveis ACE	100.0%		
	Caixa Imobiliário	100.0%		
	CaixaNet	80.0%		
	ESegur	50.0%		
	SIBS	21.6%		
	Trionis	2.2%		

(*) Percentage of effective participating interest.

OTHER EQUITY INVESTMENTS	DOMESTIC		INTERNATIONAL	
OTHER EQUITY INVESTMENTS	Parcaixa, SGPS	51.0%	La Seda Barcelona	14.8%
	Caixa Participações, SGPS	100.0%		
	Wolfpart, SGPS	100.0%		
	Banco Comercial Português	2.7%		
	Banco Inter. São Tomé e Príncipe	27.0%		
	Portugal Telecom	6.3%		
	EDP	0.4%		
	REN – Redes Energéticas Nacionais	1.2%		
	GALP Energia	1.4%		
	ZON Multimédia	10.9%		
	TagusParque	10.0%		
	AdP Águas de Portugal, SGPS	9.7%		
	SOFID Soc. Financ. Desenv. IFIC	10.0%		
	Turismo Fundos, SGFII	33.5%		
	Floresta Atlântica, SGFII	11.9%		
	Brisa	1.6%		
	Cimpor	9.6%		
	VAA – Vista Alegre Atlantis	4.5%		

1.4.5. BRANCH OFFICE NETWORK

CGD Group's branch office network, at the end of 2010, comprised 1 332 branches of which 870 in Portugal and 462 abroad. The number was reinforced by an additional 59 branches – 21 in Portugal and 38 abroad. In the case of international operations reference should be made to the reinforcement of the branch network in Mozambique (BCI) by 24 branches, in addition to Angola (Banco Caixa Geral Totta de Angola) with 10 branches.

NUMBER OF CGD GROUP BRANCHES OFFICES

	2009	2010
CGD (Portugal)	848	869
Branch office network	809	830
Corporate office network	39	39
Banco Caixa Geral (Spain)	211	211
Banco Comercial e de Investimentos (Mozambique)	71	95
Banco Comercial do Atlântico (Cape Verde)	29	32
Banco Caixa Geral Totta de Angola	11	21
Mercantile Lisbon Bank Holdings (South Africa)	15	15
Banco Nacional Ultramarino (Macau)	14	14
Banco Interatlântico (Cape Verde)	8	9
Caixa – Banco de Investimento (Lisbon+Madrid)	2	2
Banco Caixa Geral Brasil	1	1
France branch	46	46
Other CGD branch offices	16	16
Macau Offshore branch	1	1
Total	1 273	1 332
Representative offices	12	12

The expansion of CGD's branch office network continues to be based on modernisation and adapting of spaces to new business models. In the individual customers segment, reference should be made to the Caixazul service which is geared to premium customers and housed 541 branches at the end of 2010. The Caixa Mais service model was launched in 2010 and has 571 commercial operatives in 810 branches.

INTERNATIONAL BRANCH OFFICE NETWORK

EUROPE

Spain	**Germany**	**Belgium**
Banco Caixa Geral 211	CGD – Representative office 1	CGD – Representative office 1
Caixa – Banco de Investimento 1	**United Kingdom**	**Switzerland**
CGD – Spain branch 1	CGD – London branch 1	CGD – Representative office 1
Fidelidade Mundial – branch 1	**Luxembourg**	BCG – Representative office 1
France	CGD – Luxembourg branch 2	
CGD – France branch 46	Fidelidade Mundial – branch 1	
Fidelidade Mundial – branch 2		
Madeira		
Offshore branch 1		

AMERICAS

United States	**Venezuela**	**Cayman Islands**
CGD – New York branch 1	CGD – Representative office 1	CGD – Cayman Islands branch 1
Mexico	BCG – Representative office 1	**Brazil**
BCG – Representative office 1		Banco Caixa Geral Brasil 1
		CGD – Representative office 1

AFRICA

Cape Verde	**São Tomé e Príncipe**	**South Africa**
Banco Comercial do Atlântico 32	Banco Internac. S. Tomé e Pr. 4	Mercantile Bank 15
Banco Interatlântico 9	**Mozambique**	**Angola**
Garantia 10	Banco Comercial e de Invest. 95	Banco Caixa Geral Totta de Angola 21
A Promotora 1		

ASIA

China	**China – Macau**	**East Timor**
CGD – Zhuhai branch 1	Banco Nacional Ultramarino, SA 14	CGD – East Timor branch 8
CGD – Shanghai Representative office 1	Macau Offshore branch 1	**India**
	Fidelidade Mundial – branch 2	CGD – Representative office 2

1.4.6. CAIXA BRAND

The Caixa Geral de Depósitos brand ("Caixa") is the Portuguese financial market benchmark and one of its principal assets. Caixa Geral de Depósitos's operating strategy is geared to efficiency and innovation, as a partner in the growth and sustained development of households, companies and institutions.

Based on a strong culture and the highest ethical standards, rigour and professionalism, but permanently open to change, Caixa is currently the parent company of a modern financial group, prepared to meet the needs and expectations of millions of customers and provide for the challenges of market globalisation.

Caixa was the leader in "top-of-mind" and "spontaneous" brand recognition terms in the Portuguese banking sector in 2010. High levels of performance in terms of brand recognition are correlated with the whole range of experience and points of contact with the brand. Caixa has the highest levels of average adhesion to the brand's values of solidity, trust, prestige and reference. The brand is recognised and associated with sustainability (social, environmental and economic) and culture and has also maintained a consistent lead in terms of brand association with social and environmental actions in 2010.

Source: *Brand Performance Barometer 2010* – BrandScore Report Consultants Group.

Caixa was, for the third consecutive time, considered to be Portugal's Most Valuable Banking Brand in February 2010, according to Brand Finance Banking 500. CGD came in 101st position with a brand value of more than EUR 1 billion.

The Caixa Geral de Depósitos brand was elected by *Selecções do Reader's Digest* magazine readers as the most trustworthy brand in the eyes of Portuguese citizens in the banking category for the 10th consecutive year in March. We were present on the occasion of the May issue of this publication in a special section announcing the nomination, attended by the brands with the highest number of readers' votes. Our presence provided us with an opportunity to publicise information on Caixa Geral de Depósitos brand's performance over the last 10 years in contact with the magazine's almost 100 000 readers.

In second half 2010, in accordance with Pulse 2010, a study carried out by the Reputation Institute (RI) on 72 worldwide financial institutions, Caixa was the most well known Portuguese brand with a 72.09 point assessment and was classified as having a "strong" brand recognition factor. A targeted institutional campaign comprising a two page insert and digital issue on the bank's reputation and respective indicators was organised and well attended by the press. The creative proposal comprised the presentation of the word "reputation" composed, *inter alia*, on the basis of its component parts of trust, safety, experience, commitment, precision and rigour.

GLOBAL REPUTATION OF CAIXA BRAND IN 2010

CGD's reputation in the eyes of consumers is higher than all of the companies listed on the PSI-20 index. It is the Portuguese brand with the best reputation in Portugal. Reputation is the result of consumers' perception of 7 indicators: products / services, innovation, workplace, management model, citizenship, leadership and performance.

Source: *Ranking Reputation Institute – Pulse 2010*.

FINANCIAL VALUE OF CAIXA BRAND

The Caixa Geral de Depósitos brand was considered, to be the "Most valuable Banking Brand in Portugal" in 2010, for the 3rd consecutive time according to the Ranking Brand Finance Banking 500.

With a brand value of EUR 1 billion, Caixa comes in 101st position in the Brand Finance 500 Ranking which is the world leader in terms of brand assessment and management.

Source: *Ranking Brand Finance Banking 500*.

DISTINCTIONS

INVESTORS RELATIONS & GOVERNANCE AWARDS PRIZE

CGD won this year's special Investors Relations & Governance Awards prize, for having the Best Market Discipline Report, in terms of changes to the financial system under the new Basel II capital accord.

EXCELLENCE BRAND 2010 – SUPERBRANDS

Recognised by the Portuguese and Superbrands specialists, Caixa won the Excellence Brands award in 2010.

TRUSTWORTHY BRAND AND ENVIRONMENTAL PERFORMANCE – *SELECÇÕES READER'S DIGEST*

As regards consumer trust, the Caixa Geral de Depósitos Brand was re-elected for the 10th consecutive time as Portugal's Trustworthy Brand, in the Trustworthy Brands study, which has been performed by *Selecções do Reader's Digest* for the last ten years (since 2000). The Trustworthy Brands Study 2010 assessed "Trust and the Environment", for the second time, distinguishing those brands with the best environmental performance. Caixa was recognised as the banking category brand with the highest number of initiatives designed to protect the planet.

WORLDLIFESTYLE 2010 PRIZE

Caixa was one of the brands distinguished by the World Lifestyle 2010 prize, awarded to companies of excellence and prestige, in recognition of their initiatives in the social responsibility domain.

OTHER DISTINCTIONS

Reference should also be made to the prizes awarded by APCE (Portuguese Association of Corporate Communication) in the APCE Grand Prix competition (to reward the year's best communication projects) for 2009, to *Caixa no Mundo* – diploma of merit in the foreign publications category for 2009 – *Azul* (a magazine which was discontinued at the end of 2009) – – diploma of merit in the covers section for the cover of its 37th issue – and *Caixa em Revista* (which was also discontinued at the end of 2009) – the APCE Grand Prix, in the internal publications category.

Three card campaigns were nominated for the Sapo 2010 prizes, in 2010: the Caixa Design, Caixa Carbon Zero in Lifecooler and MTV cards. The Benfica credit card communication campaign was a finalist in the Efficacy Prizes section and put up for the most important international creativity festival – Cannes Lions. Caixa also won the Sapo Silver Prize for its "Savings Cycle" site on environmental literacy for children. Sapo Prizes award annual internet prizes, in recognition of creativity and the technological adaptation of domestic online advertising projects.

DIGITAL COMMUNICATION 2010 – INNOVATION, CREATIVITY, COMMITMENT AND LEADERSHIP

Caixa's experience in the digital economy has increased its responsibility in terms of its commitments to new communication paradigms. 2010 saw an increase in the capacity to realise diverse critical projects for Caixa's strategic communication vision, in which concerns such as design, identity, transparency and positioning of the brand or even knowledge sharing have been the driving forces behind our communication.

Caixa continues to expand and upgrade its technology facilities in support of demands for mobility and new communication and information distribution technologies, using different mobile supports (iPod, PSP, mobile phones, PDAs, Blackberry, Notepads, GPS, Corporate TV, Webcast, iPhone, Android, etc.).

The launch and consolidation of online projects in 2010 afforded preference to responsibility, security, differentiation, personalisation, mission, knowledge, causes, sharing, innovation, commitment and recognition.

RESPONSIBILITY

We reinforced the scope of the Caixa site in 2010 and in addition to all of the information on its activity as a benchmark operator in the Portuguese financial system extended the information structure to cover such diverse and different themes as sustainability, social innovation, entrepreneurialism, culture, "maritime economy", design, volunteering and financial education.

Accessed by more than a million unique users with around 20 million pages per month, the Caixa Geral de Depósitos portal at www.cgd.pt maintains the highest accessibility parameters. This premier financial sector site guarantees total accessibility to visually impaired or physically handicapped users.

SECURITY AREA

Caixa continued to combat internet fraud in 2010, regularly disclosing information on the latest mechanisms to enable people to protect their computers and information on its internet site at www.cgd.pt.

PERSONALISATION

Caixa Woman and Caixa Activa

The Caixa Woman and Caixa Activa sites are component parts of a relational marketing project coming under the aegis of our improved customer relationships strategy. These online spaces were used to launch regular campaigns to secure new customers and retain their loyalty. Special reference should be made to the existence of the best facilities for the most demanding customers and a different, exclusive offer.

Caixazul Service

The Caixazul site, during the course of 2010, was used as a proximity and distance relationship management channel. Structure and navigation were adjusted in line with those existing at www.cgd.pt, with 7 major key areas including day-to-day management, mortgage loans, personal loans, savings and the future, health, culture and leisure and "What is my Account manager".

KNOWLEDGE

Positive Balance Site – Financial Education Programme

Caixa provides contents with a practical, useful application for the day-to-day management of household budgets in addition to savings suggestions at www.saldopositivo.cgd.pt. The site provides access to financial diagnosis tools and information on financial terms, the main operations and financial products, personal / household budget management and particularly encourages savings, investment and responsible consumption. We believe that better informed persons find it easier to manage their financial affairs and substantially reduce their outgoings and ipso facto increase savings rates.

Sustainability Report

Caixa's digital version of its sustainability report provides the market with a consultation facility with dynamic, flexible, user-friendly navigation.

CAUSES

Social Bank

The Social Bank site which was launched in July 2010, compiles issues relating to Caixa's social work, in a single area. Information is published on support and initiatives in this domain, in addition to actions and financial instruments developed in the social inclusion and job creation spheres.

Volunteering is another project area and provides information on Caixa employees' various one-off and permanent initiatives.

SHARING

Media Gallery

Specialising exclusively in events, media actions, brand activation, concerts, conferences, congresses, interviews and talks, the www.cgd.pt site inaugurated a media gallery in 2010, showing films which generate visibility for Caixa's various supports and sponsorships. Contents include the broadest range of issues ranging from institutional and corporate, social responsibility, research, education, solidarity, entrepreneurialism and CGD conferences. A vast range of films also comprises a visual record of CGD actions and events during the course of 2010. These are of interest to a wide audience and include, *inter alia*, the launch of new products and campaigns, sport, music, painting, photography, exhibitions, innovation projects and new technologies.

Caixa Forums

Seminars, conferences and congresses are now accessible to all. The new channels providing films, images, presentations, spots and sound files such as podcasts or webcasts, webTV, web conferences or webseminars, comprise new possibilities and opportunities for the growth of communication targeted and disseminated in various formats and media and accessible on any image and sound or multimedia device.

On-line Magazines

Other information sharing tools which convey Caixa's image and brand are the various publications which are regularly sent to our customers. They include the *Cx + Caixa Azul* insert, *Caixa Empresas*, *Caixa Woman*, *Caixa Activa* and *Caixa no Mundo* magazines. All of these publications were available on the web, in 2010, in digital format using pageflip technology allowing magazines to be read on computers almost in enhanced reality mode.

INNOVATION

Digital Signage – Digital Merchandising – Webmedia Stand Solutions

Caixa launched an innovative, pioneering webmedia project, in September 2010, with its creation and production of interactive, digital, web-based applications, considered to be the irreversible trend over the next three year period for the purpose of communicating information on brands and leveraging "collective, emotional intelligence". The concept, architecture and models we have developed essentially focus on participation, integration and collaboration as critical factors for the success of any advertising or communication campaign using the broadest range of different support media.

The webmedia space, with its interactive Digital Signage solutions applications, enabled Caixa to provide information on its presence at two events – Digital Communication and Brand Activation and Christmas Action with the "Magic Book and Other Stories" with an 18 sqm stand hosting the following web applications:

- A videowall application for displaying images, photos and wallpapers of images of brands and Caixa initiatives – Caixa Mais, Caixa Woman, Caixa Activa, Floresta Caixa, Sustainability, Social Bank, with images of visitors under the title "Bearing Witness to Caixa";

- Facebook application with images / photos of visitors, access to profile, possibility of posting information with a Caixa brand background using preformatted text.

Web 2.0 – Social Networks

We have reinforced our presence on the Facebook and Twitter social networks with university students, Caixa Mais, Caixa Woman and MTV card campaigns as well as the positive balance profile in which we adopted a highly dynamic approach in accompanying market trends.

Caixa progressively reinforced its presence on these new channels during the course of 2010 and will continue to do so in 2011, with a view to having a presence in the place where internet users and visitors spend more time than in any other web area.

Caixa Mais Site

This site, launched in May 2010, was a pioneer on the digital scene. For the first time a bank has created a cromakey production studio site using a public figure (Catarina Furtado) as a guide who takes users through the different areas for the promotion and provision of information on the Caixa Mais campaign.

Caixa has also used this site to launch an enhanced reality application for the first time in Portugal in which users can interact with the site.

1.4.7. HUMAN RESOURCES

Direct support to business and the expansion of the branch network, recognition of merit and internal potential, development of employees' capacities and competences and improved balance between team members' professional and personal lives were strategic human resources management concerns, in 2010.

Caixa Geral de Depósitos had a global number of 10 785 employees at 31 December 2010. This translated into a decrease of 6.25% since 2005. CGD had 9 672 full time employees[1] in 2010.

Recruitment of young graduates, allied with the retirements of older staff members, enabled Caixa to reduce average employee age levels from 42.1 years to 41.8 years and gradually reinforce its staff complement with graduate employees (from 45.3% in 2009 to 48% in 2010).

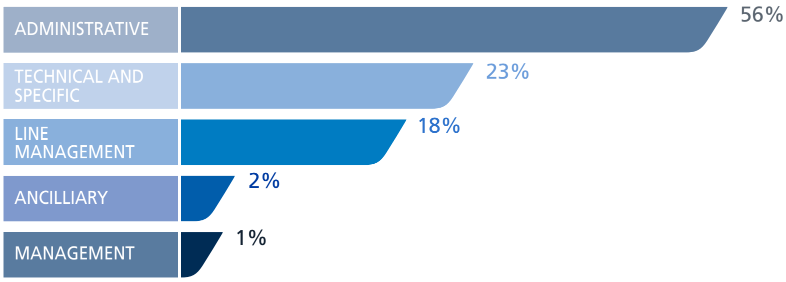
In terms of gender the trend towards an increase in the number of women (55.4%) was more in evidence in the under 35 age group in which more than 65.86% of the total number of employees are women, continues to be the case.

Higher levels of internal mobility also continued to converge, improving the balance between branch office and support divisions. 80% of the total number of full time employees are engaged on a commercial activity.

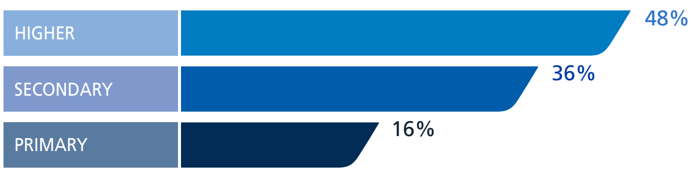
Distribution by Areas

[1] Does not include employees seconded to economic interest Groups, Group companies, requisitioned, unpaid leave and workers' representative structures.

Functional Distribution



Distribution by Academic Qualifications



NUMBER OF CGD EMPLOYEES

	2009	2010	Change Total	Change Percent
Global CGD	10 931	10 785	-146	-1.3%
Full time (1)	9 791	9 672	-119	-1.2%
Recruitments	893	1 058	165	18.5%
Resignations	829	1 177	348	42.0%
Key Indicators				
Average age	42.1	41.8	-0.30	-0.7%
Average seniority	17.2	17.0	-0.25	-1.5%
Rate of academic qualifications higher than secondary education	45.3	48.0	2.74	6.1%
Percentage of women employees	54.3	55.4	1.10	2.0%
Absenteeism	5.1	5.0	-0.09	-1.8%

(1) Does not include employees seconded to economic interest Groups, Group companies, on secondment, unpaid leave and structures representing workers.

ATTRACTION

CGD has been encouraging candidates to use the internet as one of the best means of selection and recruitment. 1 058 new employees with an average age of 26 years were taken on in 2010. 80% of this total had higher educational qualifications with around 90% being employed in commercial areas.

CGD provided 492 young students and recent graduates with the opportunity to make contact with the world of banking through its placements programme.

QUALIFYING

CGD continued to promote its knowledge management strategy geared to the development of persons and business, combining a short term perspective, based on providing employees with the necessary skills to enable them to immediately respond to the demands of their jobs, particularly geared to technical aspects of banking operations, with a medium and long term perspective, focusing on the development of competences, guaranteeing employees' professional development and optimising their potential.

377 808 training hours, involving a total number of 133 533 participations, comprising 39 training hours per employee were given in 2010.

NUMBER OF TRAINING HOURS

	2010
Functional groupings	
Senior management	6 685
Line management	63 424
Technical and specific	111 384
Administrative	193 103
Other	3 212
Total	377 808

DEVELOPING

The establishing of 9 new branch office teams, in 2010, and the recruitment of an additional 300 employees on the branch network establish a direct relation between CGD's strategic objectives and human resources management activity. This is also exemplified by the fact that 92 employees were promoted to management bodies and 64 to customer management functions, without the need to source these functions from outside CGD. This approach affected around 1.6% of the staff complement.

MOTIVATION AND RECOGNITION

With the objective of improving differentiation criteria and recognising the performance of its workers, CGD has also been reinforcing variable compensation mechanisms, with the consolidation of its objectives and commercial incentives system since 2005.

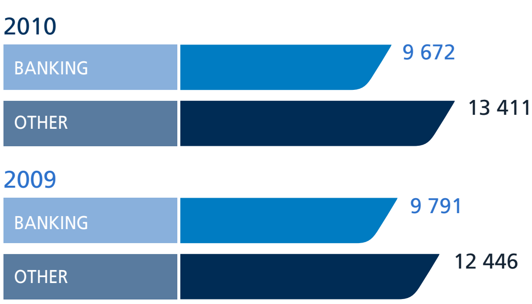
The system has been designed to reward the successful achievement of objectives, either individually or on a team basis by branch network employees. Based on the results achieved in second half 2009 and first half 2010, such employees received an average bonus of 42% of their effective monthly compensation, which, together with the profit sharing plan, resulted in variable compensation of 1.49 month's effective wages (i.e. around 10.7% of total annual compensation).

EVOLUTION OF NO. CGD GROUP WORKERS

CGD Group had 23 083 employees at the end of 2010. There was a global increase of 846 employees notwithstanding a reduction of 119 employees in terms of CGD's banking activities in Portugal in a cost cutting context. This translated the expansion of international operations, with an additional 534 employees and in the insurance and health area with a further 494 employees, the latter influenced by the opening of Cascais hospital.

NUMBER OF CGD GROUP EMPLOYEES

			Change	
	2009	2010	Total	Percent
Banking (CGD Portugal)	9 791	9 672	-119	-1.2%
Other	12 446	13 411	965	7.8%
Total	22 237	23 083	846	3.8%



Following the guidelines received from the Ministry of Finance in February 2010, wage negotiations were suspended until the time when CGD was provided with guidelines from the ministry regarding the position to be taken over current negotiations.

After obtaining government permission, CGD agreed wage increases of 1%, in line with the banking sector.

1.5. MACROECONOMIC BACKGROUND

1.5.1. INTERNATIONAL

1.5.1.1. GLOBAL

World economic activity returned to expansion in 2010 and more noticeably so in emerging countries, particularly the Asian bloc. Return of annual growth into positive territory was based on stimuli provided by the main central banks, which kept interest rates at historically low levels, owing to the non-existence of inflationary pressure and a resumption of private consumption in many economies.

As in the preceding year, the good performance of economic indicators enabled the IMF to successively upgrade its growth estimates for 2010. Its interim estimates for January 2011, indicate world economic growth of 4.4%. In its October 2009 report, the IMF estimated growth of no more than 3.1%. The highest recorded rate of growth was, however insufficient to reduce unemployment which remained high in the case of the developed economies as opposed to the emerging economies.

ECONOMIC INDICATORS

	Rates of change (%)				Rates (%)	
	GDP		Inflation		Unemployment	
	2009	2010	2009	2010	2009	2010
European Union	**-4.0**	**1.8**	**1.0**	**2.1**	**8.9**	**9.6**
Euro Area	-4.1	1.7	0.3	1.6	9.5	10.0
Germany	-4.7	3.5	0.2	1.2	7.5	6.9
France	-2.6	1.5	0.1	1.7	9.5	9.8
United Kingdom	-4.9	1.8	2.2	3.3	7.6	7.8
Spain	-3.7	-0.2	-0.2	2.0	18.1	20.1
Italy	-5.2	1.3	0.8	1.6	7.9	8.5
USA	**-2.6**	**2.8**	**-0.3**	**1.7**	**9.3**	**9.6**
Japan	**-6.3**	**4.0**	**-1.4**	**-0.7**	**5.1**	**5.1**
Russia	**-7.8**	**4.0**	**11.7**	**6.9**	**6.3**	**5.6**
China	**8.6**	**10.4**	**-0.7**	**3.3**	**4.3**	**4.2**
India	**7.0**	**8.7**	**10.8**	**12.1**	**n.a.**	**n.a.**
Brazil	**-0.7**	**7.5**	**4.9**	**5.0**	**8.1**	**6.7**

Eurostat, National Statistics Institutes.
n.a. – Not available.

2010 was marked by heightening tensions in the public debt market in the countries on the periphery of the Euro Area. Such countries paid a significant increase in the premium to meet their funding requirements which forced them to adopt austerity measures. Although such measures varied between member states, they shared a common effort to achieve a faster level of consolidation of their respective public finances, both through cost containment and revenue raising initiatives.

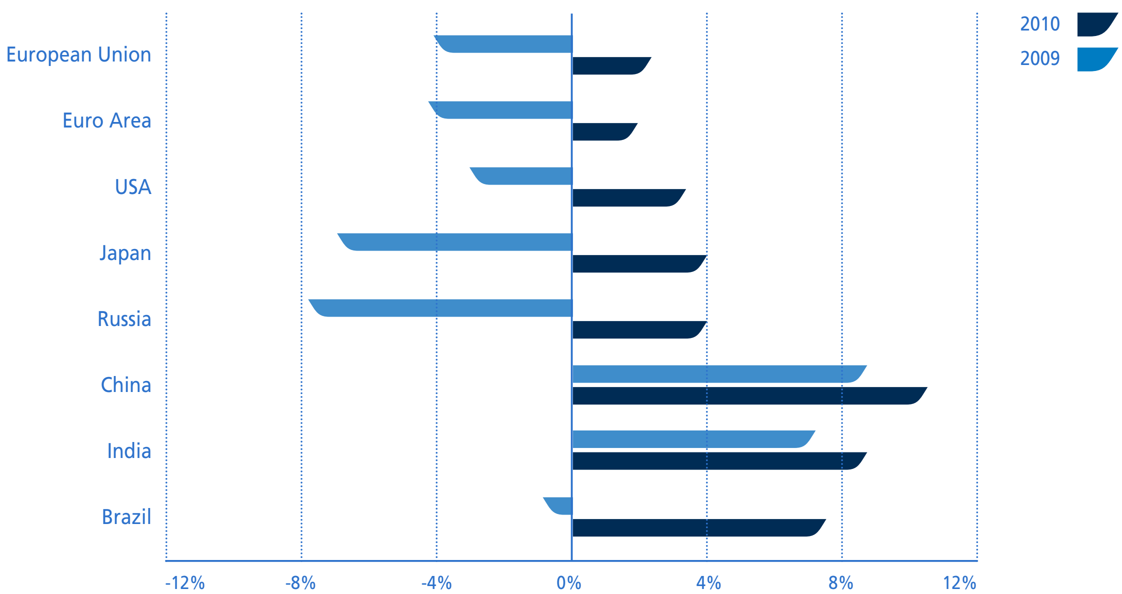
The US authorities once again played a decisive role in world economic upturn in 2010. The Fed kept its reference rate unchanged at its lowest ever level and guaranteed that it would remain so over a long period, having reinforced the assets purchase programme, initially drawn up in March 2009.

The Obama administration, in turn, announced the implementation of diverse economic stimulus packages, in 2010, ranging from assistance for house purchases in the spring to the extension, at year end, of the tax cuts implemented by the preceding administration in an agreement with Congress enabling the fiscal burden on labour to be reduced.

The performance of the Asian bloc was yet again highly positive. The Japanese economy, fuelled by private consumption, expanded in 2010, notwithstanding slightly higher unemployment, deriving from the stimulus measures implemented both by the central bank and government. Also as regards Asia, China's economic indicators remained robust, particularly in terms of domestic activity, benefiting from very strong monetary stimuli and continued growth in lending.

Reference should also be made to Brazil's economic performance with a strong acceleration of GDP in 2010, notwithstanding moderate second half growth. After GDP contraction of 0.7% in 2009, economic growth, in 2010, rose to its highest level since 1986 at 7.5%.

Gross Domestic Product



As opposed to the developed economies, in which central banks' reference interest rates remained unchanged, interest hikes were decreed in many emerging economies, particularly owing to a spurt of inflation.

1.5.1.2. EUROPEAN UNION

Notwithstanding the high levels of financial instability in the Euro Area, in 2010, economic growth was surprisingly positive. According to the IMF, growth in 2010, at 1.7%, was at its highest level for three years. This expansion was essentially based on the performance of domestic demand.

ECONOMIC INDICATORS FOR THE EUROPEAN UNION AND EURO AREA

	Rate of change (%)			
	European Union		Euro Area	
	2009	2010	2009	2010
Gross domestic product (GDP)	**-4.0**	**1.8**	**-4.1**	**1.7**
Private consumption	-1.7	0.8	-1.1	0.8
Public consumption	2.0	0.8	2.4	0.7
GFCF	-12.1	-0.4	-10.8	-0.7
Domestic demand	n.a.	n.a.	n.a.	n.a.
Exports	-12.5	10.3	-13.1	10.9
Imports	-12.4	9.0	-11.8	8.9
Inflation rate (HICP)	**1.0**	**2.1**	**0.3**	**1.6**
Ratios				Rates (%)
Unemployment rate	8.9	9.6	9.5	10.0
General government deficit (% of GDP) [(a)]	-6.8	-6.8	-6.3	-6.3

Eurostat.
(a) 2010 values: EC – European Economic Forecast, November 2010.

Germany turned in a positive performance with growth of 3.5%, its highest rate since reunification. Negative developments particularly included the performances of Greece and Spain which recorded new annual negative growth rates, which had already occurred in Ireland, in light of the contraction occurring in the first nine months of 2010.

The effects of economic recovery have still not been felt on a level of the labour market. The average unemployment rate increased from 9.5% in 2009 to 10% in 2010, which was its highest level since 1998. Germany also turned in a positive performance in terms of unemployment having closed the year with its lowest unemployment rates since reunification.

Inflation in the Euro Area, as measured by the HIPC (Harmonised Index of Consumer Prices), recorded an average rate of change of 1.6% in 2010 as opposed to the year 2009 figure of 0.3%. This performance was mainly associated with higher prices for energy goods.

The failure of financial conditions in the Euro Area to normalise led the European Central Bank (ECB) to maintain a hands-on approach in terms of unconventional monetary policy measures albeit keeping the reference rate unchanged over the whole of 2010. Given that the functioning of the money market in the region failed to regularise, partly noticeable in the difficulties experienced by several institutions in securing funding in the capital markets, the ECB extended the more favourable terms of its liquidity injection auctions, albeit eliminating the longer maturities. In an unprecedented decision, the ECB also announced its acquisition of public debt in the secondary market, following the worsening sovereign debt crisis as a means of ensuring the adequate transmission of monetary policy.

1.5.2. DOMESTIC ECONOMY

1.5.2.1. GLOBAL

Economic activity in Portugal, in 2010, was surprisingly positive with an expansion of 1.4%. This performance resulted from the positive contribution of net exports and private and public consumption, notwithstanding the major drop in investment.

In terms of foreign trade, reference should be made to the role of exports whose 8.7% growth offset the negative 5.3% effect of higher imports. This performance was associated with a marked increase in external demand resulting from the upturn in the world economy, with a 21.2% increase in new orders from overseas in the said period having been observed, in year-on-year terms.

Both private consumption, with growth of 2.0% and public consumption with growth of 3.2%, contributed towards good economic performance, mainly in the first half of the year. The challenges involved in reducing the budget deficit and consequent approval of austerity measures led to a decrease in the contribution made by such components to second half growth, with a deteriorating level of consumer confidence having been noted over the period.

Gross fixed capital formation was down 4.8%, partly as a consequence of the level of economic activity and domestic demand prospects, in addition to the decrease in public investment. Contraction was more noticeable in construction machinery and equipment.

PORTUGUESE ECONOMIC INDICATORS

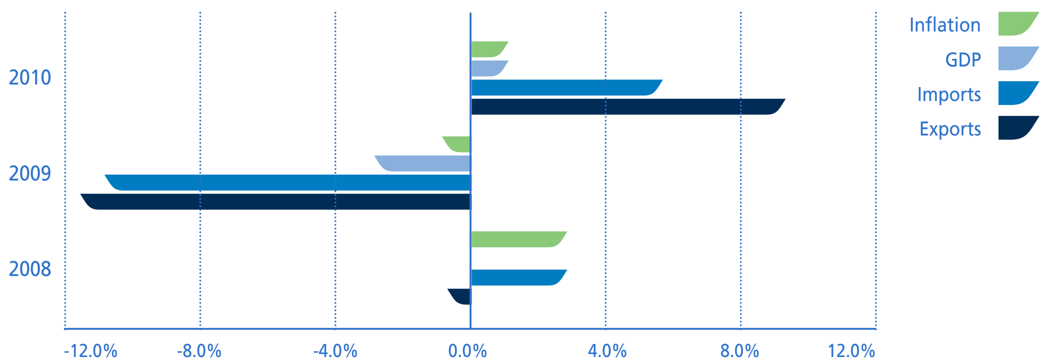
(%)

	2008	2009	2010
GDP (real rates of change)	**0.0**	**-2.5**	**1.4**
Private consumption	1.8	-1.0	2.0
Public consumption	1.1	3.4	3.2
GFCF	-1.8	-11.6	-4.8
Domestic demand	1.2	-2.9	0.8
Exports	-0.3	-11.6	8.7
Imports	2.8	-10.6	5.3
Inflation rate (HICP)	**2.7**	**-0.9**	**1.4**
Ratios			
Unemployment rate	7.6	9.5	10.8
General government deficit (as a % of GDP) (*)	-2.7	-9.3	-7.3
Public debt (as a % of GDP) (*)	65.3	76.1	82.1

INE.
(*) State budget for 2011, October 2010.

Regarding inflation, the Portuguese HICP, in 2010, recorded an average rate of change of 1.4%, particularly, as a consequence of higher prices for energy goods and hikes in various indirect taxes such as VAT, oil and tobacco tax, albeit 0.2 percentage points lower than the Euro Area.

Domestic Economic Indicators



The unemployment rate was up over the preceding year and remained high in 2010. The unemployment rate, in 2010, was 10.8%, with a total number of 602 800 unemployed comprising an increase of 14% over the preceding year.

1.5.2.2. DEPOSITS AND CREDIT AGGREGATES

There was a decrease of 3.8% in the M3 liquidity aggregate, excluding currency in circulation, in year-on-year terms. Reference should be made to total deposits with a 5.7% increase.

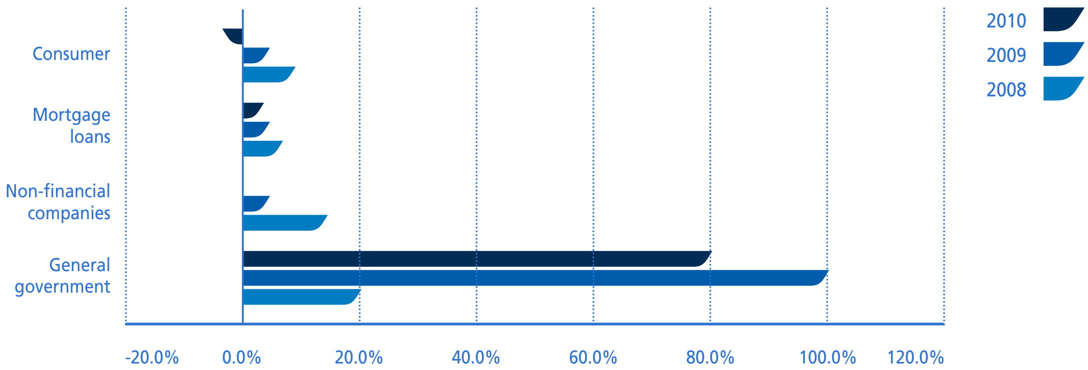
MONETARY AGGREGATES IN PORTUGAL [(a)]
Annual rates of change

	2008	2009	2010
M3, excluding currency in circulation	13.2%	-3.3%	-3.8%
Total deposits	9.6%	1.6%	5.7%
Deposits made by non-financial companies	-2.0%	5.3%	18.2%
Individual customers' and emigrants' deposits	14.4%	1.3%	2.0%
Total domestic credit	**10.3%**	**6.4%**	**9.7%**
Loans to general government [(b)]	20.8%	99.7%	80.3%
Loans to non-financial companies	11.1%	2.6%	0.2%
Mortgage loans	4.3%	2.6%	2.5%
Consumer and other credit	6.2%	1.8%	-0.6%

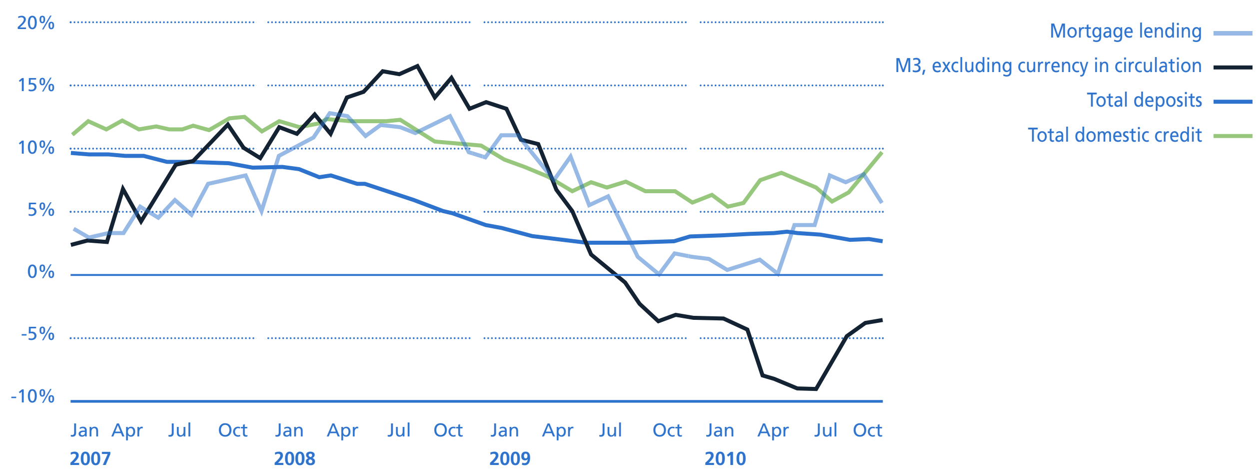
Source: *Bank of Portugal – Statistics Bulletin*, February 2011.
(a) Rates of change based on end of month balances. Deposit aggregates do not include NMFI (non-monetary financial institutions) deposits. Credit aggregates include securitised loans.
(b) Net of liabilities to central government.

Total domestic credit, in turn, was up 9.7%. There was expressive growth in loans to general government, net of liabilities to central government, in addition to a marginal decrease in consumer and other credit.

Evolution of Credit in Portugal



Currency and Credit
(Year-on-year rates of change)



1.5.2.3. INTEREST RATES

The ECB kept its reference rate unchanged over the whole of 2010 at its lowest ever level of 1%. It also took a series of measures designed to facilitate the adequate operation of the interbank market, to ensure the existence of liquidity, by successively extending its realisation of liquidity injection auctions to meet requirements in full, albeit eliminating the longer maturities which were created during the course of the preceding year as an exceptional measure.

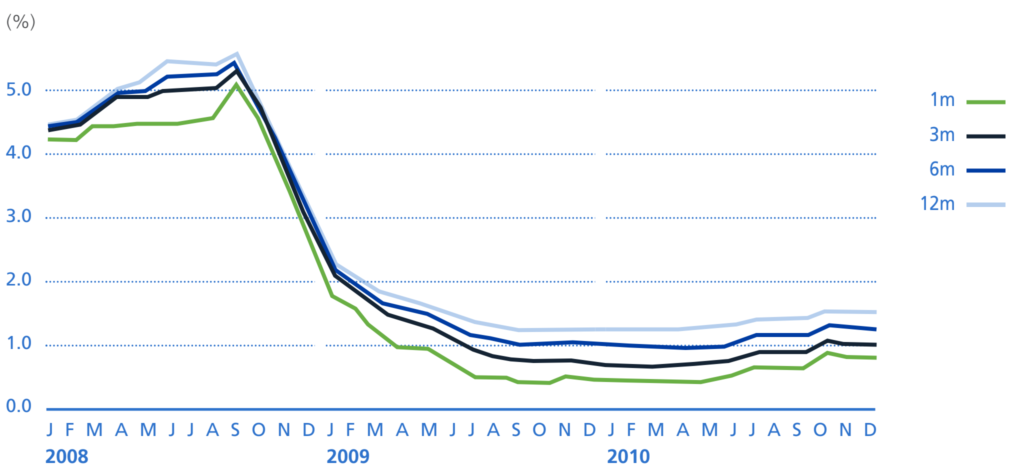
INTEREST RATES (a)

(%)

	2008 Dec.	2009 Dec.	2010 Mar.	2010 Jun.	2010 Sep.	2010 Dec.
FED funds rate	0–0.25	0–0.25	0–0.25	0–0.25	0–0.25	0–0.25
ECB reference rate	2.50	1.00	1.00	1.00	1.00	1.00
Euribor						
Overnight	2.352	0.410	0.401	0.542	0.878	0.817
1 month	2.603	0.453	0.397	0.485	0.625	0.782
3 months	2.892	0.700	0.634	0.767	0.892	1.006
6 months	2.971	0.994	0.944	1.041	1.146	1.227
12 months	3.049	1.248	1.212	1.306	1.433	1.507
New credit operations						
Non-financial companies (b)	5.75	3.26	3.21	3.76	4.28	4.44
Individual customers – mortgage loans	4.96	2.22	2.20	2.25	2.65	2.97
Term deposits and savings accounts (c)						
Non-financial companies	4.49	1.68	1.36	1.63	2.35	3.10
Individual customers	3.89	1.67	1.35	1.42	1.50	1.81

Source: *Bank of Portugal – Statistics Bulletin*, February 2011.
(a) Rates relative to last day of month.
(b) Operations involving more than EUR 1 million.
(c) Deposits with an agreed maturity period of up to 2 years.

Euribor (*)



Source: Bank of Portugal.
(*) Values related to the last day of the month.

The interest rates used as indexers for credit operations remained practically unchanged in comparison to their levels at the end of 2009, over a large part of the year. 2010, notwithstanding, closed with an increase in Euribor rates, owing to the gradual decrease in surplus liquidity in the system. As a result of the period of rate hikes noted between April and October, changes in 2010 oscillated between 0.233 p.p. for a maturity of 6 months and 0.329 p.p. for 1 month.

This context witnessed an increase in both lending and borrowing rates for the individual customers and non-financial companies segments. Although, in the case of the former, the change was similar in both of the segments, borrowing rates in the individual customers segment were left more or less unchanged in comparison to the preceding year, increasing only in the case of non-financial companies.

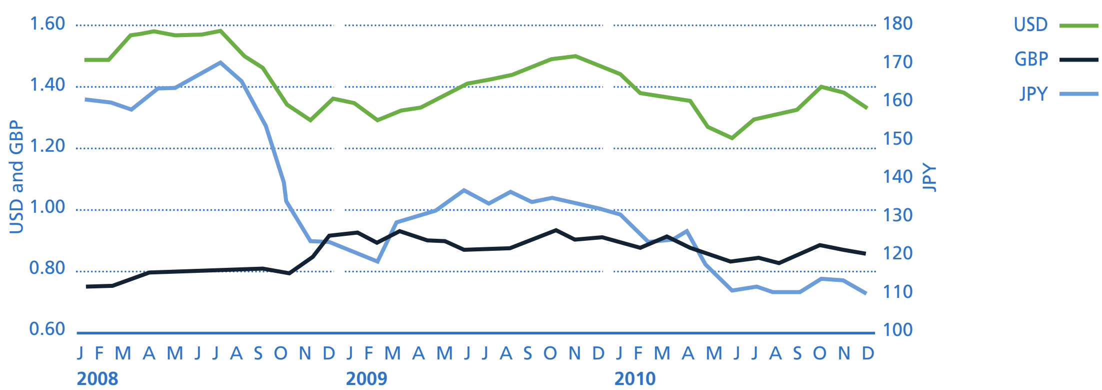
1.5.2.4. EXCHANGE RATES

The euro's average exchange rate against the dollar in December 2010 was 1.322 USD, down 9.5% over the same period last year and returning to 2008 levels.

The euro also depreciated against the other main currencies, such as sterling (by 5.8%) and the yen (by 16.1%).

The performance of the single European currency over the course of the year oscillated between periods in which it benefited from the region's economic recovery and others in which it was constrained by the public debt situation in Europe.

Euro Exchange Rates
(Average monthly values)



Source: Bank of Portugal.

EURO EXCHANGE RATES
(Average monthly values)

	USD	GBP	JPY
Dec. 08	1.345	0.904	122.51
Dec. 09	1.461	0.900	131.21
Dec. 10	1.322	0.848	110.11

1.5.2.5. CAPITAL MARKET

Confidence in the consolidation of an upturn in the word economy remained high in the first few months of 2010 with continuous announcements of positive economic indicators, based on higher consumption levels and the stimuli provided by the main central banks, while signs of capital market stabilisation with a decrease in risk aversion by investors were increasingly more visible.

The capital markets adjusted, however, in the second quarter. This was evident in the drop in risk assets, after a cooling off period of the major economies with heightened tensions in the public debt market, particularly in countries on the periphery of the Euro Area. The ratings on these economies, including the Portuguese economy, were downgraded by the rating agencies, with the allocation of negative outlooks. The problems related with sovereign debt had a negative effect on corporate bonds.

Starting in the third quarter, capital market performance was more in conformity with a scenario of economic recovery i.e. increase in the value of risk assets in an environment of lower volatility. This environment was supported by the disclosure of positive economic indicators, good corporate results and the announcement of further support measures by the central banks. The exception to this improvement trend was the maintenance of high spreads on the sovereign debt of countries on the periphery of the Euro Area, which also had a conditioning effect on corporate debt spreads, particularly financial companies.

SHARE MARKET

The share market in the first few months of 2010 displayed the same upwards trend as noted during the course of a large part of 2009 followed by inversion during the second quarter of the year as a consequence of the worsening sovereign debt situation in the Euro Area and fears that the US economy could dip once more into recession.

The reinforcement of monetary policy expansionary measures by the US Fed, in conjunction with an improvement in the macroeconomic environment, led to an expanding market in the second half. The positive surprises witnessed in terms of higher profits and corporate valuations enabled the year to close on a high note.

STOCK MARKET INDICES

	2009		2010	
	Index	Change	Index	Change
Dow Jones (New York)	10 428	18.8%	11 578	11.0%
Nasdaq (New York)	2 269	43.9%	2 653	16.9%
FTSE (London)	5 413	22.1%	5 900	9.0%
NIKKEI (Tokyo)	10 546	19.0%	10 229	-3.0%
CAC (Paris)	3 936	22.3%	3 805	-3.3%
DAX (Frankfurt)	5 957	23.8%	6 914	16.1%
IBEX (Madrid)	11 940	29.8%	9 859	-17.4%
PSI–20 (Lisbon)	8 463	33.5%	7 588	-10.3%

Several regional disparities were, however noted. Although several of the main indices bounced back to higher levels than those noted at the time of the Lehman Brothers bankruptcy, returns on other indices were back in the red. These cases are exemplified by countries on the periphery of Europe or in which rates were increased in several emerging markets.

There were increases of 11.0% and 8.6% for the Dow Jones in the US and Stoxx600 in Europe, respectively, with the Morgan Stanley index for emerging markets up 16.4%. Particularly negative performances were turned in by ASE (Greece) which was down 35%, followed by IBEX (Spain) and the PSI–20 (Portugal) which were down 17.4% and 10.3%, respectively. In Asia, Japan's Nikkei made losses of 3.0%, with China's Shanghai index down 14.3%.

BOND MARKET

The central issue in the bond market, in 2010, was the widening of spreads on sovereign debt, whose sharp deterioration had a negative effect on corporate bonds which also suffered from significantly higher spreads, particularly in the financial sector.

Announcements of financial aid plans by the European authorities for the purpose of restoring the normal operation of public debt markets have always produced short term effects and were insufficient to prevent contagion to other countries and assets. The mid year announcement by the Committee of European Banking Supervisors (CEBS), of the results of the stress tests performed on a selection of 91 European banks was a contributory factor in the narrowing of spreads in the private debt market in subsequent months, after which a fresh deterioration in spreads on the sovereign debt of the countries on the periphery also had a negative effect on corporate debt.

The government bonds of the main public debt market issuers – EUA and Germany – were down in 2010, both short and long term, having benefited from the maintenance of central banks' rates at a low level and expectations that they would remain so for an extended period of time, as well as the unconventional monetary policy decisions made by the respective central banks.

Whereas the US Federal Reserve announced new monetary stimuli, including a programme for the purchase of treasury bonds in the marketplace, in the Euro Area, the European Central Bank (ECB) purchased public debt on the secondary market, having also successively extended the realisation of liquidity injection auctions to meet demand in full while eliminating the longer maturities.

If such factors were determining in the case of yields on the short maturities, in the case of the longer maturities, the respective rates also benefited from the non-existence of inflationary pressure, together with uncertainty over the level of economic upturn. The performance of German rates on 10 year bonds was also influenced by flight to quality owing to risk aversion deriving from the sovereign debt crisis affecting countries on the periphery of Europe which hit a historical low at the end of the third quarter.

Improved economic indicators, together with a spurt of inflation and the impact of the Fed's new measures on expectations of higher inflation, triggered an increase in yields on US government bonds over all maturities, in the last quarter of the year.

The year as a whole and as opposed to the preceding year, witnessed a highly similar level of performance between short and long maturities on the yield curve in terms of change. In the US, the 2 and 10 year rates experienced a similar drop of 54 bp whereas in Germany the 47 bp drop for the 2 year maturity was similar to the 42 bp drop over maturities of 10 years.

As opposed to the preceding year, Portuguese public debt bonds, as in the case of other countries on the periphery of the Euro Area, diverged from the evolution of German rates. Although at a first stage there was no widening of spreads between yields in the said countries and German rates, starting April, which witnessed increasing concern over the budget problems of various countries on the periphery, such spreads widened significantly.

This derived from the simultaneous movement of the increase in rates in the periphery which reached new maximums and the drop in German rates, as a consequence of investors' flight to quality. Notwithstanding the financial assistance plans for Greece, in April and Ireland in November and the steps taken to create a permanent aid mechanism within the Euro Area, rates continued to rise up to the end of the year, closing in the case of Portugal, at more than 6.50%.

This adverse environment had an effect on the private debt market, not only in the form of a widening of spreads in the primary and secondary markets, but also in difficulties in access to the market by companies domiciled in countries more affected by the sovereign debt crisis.

The financial sector was the most heavily penalised, recording a sharper widening of spreads than in the case of non-financial companies and was also, to an extent, penalised by the situation of the public finances in Europe. Its poorer level of performance is firstly due to its level of sensitivity to economic growth, foreseeably affected by budget containment measures. However, specific factors also contributed to events, including changes on a level of banking regulation followed by the possibility, raised by the European authorities, of future losses being made by holders of senior debt in the case of potential bankruptcies. Reference should also be made to relatively higher refinancing needs in comparison to the non-financial sector.

1.6. STRATEGY AND BUSINESS MODEL

1.6.1. STRATEGIC VISION 2008–2010

CGD'S activity, in 2010 continued to be mainly based on the strategic vision defined by its board of directors and approved by its shareholder, for the three year period 2008–2010.

In accordance with this vision, CGD group will endeavour to consolidate its activities as a Portuguese financial system structuring group, differentiated by the major relevance and responsibility of its contribution to:

• Economic development;

• Reinforced competitiveness, innovation capacity and the internationalisation of Portuguese companies;

• The stability and strength of the national financial system.

CGD Group, as the market leader, will endeavour to achieve balance in the evolution between profitability, growth and financial strength, always pursuant to a prudent risk management framework.

Six strategic development axes have been defined to achieve this strategic vision, based on the main expected principal external economic trends and CGD Group's market position.

A first axis is geared to the need to sustain profitable business growth as a key factor in maintaining CGD's leading position in the national financial market. This growth will involve the consolidation of leadership in CGD's traditionally strong areas (resource-taking, mortgage loans) together with a reinforcement of its involvement with the best SMEs or growth in international markets. Contribution to economic growth, in supporting companies and participation in terms of funding the country's structuring projects, are also a central priority.

A second axis is the need to reinforce operational efficiency and improve quality of service, both of which are critical success factors in terms of current financial activity. Notwithstanding the fact that the evolution of the costs structure of CGD's domestic activity components over the three year period 2008–2010, was highly positive, considering that employee costs and external supplies and services as a whole were down 2.3%, the current economic context makes the continuation of this evolution over the next few years imperative.

A third priority axis is to reinforce risk management capacities, as a central banking area activity. This is doubly important in this cycle, owing to the existence of uncertainty in terms of economic evolution and international financial markets.

A fourth axis is the development of a human resources policy based on the company's values and culture, knowledge, communication and performance. The aim is to develop a business culture more attuned to performance and improving human resources productivity, always pursuant to the existence of good labour relationships.

A fifth axis is geared to cultural and social development and the promotion of sustainability which CGD Group intends to reinforce, in addition to a commitment to be the established national benchmark operator in terms of good governance and ethical conduct.

Finally, a sixth axis, which is associated with the need to restructure the corporate model and achieve a more efficient capital structure while, at the same time, releasing important resources for business development in strategic areas.

Under the terms of the strategic management process implemented within CGD Group and with the aim of operationalising the six above referred to axes, the organisation as a whole was aligned around a collection of transversal structuring projects:

1. To stimulate the commercial activity of individual customers and small businesses; through the creation of instruments necessary to reinforce a multipurpose proactive approach;

2. To stimulate the commercial activities of SMEs;

   2. a) To actively promote foreign trade;

3. To execute a multichannel strategy;

4. To leverage assurfinance operations;

5. To develop international business;

6. To optimise the bank's risk and capital management;

7. To concentrate on CGD Group's credit recovery operations over the whole of the value chain;

8. To develop the venture capital business;

9. To promote cost reduction;

10. To reinforce procedural efficiency and quality of service;

11. To develop talent;

12. To optimise technological infrastructure.

The challenges to be faced by CGD in the performance of its operations, in 2010, required CGD's consideration of the need to identify new strategic initiatives and redefine priorities.

In contextual terms 2010 was marked by the funding crisis in EU countries affected by the sovereign debt crisis.

Portuguese banks, in particular, have been securing their funding from the European Central Bank. Such funding peaked in June 2010 and fell gradually up to the end of the year, owing to most financial institutions' deleverage strategies and quest for alternative liquidity sources.

Tight liquidity in the financial markets has originated a sharp growth in funding costs, notably deposits taken from the retail banking networks.

Last quarter 2010 was also marked by a series of factors which will condition 2011, namely:

- The recessionary economic climate caused by the austerity measures defined to balance the public accounts, partly offset by more dynamic exports to European economies with higher growth levels, particularly Germany, France and Spain;

- The lower ratings on several European countries, such as Portugal, and the danger that the process will continue in 2011, adding to the pressure on funding;

- The consistent increase in oil prices which, in 2011, is particularly marked owing to political instability in the main oil producing countries. Associated with the hikes in oil prices and foodstuffs is the risk of inflation and the need for the ECB to implement a more restrictive monetary policy which, together with budget equilibrium may bring more pressure to bear on the economic plan and consequently on the already high level of unemployment;

- The reinforcement of regulatory and supervisory demands on financial activity, translating into significant increases in own funds requirements.

In this context, the strategic vision defined, was reinforced in 2010 by a series of priority initiatives on the following fronts and will probably continue through 2011:

1. To increase net interest income and the profitability of financial operations;

2. To take in savings and diversify liquidity sources – adopting a commercial strategy making it possible to increase balance sheet resources from retail banking operations and to diversify funding sources in international markets;

3. To make further efforts to support exports / internationalisation. Caixa should operate as a support bank for Portuguese exporting companies, playing the role of an agent contributing to the country's economic development through the reinforcement of the competitiveness of the internationalisation of Portuguese companies;

4. To increase the share of the SME market;

5. To support the capitalisation of companies and microfinance. Intervention in this area is fundamental to finance the investments required to increase corporate competitiveness and reduce financial costs;

6. To reinforce a multichannel strategy in terms of relationships with customers – greater proximity with customers while rationalising operating costs by improving operating efficiency should include the development of distance banking and reconfiguration of the branch office network, moving into new locations and adopting more flexible formats;

7. To improve efficiency;

8. To place emphasis on business culture, defending a corporate culture based on knowledge, communication and performance;

9. To promote talent management and improve the mobility of human resources.

1.6.2. BUSINESS AREAS

1.6.2.1. RETAIL BANKING IN PORTUGAL

2010 was marked by further work on the commercial transformation project, particularly concentrating on the consolidation of service models, improving value proposals, commercial orientation, quality of customer service and increasing customer loyalty and satisfaction. At the end of 2010, almost 900 thousand individual and corporate customers were managed by a dedicated account manager, making Caixa far and away the biggest national bank in terms of customer care and service.

At 31 December 2010, CGD's physical network was made up of 830 branch offices and 39 corporate offices, totalling 869 sales outlets. To complement its reinforced physical presence, work was carried out on the consolidation of service models and value proposals for customers, in the form of:

- A new customer service model at 514 branch offices (up 217 over the end of 2009);
- Expansion of the Caixazul service to 21 new spaces, with a current presence in 542 branch offices;
- Presence of the Caixa Empresas service in 606 branch offices (up 420 over December 2009). This service is provided by a team of 191 dedicated managers;
- Roll-out of the Caixa Mais service (personalised management targeted at mass affluent customers) to 336 branch offices with a new customer service model, totalling 348 at the end of 2010;
- Presence of the Caixa Activa service (concentrating on customers over the age of 55) in 3 branch offices with the new service model;
- Launch of the Caixadirecta Mais service, as a new service model for recent graduates mainly concentrating on distance relationships;
- Reinforcement of multichannel relational management, embracing a higher number of customers and processes;
- Reinforcement of data mining and CRM actions, geared to assertiveness, simplicity and growing customer empowerment.

Together with the implementation of the new service model, in 2010, additional employee training facilities were provided, both in terms of technical aspects as in the behavioural field and investments in operational applications and commercial activity support tools.

In terms of distance channels and specifically in the case of internet banking, online savings products were launched and several functionalities were either developed or improved in 2010. Current projects reinforce Caixa's position in this segment, with 91% of Caixadirecta *on-line* customers recommending the service to friends (data taken from Netsonda's 2010 questionnaire).

Important steps were also taken to improve channel linkage in 2010, guaranteeing coherence of processes and encouraging the "humanisation" of distance channels.

In addition to Caixazul and Caixazul Internacional customers, the service was extended to Caixadirecta Internacional, Caixadirecta Universitários and Caixadirecta Mais customers, linking the three main channels: branch offices, Caixadirecta on-line and Caixadirecta (telephone).

All of the referred to customers enjoy access to human support in subscribing for the products on offer through their customer account managers and the contact centre. They are also able to exchange secure messages with their Caixa contact and in accessing their respective contacts.

In addition to the above functionalities, Caixazul and Caixazul Internacional customers enjoy the support of account managers and the contact centre in subscribing for products other than special offers (funds, cards and term deposits).

SEGMENTATION AND PRODUCTS

Mass Market Residents Segment

Caixa launched its Caixa Mais service, in 2010, after a pilot stage in 2009 whose results were tested for quality of service and commercial effectiveness. The Caixa Mais service represents a significant improvement in terms of mass market customer relationships of greater value or potentially greater value to the bank, certified by the good results of the qualitative studies accompanying the roll out of the service in the branch office network. This service model is based on establishing close relationships between customers and commercial assistants who have been provided with the tools enabling them to make the most relevant proposals for each customer and proactively accompany their financial needs. The Caixa Mais service was available at 348 branch offices at the end of 2010 with a total of 570 Caixa Mais commercial assistants managing around 270 thousand customers.

Caixa launched its Caixa Mais and "Níveis de Vinculação" (loyalty) packages in April 2010. These integrated proposals provide benefits to higher value customers or customers who expand their relationship levels with Caixa, whether opting for the aggregate purchase of products and services or one-off purchases of each product.

Together with the package's savings benefits, financial benefits per tie-in were also launched. Customers who opt for the purchase of base products in the package or one-off purchases, attain certain "loyalty" levels and enjoy special terms on their acquisition of new products from the bank. This provides customers with a multiplicity of benefits, rewarding those which are considered to be "More Valued Customers".

On the basis of "more valued customers always deserve more" the aim was to convey the idea that more valued customers, with greater involvement with Caixa, deserve more benefits:

- + Financial benefits (better conditions for products);
- + Simplicity and convenience;
- + Service (new service model at branch offices and the Caixa Mais service).

The Caixa Mais campaign, including traditional above-the-line media, digital media and relational marketing initiatives was fronted by Catarina Furtado.

Caixa Woman solutions in 2010, as an innovative value proposal for working women, strengthened their position in the market through the development of offers and initiatives designed to spur commercial activities associated with events. Under the terms of this offer, special reference should be made to the launches of Caixa Top Woman (a 3 years deposit interest linked to the evolution of corporate shares associated with women's world), launch of non-banking products and establishing of new partnerships associated with cards. Promotions included events commemorating Woman's Day, member-get-member actions with gifts for partners; product promotions offers with the gift of a trip to New York, tickets to the Kidzania theme park and weekends at prestige hotels: exclusive viewings of the film *Sex and the City* for selected customers and concert tickets.

Information on these initiatives was essentially based on the use of specific communications media (monthly newsletter, quarterly magazine and presence on Facebook and CGD's own microsite).

A communication campaign using above-the-line and digital media based on the concept "In my handbag I always have a copy of Caixa Woman and more time to be a woman", was launched in November with the objective of securing new customers who were given a set of coffee cups.

Following the year 2009 launch of the Caixa Activa solution, as an innovative concept based on specific offers and communications targeted at senior customers, information to customers based on events in branch offices (cardiovascular tests, special grandparents outings) and specific media (monthly newsletter, quarterly magazine and CGD's own microsite) was reinforced in 2010.

Premium Customers Segment

Premium customers using Caixazul personalised financial services have a dedicated account manager who is on call at exclusive customer areas at Caixa branch offices and also at a distance and by telephone and internet (online manager).

The Caixazul service provides customers with expedient solutions for optimising their schedules in the form of personal service and the availability of the account manager even at a distance, rigorous financial and quality support and special access facilities to Caixazul and other ranges of financial products under special terms.

Improvements continued to be made to the customer satisfaction trajectory, in 2010, by enhancing commercial relationship, adjusting offer and information on products and advantages associated with the brand.

Commercial relationships have been enhanced by:

• The more frequent updating of personal and commercial information on customers, facilitating the creation and presentation of tailored financial solutions;

• Information to eligible customers on business opportunities via their online managers, enabling them to perform operations online or providing them with information on how to do so;

• Information on the pros and contras and different characteristics and the advantages of starred or campaign products, sent by email, post or available at branch offices;

• Communication using Caixadirecta *on-line*, with a guarantee of "secure messages" improving trust and the protection of messages sent and received;

• Collection of information to identify / update customers' investment profiles, fulfilling legal dispositions and providing managers with better support in their financial decisions;

• Cross-selling and up-selling suggestions providing customers with a diversified choice of products on various financial needs;

• The offer was essentially adjusted by reformulating the offer of exclusive Caixazul online deposits, as listed below:

  > Launch of Caixazul Netf@cil, as a new one month deposit, renewable and totally liquid with the payment of interest even in the event of early withdrawals;

  > Creation of the new Netpr@zo 12M term deposit, similar to the current Netpr@zo 6M term deposit but with new interest rates;

These innovations provided Caixazul customers with 9 products / services with special conditions and 11 exclusive products/services at the end of 2010, of which:

• Vida Azul personal loans, as a low spread loan facility at Euribor indexed interest rates. The conditions vary in line with the provision of guarantees although customers must have a Caixazul card;

• Additional benefits on a vast range of insurance premiums.

Information on products and advantages associated with the brand took the form of:

• The launch of the Caixazul service newsletter, with 5 editions;

• A digital brochure providing information on the advantages of Caixazul, on the Caixazul service site at http://caixazul.cgd.pt, in addition to Caixadirecta *on-line* for Caixazul customers, contributing towards better identification and enhancement of the value of online managers;

• Quarterly issue of an *Caixa Azul* insert in the *Cx* institutional magazine;

• Monthly supply of a global statement with information on current assets and liabilities;

• Strong promotional endeavours in terms of the Caixazul service site, improvements to the structure of its current and inclusion of new contents;

• Newspaper advertisements providing information on specific products exclusive to the Caixazul service;

• Sponsorship of professional / trade magazines, with advertising inserts;

• Presence at events organised by prestigious Professional Orders, with the distribution of brochures and protocols.

Young People's Segment

Regular information on solutions for young people has been a priority and constant factor in terms of Caixa's activities in this segment and was actively reinforced in 2010. Caixa's financial offer for young people this year was based on two fundamental premises:

- To encourage long term savings, available for products with various maturities, at attractive rates paid into savings accounts on maturity;

- To promote the familiarisation of young people with the management of their savings and assets, providing information on Caixa's payment media for young people.

The "Back to School" campaign in September, promoted the Young People's Offer, concentrating on payment media exclusively for young people and particularly the savings function of the prepaid LOL and LOL Júnior cards, under which our younger customers can actively participate in the act of saving. The headline "With Caixa cards, the best person to manage your money is you", proved that "Management for young people is not a theory but a Caixa card".

Young people's savings solutions were enhanced by new products and various informational activities. Reference should be made to the launch of the Caixa PopNet Especial Páscoa (Easter), opportunity product, as a 1 year term deposit subscribed for online and exclusive to customers in this segment with the supply of a Caixa PopPeriod card (no early withdrawals).

A limited subscription opportunity product was also launched in the savings incentives area, in the period before and after World Savings Day in the form of Caixa PopNet Mais and a new permanent offer in the form of Caixa PopNet 12 months. Caixa PopPrazo (no early withdrawals) was also enhanced at this stage with an increase in interest rates.

Therefore the young people's savings segment, over the end October to December 2010 period benefited from:

- A commercial promotion on the theme: "This year, Caixa's World Savings Day's commemorations are better";

- A communication campaign on the theme: "To make your money grow there is only one type of magic: it's called saving".

As part of its mission to support young people's development, Caixa's activities, in 2010, allied pedagogical and banking dimensions, further consolidating relationships with young people.

University Students and Universities Segment

2010 was yet another year in which Caixa strengthened its lead of the university market, as a business partner in the vast majority of higher educational establishments in Portugal. More than 280 thousand students and members of the academic population now have a Caixa Universidade Politécnico card.

Promoting knowledge and rewarding academic merit, in the form of research grants, cash prizes to the best students and placements to prepare people for their working lives; encouraging entrepreneurialism by sponsoring competitions and specific financial solutions for young entrepreneurs; and support for the financial needs of students during their academic lives and when they start work are the areas in which Caixa operates in the university market.

On the theme "Let Caixa do it for you" the campaign for the new university year 2010, in addition to complying with the commitments set out in protocols with colleges of higher education for the issue of ID cards to the academic population (with and without banking facilities), enabled us to exploit our presence in more than 100 different locations and make initial contact with new students in higher education, find new or activate customers and promote the Caixa Universitários offer.

Caixa Empreender solutions (for entrepreneurial projects), international student (for training abroad, particularly in the case of Erasmus programmes), young people's savings products with special promotions including PopNet Páscoa and PopNet Dia Mundial da Poupança (World Savings Day), Formula U (vehicle financing solution for university students), Crediformação (Training) and Caixa's ISIC (international students') card were the main commercial targets in 2010.

In particular, Crediformação, as a solution of structural importance for students requiring finance for their academic studies, formed the backbone of a specific campaign lasting from June to October, with a draw for a prize comprising a grant of EUR 5 000 in gold coins and 10 iPads.

As part of the policy of permanently adapting our offer to the segment and based on the protocol entered into with the Coimbra Academic Association, the Caixa Académica card, targeted at people with some form of connection with the association, was issued, with a specific, exclusive, free feature for Coimbra University students in the form of the Caixa

Académica Estudante debit card. Special reference should be made to the action, organised in Coimbra over a 3 week period at the start of the academic year in which the launch of the card was associated with the campaign "Now is the day to visit your bank" with various local animations, including a draw for a Smart car open to new card subscribers.

Specifically configured as an approach to this segment, the university students model, launched in 2005, is based on linkage and a complementary approach between distance and personal services.

Distance services, in 2010, commercially referred to as the Caixadirecta Universitários service, which is responsible for commercial and relational assistance on direct channels (telephone, online and email) to more than 150 000 university students, reinforced its customer portfolio through the inclusion of around 22 000 new customers entering higher education in the 2010/2011 academic year.

In the case of personal service, university branch offices on around 20 university campuses complement the actions of Caixadirecta Universitários on the basis of proximity services housed in specific areas totally adapted to the segment's needs.

Special priority was afforded to the post university life cycle stage and the beginning of working lives in 2010, with Caixa offering its recent graduate customers two personalised management service alternatives based on customers' profiles and options – the Caixa Mais service, launched at the end of 2009, provided by commercial assistants at the branch offices of a customer's choice and the Caixadirecta Mais service, launched in August 2010, based on a team of commercial assistants at a distance and the use of direct channels (telephone and online). The pilot stages of these services as a whole embraced around 6 000 recent graduate customers and is currently being expanded to accommodate around another 30 000 customers.

To assess academic status and fine tune customer service at the post university stage, Caixa, as in the preceding year, organised a major campaign, in 2010, targeted at around 60 000 potential finalist customers.

The strategic interest involved in Caixa's maintenance of special relationships with institutes of higher education, was the reason for the renewal of protocols, as a formal instrument for the presentation of benefits to each educational establishment's academic population, notwithstanding the increasingly stringent demands of institutes of higher education, and major competition between banks in this market.

Residents Abroad Segment

Caixa's position as Portugal's main bank for residents abroad (national or foreign) was defined, in 2010, as a principal strategic objective, namely in its consolidation of distance banking and intensification of Caixa Group business with its present customers and in securing new customers through a visible improvement in its offer of quality products and services to customers.

A customer data collection updating exercise was performed in this segment in February and April in the form of mail shots (letter + update form) followed up by telephone in order to improve the effectiveness of the special campaigns, fine tuning offers to customers' characteristics.

To improve knowledge of customers, the "Know your customer" campaign, comprising three stages, (April / May, June and September) was launched with the main objective of improving proximity relationship and compiling information on which to base personalised proposals. This was accompanied by endeavours to promote subscriptions to the RE debit card and Caixadirecta telephone / on-line service.

The summer campaign under the headline "This is where I'm at with Caixa" was launched with the objective of conveying the message that Caixa's distance banking service enhances relationships with customers resident abroad, by means of telephone calls, internet and dedicated account managers / assistants, with the support of a comprehensive advertising campaign, using facilities both abroad and in Portugal. The campaign was assisted by representative and branch offices (France and Luxembourg), with 28 specialised contact points having been set up on the branch office network in Portugal, in the summer months.

The Christmas campaign, benefiting from various savings solutions based on customers' different profiles was also organised at year end.

Together with such initiatives and to further improve relationships with customers resident abroad, Caixa continued to implement a service model based on articulation and a complementary approach between Caixa's branch office network, subsidiaries and representative offices abroad and distance channels, in the form of the Caixadirecta Internacional service, allowing customers residing outside Portugal to contact their bank by freephone and online access.

It also continued to implement a distance banking model based on dedicated, personalised account managers for wealthier customers using the Caixazul Internacional service.

In terms of customer satisfaction, the level of service was assessed on the basis of telephone surveys with customers with distance portfolio management services.

Investment and Savings

Caixa launched several savings and investment solutions in 2010 with the aim of taking in fresh resources and wage / salary accounts. These were always targeted at adjusting its offer to customers' investment profiles, whether "prudent", "balanced", "dynamic" or "risk-taking".

The resource-taking campaigns launched in 2010, making the highest contribution were: 3 senior bond issues under the EMTN Programme; "Caixa Valor Nacional 2010/2015" bonds; "Caixa TaxaMix July 2010/2013" bonds; "Caixa Dia da Poupança 2010/2013" bonds; Caixa Aforro solutions; Caixa Valor Anual (4 series) and Caixa Valor 2015 (3 series); launch of 3 new special open-ended investment funds (Caixagest Global Market, Caixagest Mix Emergentes and Caixagest Índices Mundiais).

Reference should also be made to the launch of the following initiatives:

- Non-financial insurance – to complement the insurance offer:

  > Home and contents insurance – launch of new multirisk housing insurance, with a range of cover guaranteeing the contents of homes in the event of, *inter alia*, fire, flooding, damages caused by water, theft or robbery;

  > Travel and domestic employee insurance:

  Travel insurance – temporary insurance for a fixed period (maximum 90 days), guaranteeing the payment of capital/ /indemnities for damages or bodily harm suffered by insured persons, under the terms of the respective cover, as a consequence of an accident during a journey covered by the insurance. The guarantees are valid worldwide;

  Domestic employee insurance – mandatory workman's compensation insurance enabling liability for the payment of all lawfully required cash payments as well as payments related to medical-surgical, pharmaceutical, hospital and any other payments necessary to enable domestic employee to resume activities in the event of an accident in the workplace, to be transferred to the insurer (FM);

- New disclosure obligations to customers on deposits – continuation of the implementation within CGD (in articulation with its other structural organs) of the dispositions of official notices 4/2009 and 5/2009, in force since 18 November 2009, on (i) pre-contractual, (ii) contractual and (iii) post contractual disclosure requirements;

- SEPA direct debits – CGD'S implementation and provision of the SEPA DD service starting 1 November 2010, in articulation with other structural organs;

- Mobility of banking services – Implementation and provision of the common principles for the mobility of banking services within the Portuguese banking community within CGD, in articulation with other structural organs and the Portuguese Association of Banks.

Mortgage Loans

There have been no changes in the dynamics of mortgage loans within Caixa over the last few years in this most recent economic cycle. Caixa continues to guarantee access and a diversity of property financing solutions to the direct benefit of Portuguese households in addition to reinforcing its image as a benchmark institution.

The current macroeconomic environment and its impacts on disposable income and unemployment has led Caixa to pay careful attention to the financial stability of its mortgage loan customers and it has intensified monitoring activities related to its customers, studying, advising and implementing solutions for adjusting the amount of the instalment to their financial capacity.

Caixa has, accordingly, been increasing the flexibility of its mortgage loans, providing for extensions to the maturities of portfolio operations, introduction of grace periods or deferrals of a part of the capital up to the time of the last repayment, thus reducing the costs over the period of the contract and mitigating the effects of any default.

Taking into account the current level of interest rates and the effect of any increase thereto, CGD has launched a new interest rate solution in the form of a fixed 1 year rate which provides greater protection in the loan's initial period.

CGD also continues to provide for different fixed rate maturities allowing its customers to contract for mortgage loan operations over periods of 2, 3, 5, 10, 15, 20, 25 or 30 years.

Caixa has also reinforced its customer support and advisory services, with the aim of conditioning their mortgage decisions to the impact of any changes in the amount of the instalments on a household's financial stability, in which the debt-to-income ratio is increasingly relevant to the decision to apply for a loan.

In terms of information systems, significant improvements were also made to mortgage loans, improving the efficiency and speed of service provided to customers, particularly in terms of analysis and decision.

The entry into force of Decree Law 192/09 established a maximum period for banks to demand compliance with the cross-selling conditions agreed with their customers, when such conditions have an influence on the respective prices. Caixa accordingly notified all customers failing to comply with the agreed cross-selling conditions, with a view to regularising the corresponding situation or revising the contractual terms, providing adequate support and clarification, within the period determined by the referred to regulation.

Caixa also ensures full compliance with the new mortgage loan disclosure requirements for customers, in conformity with official notice 2/2010, making adjustments to all of its corresponding documentation in order to clearly and objectively ensure the provision of all of the information on the component parts of the loans and their associated costs. Caixa now provides the assessment reports produced in the decision-making process guaranteeing the sharing of the information relative to the effective price of each property.

In its awareness of the complexity and time consuming nature of the procedures associated with property conveyancing Caixa joined the "Casa Pronta" project in 2008, actively participating in the special process involving the conveyancing, encumbering and registration of urban properties in a single act performed in person. This important measure enables all operations and acts needed for the property registration service in the area (entering into of agreement, payment of tax, registrations, change of fiscal domicile *inter alia*), to be performed, with Caixa being the most representative banking institution using this service.

Also pursuant to the objective of improving the quality of customer service, Caixa entered into a protocol with the Order of Notaries, whose first stage involved dispensation from the provisional registrations for contracts for the acquisition or construction of property or others backed by mortgages when formalised using the "Casa Simples Casa Segura" single counter system.

In light of the current economic environment and its respective effects on the employment market, the support measures for customers who have been made redundant were retained in articulation with the Portuguese state, with a view to protecting housing stock under the extraordinary and transitional measure provided for by Decree Law 103/2009. For customers with subsidised mortgage loans, Caixa has implemented the measures decreed under ministerial order 384/2009, introducing various benefits enabling the amount of the instalment to be reduced.

To help alleviate household expenditure and stimulate the rental market, CGD pioneered the creation of its Caixa Arrendamento property investment fund for home rentals (FIIAH). This fund comprises an important credit recovery solution and also has a social aspect in enabling CGD customers in difficult economic circumstances to continue to live in their own homes by paying a rent with a purchase option under certain defined conditions.

CGD has been an active participant in urban rehabilitation and sustainable development initiatives in the main urban centres, in the form of protocols of cooperation with diverse entities, establishing partnerships designed to improve salubrity, inhabitability, aesthetics and security in the most traditional zones of major cities. Association with such entities, together with the provision of lines of credit which have permitted loans to be made under more beneficial terms for all parties involved in urban rehabilitation projects, have enabled Caixa to reaffirm its position as Portugal's urban rehabilitation bank.

Another factor to which Caixa has paid particular attention is its support to people affected by the catastrophe such the one occurring in Madeira. Reference should be made to the setting up of lines of credit for the reconstruction of Madeira in the form of a housing line of credit and a moratorium on mortgage loans.

The Portuguese Property Exhibition is a major event in the property sector and took place between 21–24 October, at the Lisbon International Fair (FIL). It was once again sponsored by Caixa, with special attention having been paid to the home rental market. Caixa put up a part of its own properties for sale or rent with a purchase option, at several of the auctions. This innovative initiative was also an occasion for providing information on the existence of home ownership instruments other than mortgage loans, within Caixa Geral de Depósitos Group.

Corporate Segment

In line with the strategic guidelines of increasing its market share and business in the corporate segment, Caixa continued to consolidate its Caixa Empresas model in 2010 involving a personalised management concept and financial advisory services to customers, the self-employed, micro companies and SMEs using the services of an account manager specialising in corporate needs.

This service is based on a specialised team of 191 Caixa Empresas managers working in 606 branch offices and a corporate office specialising in assisting SMEs, with 135 financial managers working in 39 offices. At the end of 2010 and based on an improvement in the commercial relationship with higher value companies and employers, the Caixa Empresas service had more than 30 000 customers under management.

Caixa developed a series of support initiatives for companies and businesspeople with high quality products and services, in 2010, based on the proactive definition of multi-use limits for treasury management as well as support for internationalisation and exporting companies in the form of an assertive financial instruments communication policy, supply of information and monitoring of national customers, both in the domestic market as in other markets in which Caixa operates, endeavouring to contribute towards improving national economic growth levels.

Reference should be made to the following CGD initiatives in this segment:

a) Investment support;

b) Corporate offer diversification;

c) New products and services;

d) Protocols with business associations and other entities;

e) Seminars and other corporate promotions.

Investment Support

PME Caixa Invest SRF lines of credit

Caixa maintained a complementary line of credit with special conditions for leading SMEs, for the purpose of funding operations which are not eligible for the existing subsidised lines of credit for SMEs, with a mutual guarantee, under the terms of a partnership between Caixa, PME Investimentos and mutual guarantee companies, with the objective of facilitating Portuguese PMEs' access to corporate finance at subsidised interest rates – PME Invest I (EUR 750 million), PME Invest II (EUR 1 billion), PME Invest III (EUR 1.6 billion), PME Invest IV (EUR 400 million) and PME Invest V (EUR 750 million).

Reference should also be made to the application procedure for specific PME Invest IV lines to exporting sectors, reinforcing Caixa's position in the market as a bank which supports exports, market diversification and the internationalisation of Portuguese companies.

Caixa continued to provide financial solutions tailored to the needs associated with Systems and Corporate Investment Incentives Systems under the National Strategic Reference Framework in the form of investment solutions for renewable energies geared to SMEs and private "social solidarity" (i.e. charitable) institutions.

A protocol was signed for a new PME Invest VI line of credit for the amount of EUR 1 250 million including two specific lines, one for micro and small companies (up to EUR 350 million) and a general line of up to EUR 900 million with a special appropriation of EUR 450 million for exporting companies.

Special line of credit with mutual guarantee for SMEs

Under the terms of a protocol between Caixa Geral de Depósitos (CGD) and mutual guarantee companies Garval, Lisgarante and Norgarante, Caixa continued to provide this line of credit with the objective of improving access to finance for Portuguese SMEs.

Caixa Empresas – renewable energies solution

As the fight against climate change depends on the contribution of all, Caixa has created a collection of solutions to assist companies deciding to invest in improving energy efficiency and their use of renewable energies.

Funding up to 100% of the total investment, at highly competitive rates, a 50% reduction of the appraisal fee and flexible maturities of up to 12 years, advance payment of subsidies under the SRF and IPSS/ADUP Incentives System, Caixa helps companies to reduce their energy bills and CO_2 emissions as well as providing insurance at special rates, tailored to each company's activity.

EIB lines of credit

Caixa continued to promote the EIB XV line of credit for SMEs and other entities to fund projects on EU territory in support of manufacturing activity, urban renewal, infrastructures, protection of the environment, energy savings or information technologies.

Caixa continued to offer companies its MIDCAP I line of credit to finance investment projects submitted by SMEs which have been designed to improve corporate productivity and competitiveness – innovation, renewable energies, energy efficiency, production factors, the environment, research and development.

These lines of credit provide funding for corporate and institutional entities (such as private social solidarity institutions' and others') investments, with:

- Lower interest rates than those usually available for medium and long term finance for investment in fixed assets and working capital;
- Major flexibility in the use of the funds for which almost all investment objectives and sectors of activity are eligible.

CEB – Council of Europe Development Bank lines of credit

Caixa took out a new line of credit for the education and health sector with the CEB – Council of Europe Development Bank for a global amount of EUR 100 million, to finance investment projects submitted by companies, private social solidarity institutions and the like at special rates and long maturities.

Caixa maintained its EUR 50 million CEB line of credit for the educational sector for projects submitted by companies, municipalities, private social solidarity institutions and the like, private or cooperative educational establishments and other not-for-profit institutions operating in the educational and teaching domains.

Caixa Offer for leading SMEs

Caixa provided a complete offer for leading SMEs (outstanding companies in terms of strategic positioning, management and economic-financial quality) in 2010.

Created for top performing companies with high brand recognition factors, Caixa's leading SMEs offer includes a collection of products and services for all corporate current or investment needs, in the internal or external market, particularly including special terms on credit operations with a reduction of spreads and fees, including a line of credit at Euribor(*) + spread 0% for finance of up to 3 years, for a maximum amount of EUR 75 000 (intangible investments, information systems, quality certification, product promotions in other markets).

(*) Euribor based on the period comprising the periodicity of payment.

Diversification of Caixa's Permanent Offer

The diversification of Caixa's permanent offer for the corporate segment particularly includes:

- International / Iberian Offer

  This offer plays a leading role in Caixa's corporate market position, particularly the Iberian market and the business opportunities resulting from progressive integration between the Portuguese and Spanish economies, promotion of the International Offer / Iberian offer. It is a contribution to Caixa's position as a corporate bank and CGD Group's status as a benchmark financial operator in the Iberian Peninsula. Through the branch offices and corporate offices of Caixa and Banco Caixa Geral, customers benefit from a wide range of products and services and the synergies resulting from a strategy agreed between the two banks, geared to bilateral trade. Reference should be made to greater efficiency in real-time transfers between Caixa and Banco Caixa Geral and the clearing of cheques and *pagarés* in the Spanish market.

  For companies with an Iberian activity requiring the support of a local partner, Caixa has developed its Iberian Passport, designed to facilitate business in the two markets by:

  > The opening of an account in Portugal and Spain;

> A customer manager in the two countries;

> An Iberian credit limit for financing commercial activity with Spain.

- Commerce, services and restaurants

The "commerce and services" offer, in 2010, provided a series of advantages and special conditions for potentially interested parties, rewarding customers' loyalty to Caixa.

Special reference should be made to the following products:

> Automatic payment terminals associated with the netcaixa current account or automatic treasury management services;

> Internet banking service i.e. Caixa *e-banking* or Caixadirecta *on-line*, associated with the current account;

> The credit limit on the Caixaworks card or allocation of other limits;

> Renewable energies solutions for the restaurants and hotels trade, notably solar panels financed by the Caixa Empresas renewable energies solution;

> Insurance for commercial activity.

- Caixaworks Card – a current account in your pocket

This card was launched for businesspeople and small companies as a "corporate treasury facilitator". It essentially operates with an aggregate credit limit on short term liabilities funding treasury requirements and increasing the flexibility of day-to-day management. For customers, the card is also a prestige payment media owing to its ease of use and the fact that it also provides a full insurance package with special terms (particularly personal accidents, legal assistance and assistance to vehicles and passengers) and special conditions on subscriptions to Multicare, Multirisk and group life healthcare insurance.

- Multiuse treasury support plafond

The multiuse treasury support plafond comprises pre-allocated credit limits at preferential terms tailored to each customer's economic and financial capacity and is for customers with a relatively high level of involvement with Caixa, with multipurpose characteristics and multi-company application (parent company, affiliates in Portugal and affiliates and/or subsidiaries in other countries). This commercial practice rewards loyalty to Caixa and benefits customers in terms of faster response times (internal pre-assessment of customer), simplicity (a single plafond for use on multiple products), faster preparation time and price differentiation.

- Automobile solution

Caixa Group maintained a complete offer for the purchase of vehicles using leasing, credit and renting solutions complemented by Caixa Seguro Auto, with various optional covers in 2010.

- Mutual guarantee

Caixa promoted the use of a mutual guarantee solution, under the terms of partnerships between Caixa and mutual guarantee companies as an important instrument designed to improve access conditions and ensure more attractive prices for Portuguese SMEs.

The use of mutual guarantees has positive effects on solvency ratios and profitability.

- Entrepreneurialism / Caixa Empreender+ / Microcredit / Microfinance

To support entrepreneurialism and the creation of self-employment, Caixa has launched its Caixa Empreender campaign of which special reference should be made to the special promotion of Caixa Empreender + and the Microinvest and Invest+ lines of credit created in partnership with IEFP and mutual guarantee companies, promoted at various IEFP seminars.

In the microcredit area, promotional work continued on the line of credit created under the protocol entered into with ANDC – Associação Nacional para o Direito ao Crédito (National Association for the Right to Credit).

In the microfinance area work also continued on promoting the Caixa Jovem Empreendedor line of credit for ANPME and microfinance for ANJE (Line of Credit for the Historical Area Bordering Spain).

• Line of Credit for the agricultural and animal husbandry sectors in 2010

Information was provided on this line of credit for investments and reinforcements of working capital required for the development of activity and payment of debts to credit institutions, or suppliers of production factors, including investment goods which have been contracted for during the course of the activity.

• PARES line of credit

Under a protocol with the Social Security Institute, Caixa provided a line of credit to finance investment projects under the PARES Programme ("Broadening of Social Facilities") submitted by private social solidarity institutions and the like.

• FINICIA line of credit

This line of credit finances corporate initiatives / investment projects eligible for the FINICIA – Section 3 – Business Initiatives of Interest to the Local Community programme.

• Tourism line of credit

To finance economically and financially feasible investment projects in the tourism sector that, based on the priorities defined in the National Strategic Tourism Plan, contribute towards improving the quality, innovation and competitiveness of national tourism, this line of credit included a specific line to finance projects for the reconversion of existing projects.

• Line of credit for vocational courses under POPH (Human Resources Operational Programme)

Considering the interest and dimension of the educational sector, Caixa maintained its line of credit for vocational schools benefiting from Community finance under the POPH (Human Resources Operational Programme) with the objective of promoting business relationships with owners of the referred to vocational schools.

• Lines of credit for reconstruction in Madeira

Caixa set up various lines of credit for companies and self-employed businessmen affected by the bad weather in Madeira.

Products and Services

• Netcaixa service

This is Caixa's solution for the acceptance of electronic payments on automatic payment terminals.

Netcaixa provides a comprehensive, high quality, secure service for transactions and includes the installation of equipment. Customers also benefit from exclusive conditions on financial products and services, notably highly competitive traders' service charges and a specific interest-bearing current account for subscribers to Netcaixa.

• Automatic treasury management service

For Caixa customers, the ATM (automatic treasury management) service facilitates corporate cash management by automatically investing surpluses and funding any liquidity requirements. The product was broadened to include CGD's most valued customers and provides highly attractive terms (GAT Líder service).

• Non-financial insurance for companies

In partnership with Fidelidade Mundial, several special internal insurance campaigns were organised for Multicare insurance, workman's compensation, multirisk commerce and services for companies and the self-employed with special benefits for customers.

• Financial products for companies

In partnership with Fidelidade Mundial several special internal insurance campaigns were organised for Multicare capitalisation and fiscal savings, in addition to subscriptions for pension funds for companies and the self-employed.

• Management of payments to and collections from suppliers

A new payment and collection solution to and from suppliers was provided (integrated factoring and confirming products), by which customer / debtors issue payment orders to Caixa Leasing e Factoring.

Protocols with Business Associations

Protocols with business associations particularly include:

• APEMETA protocol

Under the APEMETA protocol, Caixa's involvement in two seminars on "Energy Efficiency" and "Waste Management" provided an important opportunity for it to provide information on its offer.

• AHETA protocol

The protocol with the Association of Hotels and Tourism Resorts of the Algarve to boost the commercial relationship with associate companies was retained.

• AHRESP protocol

Caixa established a collaborative partnership with AHRESP under which it provides its associates with better terms on products and services, particularly its Netcaixa automatic payment terminals, improving relationships with companies in the restaurants and hotels field and supporting the development of projects in this sector of activity.

Seminars and Other Informational Events

• "Caixa Empresas – Exports Support" campaign

Caixa aims to continue to operate in the market as an "exporting companies, market diversification and internationalisation support bank".

A promotional campaign, particularly focusing on products and services for export companies and companies interested in internationalising and developing their activity in new markets was organised for implementing this objective in 2010.

Four digital issues of the Caixa Empresas newsletter were sent to a total of 14 000 recipients (12 000 external and 2 000 internal). Each issue stressed Caixa's offer of campaigns, products and services for SMEs.

Two special newsletters were sent: one on renewable energies and another on the CaixaWorks card.

Four issues of the *Caixa Empresas* magazine as a bi-monthly editorial project insert with *Jornal de Negócios*, were coordinated by DCM.

Reference should also be made to the provision of press information to companies, on the *Caixa Empresas* project comprising inserts on specific themes published in *Diário Económico*.

Caixa took part in seminars organised by such diverse entities as ANEOP, A. I. Minho, ANJE, IST and UCEA, for providing information on its offer for SMEs.

QUALITY AND CUSTOMER SATISFACTION

Quality of service is one of CGD's strategic priorities. Levels of service are assessed by measurement systems in the form of regular programmes based on techniques such as surprise visits to the various sales outlets and customer opinion surveys. The service provided by Caixa's branch office network (physical branches, distance branches and corporate offices) is assessed every six months and customers' perception of the performance of all customer account managers and commercial assistants in each service model is evaluated.

To create a dynamic of continuous improvement, the results assessed from the programmes are incorporated into training plans and translated into customer satisfaction indices to be used as branch office incentives systems as well as a management and motivational instrument for the improving the quality of service.

Reference should be made, in 2010, to the consolidation of the diverse programmes already in progress and the launch of new quality and customer satisfaction programmes for the assessment of the Caixa Mais service model (at branch offices) and the Caixadirecta Universitários, Caixadirecta Mais (post university) and Caixadirecta Internacional (residents abroad) distance service models.

Together with the consolidation of quality and CGD customer satisfaction programmes, in 2010, reference should also be made to the increasing importance attached to the issue of quality of service, comprising the increase in the importance attached to satisfaction and loyalty indices which contribute towards the strategic objectives of achieving customer loyalty and CGD's branch office network's cross-selling objectives and incentives system.

Listening to customers on a regular basis in conjunction with other market studies, is an important source of knowledge on customers, their behaviour, attitudes and expectations, enabling CGD to identify critical performance areas, adjust its offer and service models and comply with adequate levels of service for each market segment.

The positive evolution of the results obtained is indicative of existing and new customers' recognition of CGD's endeavours, dedication and focus on quality of service, rewarded by growing loyalty levels.

SUSTAINABILITY PROGRAMMES

Caixa, as the Portuguese financial system's leader has risen to the challenges it faces by making decisions on the basis of criteria of economic and ethical rationality with the aim of contributing to a more balanced and sustainable society.

2010 witnessed the launch of a promotional campaign on financing products for the acquisition of equipment geared to renewable energies for individual customers and companies (solar and photovoltaic panels, wind, *et al*). The objective of this initiative, in the sphere of the energy efficiency service, was to achieve greater energy sustainability, which signifies effective savings and a more conscientious use of the planet's resources.

ELECTRONIC CHANNELS

Electronic channels inevitably improve relationships between CGD and its customers, in anticipating and satisfying their multichannel expectations and needs.

In terms of customer relationships, such channels are complementary to branch offices. Their importance is evident in the volume of transactions they perform – around 985 million per annum, as well as in the distribution of financial products and services, geared to customers and based on strategic guidelines designed to meet their needs.

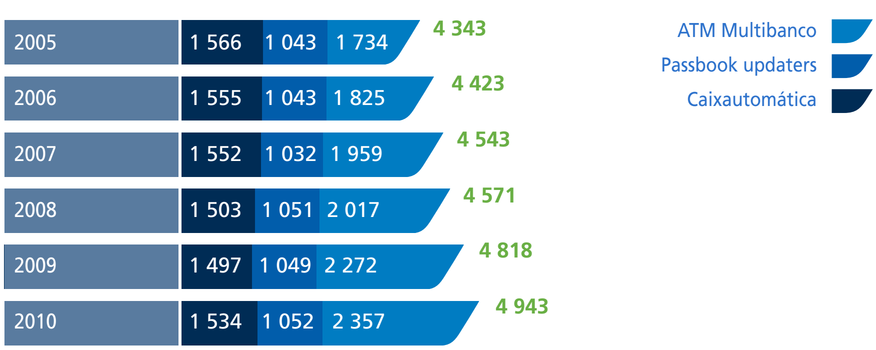
The launch of new services, using recent technologies and communications media has diversified access solutions and reinforced multichannel relationships with Caixa. Customers use different channels in line with their specific needs, location and availability of access – PC, landlines or mobile phones, smartphones of PDAs. Caixa – Anytime, Anywhere, Any way!

Self-Service Banking

Self-service networks, at the end of 2010 had 4 943 items of equipment, up 2.6% over the end of 2009. 274 million operations were performed (up 3% over 2009) involving EUR 17.5 billion (up 13% over last year). These networks account for 38% of deposits and 36% of Caixa's transfers.

Self-Service Equipments

(Thousand)



CAIXAUTOMÁTICA Network

The CAIXAUTOMÁTICA network is exclusively for Caixa customers. At the end of 2010 it had 2 586 items of equipment, cash machines and passbook updaters. It was responsible for 144 million operations and transactions comprising around EUR 10 billion, representing stability in terms of the number of operations performed but up 4% in value over the preceding year.

Reference should be made to endeavours to upgrade this channel which already has 1 128 intelligent deposit machines, comprising around 74% of the channel's cash machines which automatically identify banknotes, validate the deposit and immediately enter the amount in customers' accounts.

ATM Multibanco Network

Caixa had 2 357 Multibanco cash machines (up 3.7% in year-on-year terms) representing a market share of 16.3%. It performed around 130 million operations totalling more than EUR 7.5 billion, representing growth of 6.5% in the number of transactions and 27% in volume respectively, in comparison to the preceding year.

TPA – Acquiring Activity for the Payments of Purchases

Caixa has developed an acquiring[2] activity since the launch of the netcaixa multimarca service in March 2008, since when, it has, in addition to the national Multibanco brand, been the acquirer of the international Visa and Mastercard debit and credit card brands.

The netcaixa service has a 24 hours per day helpline available all year round at 707 24 24 77.

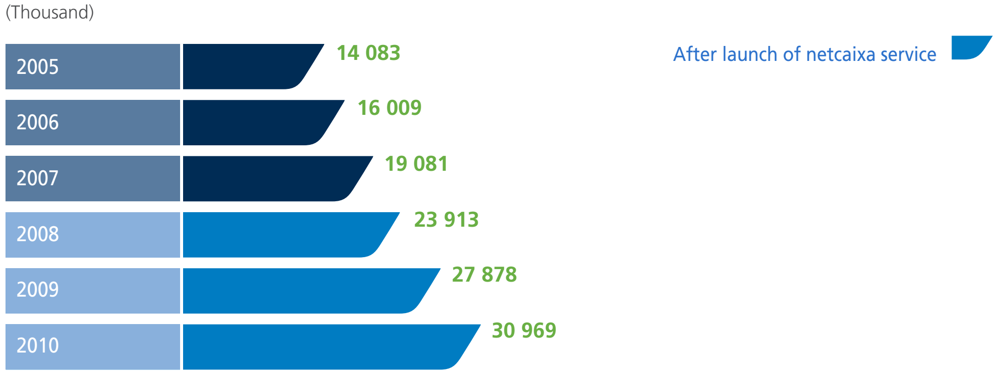
Particular reference should be made to the following promotional actions, launch of new services and campaigns, in 2010, owing to the growing dynamics of netcaixa's activity:

- Launch of "netcaixa na hora" campaign;
- Commerce and services campaign – netcaixa MB-Only and multibrand offer;
- Promotional actions, particularly CGD's participation in the Visa campaign;
- Negotiation of contracts with new business partners with the aim of improving efficiency and level of customer service;
- Integration of Caixa e-banking statements.

The acquiring activity grew 11% in the number of items of equipment to an end of 2010 total of around 31 thousand units. Operations (84.6 million) were up 21% over the preceding year to around EUR 3.37 billion in value terms (up 8% over the preceding year). Commissions were also up, owing to CGD's decision to negotiate with customers with a well established market presence, in various sectors of activity, such as super/hypermarkets, filling stations and general commerce.

POS Items of Equipment

(Thousand)



[2] Acquiring enables traders to accept cards with the brands represented by the acquirer which contracts for the acceptance conditions and ensures payment of transactions with them.

Caixa Contact Centre

Caixa's contact centre is responsible for managing incoming and outgoing calls, executing operations and providing explanations to CGD Group customers, securing business on the basis of "up" and "cross" selling strategies.

The centre performs telemarketing loyalty campaigns, promotions and direct sales to customers and non-customers of products and services which are also available on the traditional networks in addition to surveys and debt recovery services.

- Caixadirecta Information
- Caixadirecta Transactional
- Caixadirecta International
- Authorisations Centre
- Credit Card Support
- Caixautomática support
- National Association of Pharmacies (ANF) Support
- DMP Helpdesk
- Live in Portugal
- Navigation Helpdesk
- Netcaixa
- Telemarketing campaigns
- Loyalty campaigns
- Credit recovery campaigns
- Caixa e-Banking
- Linha Ímpar (line of credit)

Caixadirecta's telephone service is Caixa's telephone banking service. It provides customers with expedient, secure access to their accounts and the possibility of obtaining information on products and services, together with mortgage and personal loan simulations. It also provides automatic IVR multilingual services in Portuguese, English, French and Spanish and operator assistance, available 24 hours a day every day of the year on 707 24 24 24 (landline) and 91 405 24 24, 93 200 24 24 and 96 200 24 24 (mobile).

In 2010 and as in the case of internet banking services, the service intensified its mechanism for validating operations with a requirement for the use of a master card to enhance the security of telephone transactions.

2010 witnessed a positive evolution of around 10% in the number of contacts from around 1.27 million to around 1.4 million. There were more than 2.5 million incoming calls, including informational and transactional services. 86% of transactional services were resolved automatically. Around 20 thousand customer emails were processed.

Around 3 million outgoing calls were made and around 400 thousand customers contacted. Around 310 thousand text messages were also sent to customers.

DISTANCE BANKING

Caixadirecta Universitários Service

This service was launched on 1 September 2005, to enable Caixa to provide all of its new customers secured on the university network (CGD and IES protocols), with a service based on the distance banking concept (referred to as CaixaDirecta Universitários), with the objective of managing and promoting the university customer segment.

University student customers contact their commercial assistants on local rate number 808 212 213 or via caixaup@cgd.pt and comerciais4@cgd.pt 24 hours a day every day of the year.

This service aims to initiate (or strengthen) the banking relationship between customers and CGD for the purpose of retaining their loyalty at the end of their academic studies as their first bank (decreasing the rate of churn).

Microcredit

During the course of 2010, ACM registered significant growth in its volume of activity. This derived not only from accompanying the protocol with ANJE (National Association of Young Businesspeople) which was taken over by ACM in early 2010, but essentially from the new protocol between Caixa and IEFP (Employment and Professional Training Institute) at the end of 2009, to support entrepreneurialism and the creation of self-employment.

There were no changes of relevance over the preceding year to the protocol with ANDC (National Association for the Right to Credit) accompanied by ACM since its formation in July 2008, with no more than a slight decrease in the number of applications, which could result from the new line of credit for job creation promoted by IEFP and encompassing a common target segment.

With the objective of making credit accessible to everyone, Caixa, in assuming the lead role in terms of stimulating the economy, continues to provide support instruments to socially entrepreneurial activities by entering into microcredit protocols such as with ANDC, ANJE and IEFP, accompanied by ACM. In December 2010, ACM's accumulated global activity comprised around 442 processes comprising EUR 4.8 million in capital.

Caixadirecta Mais Service

A new distance service model branch office was created in July 2010 in the form of Caixadirecta Mais, following the launch of the Caixadirecta Mais service.

The service was designed to meet the needs of customers who value and opt for distance banking services and their loyalty to Caixa is promoted by:

• The systematic assistance of a team of commercial assistants;

• A rapid and effective level of service in responding to requests;

• Anticipation of needs and suggestions of opportunities.

Targeted, in the first stage at recent graduate customers embarking upon their working lives the service was planned to provide effective assistance, always at a distance, with mechanisms designed to promote an innovative, customer-centric approach.

Customers access the Caixadirecta Mais service on 707 24 24 24 + contract number in automatic mode or using the personal service, 24 hours a day, every day of the year.

Internet Banking

On a level of internet banking channels Caixa has taken the market lead in terms of home banking (BASEF 2009) services in providing individual, corporate and institutional customers who attach greater value to their relationship with Caixa with particularly secure features, the best solutions, supported by innovation, convenience and user-friendliness.

Caixa provides its customers with the following internet banking services:

• Caixadirecta *on-line*;
• Caixadirecta *invest*;
• Caixadirecta *mobile*;
• Caixadirecta *sms*;
• Caixa *e-banking*;
• Caixa *e-banking mobile*.

Caixadirecta *on-line*

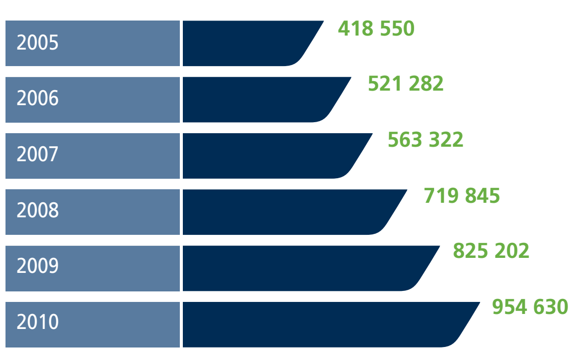
Caixadirecta on-line is the internet banking service for Caixa's individual customers. It provides direct, free access to their accounts on internet-enabled computers and, in the case of paid services, at a cost lower than charged at the counter.

The service enables customers to view their accounts (balances, movements and investments, credit and card operations), make transfers (national and international) and payments, order cheques, schedule payments, stock exchange operations and fund portfolios, subscribe for financial products, apply for cards and consult documents (copies of cheques).

Caixazul customers enjoy direct contact with their own account manager (email, post and telephone) and may also ask their manager to contact them regarding special offers on products and services.

Caixadirecta *on-line* also provides access to other services such as Caixadirecta invest and the new MB DOX service.

Caixadirecta *on-line* – Active Contracts



This service, enable users to file, view or print documents in an organised and secure environment, via Caixadirecta *on-line*. It also has an invoice payment facility.

There continued to be a trend towards the sustained growth in the use of this channel, in 2010, with a 22% increase in the number of operations and 16% increase in the number of active contracts. An average of around 1.6 million operations per day was performed, with around 2.6 million operations on days with the heaviest traffic i.e. up 63% over the daily average.

The increase in the number of national and international customer internet users is a driving factor behind such growth as well as recognition of the fact that it is a secure channel whose security levels are being constantly improved.

The channel includes mobile access, such as Caixadirecta mobile, which accesses the internet by mobile phone, Caixadirecta sms and the Caixadirecta invest *on-line* brokerage service which enables information on national and international financial markets to be obtained and operations performed.

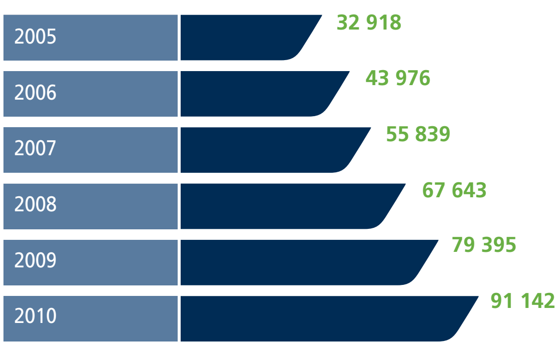
Reference should be made to the evolution of Caixadirecta mobile, via mobile phone, smartphone or internet-enabled PDA available at https://m.caixadirecta.cgd.pt, based on convenience associated with portability, without the need for customers to perform any additional activation. Mobility facilitates highly flexible use – any time, anywhere. Such features also include user-friendliness, with simple graphics and more intuitive navigation between accounts and operations. There was a 91.4% increase in the number of Caixadirecta *on-line* contracts with mobile Caixadirecta access in 2010 with an increase of around 50% in the number of operations.

Caixa *e-Banking*

Caixa e-banking is the internet banking service for companies and institutional customers. Reference should be made to the growth in use of this service, in 2010 (up 20% in number of operations and 15% in active contracts).

There was an average daily number of 300 thousand operations, with around 700 thousand operations on days of intense traffic – up 133% over the daily average.

Caixa *e-Banking* – Active Contracts



The rate of growth of the use of this service, which was higher than the rate of growth in the number of contracts, provides an accurate reflection of the development of the level of service, mainly deriving from the broadening of the range of functionalities and usability.

Customers were provided with new functionalities in 2010. They included new consultations (current accounts in foreign currency and information on movements – with the possibility of inserting notes, loan repayment history and APT statements and movements). Reference should also be made to the reformulation of the whole of the cards and payments area to Caixa Geral de Aposentações.

Caixa *e-Banking* mobile is the mobile banking service for companies and institutions which are able to perform current banking operations by mobile phone, smartphone or internet-enabled PDA at https://m.caixaebanking.cgd.pt. The only requirement is for customers to be users of the Caixa e-Banking service. Evolution, in 2010, was marked by highly significant growth, with a 188% increase in the number of contracts using the mobile service.

CARDS

In furthering its growth and innovation strategy in the issue of cards business, in 2010, actions designed to create differentiated value proposals and improvements to level of service continued to be taken, both as regards the current card portfolio and launch of new products.

As a consequence of the actions taken, on which more detail will be provided below, the objective of increasing the customer database for CGD card holders and number of cards issued and consequent increasing in billing was globally achieved.

The stock of credit cards (685 thousand at the end of 2010), deferred debit (689 thousand) and prepaid (14 thousand) was up 21.4% by 241.5 thousand cards in 2010, with particular mention being made of the 39.4% increase in the number of deferred debit cards. The increase in the respective rate of activity to 63.6% also had a positive impact on commissions which were up 11.4% in the year.

Debit cards were, in turn, up to 2 357 thousand, providing commissions growth of 10.3%.

In terms of the improvement in card capacity and technical security, reference should be made to the start-up of the project for the migration of cards with EMV/SDA (static data authentication) chips to EMV/DDA (dynamic data authentication) chips, which will increase the level of security in the validation of transactions. Now that the identification and validation of the standards defined by SIBS for the development of this project, have been completed, the certification stage is scheduled for 2011. In addition to this project, from a viewpoint of cards' technical characteristics, parameters and functionalities on a level of each of the products / specific cards have also been developed and implemented.

In terms of the management of platforms and partners, reference should be made to the implementation of the Partners Portal at www.parceiroscartoes-cgd.com, in February 2010, in addition to an online shop and Facebook profile.

Specific campaigns to promote the portal, split payments and special promotions for Caixa Gold and Caixazul cards, with free travel and, for the Caixa Woman card, a draw for a one week trip for two to New York were organised.

The schedule for the new products launch campaign included:

- Caixa Flow card – prepaid. This is a 2 card pack for foreign customers resident in Portugal whose family members reside in their country of origin and national customers with family members resident abroad;

- Design cards – credit and prepaid, for design professionals and students;

- Caixa Académica cards – Credit and deferred debit. The Caixa Académica card has been developed in partnership with the Coimbra Academic Association and is for the general public with some form of connection with the Association, particularly the AAC community and University of Coimbra, present and former students, teachers, functionaries and other employees;

- Shop & Go card – a deferred debit card for exclusive use in Caixautomática cash machines and APTs;

- Contacteless card – pilot scheme (Electron, Maestro, Benfica and ISIC cards), enable payments of small amounts to be made without entering a personal code;

- Webuy card – prepaid. This is issued on paper without a PIN and enhances security, solely and exclusively for internet payments on national or foreign sites;

- Caixa Vitória card – credit card, a proposal specifically targeted at members and fans of Vitória de Guimarães. It combines a banking function with the member's or fan's identification, incorporating functionalities such as entrance to the stadium, payment of subs, etc;

- Win-Win card – a deferred debit card exclusively for wholesalers. This card can only be used in the shops of wholesalers with CGD APTs. It provides greater security and permits restriction of movements. This is a private payments media issued for each retailing customer of the respective wholesaler.

Proactive billing and deposits campaigns were developed in terms of product promotion.

In 2010, as in the preceding year, we were finalists at the international "OSCARDS10" competition with the Webuy card.

In terms of ticketing, the latest developments relative to the partnership with TUB (Braga City Transport), were completed with the launch of the pilot project scheduled for 2011. The negotiations on technical and operational requirements with OTLIS were also resumed and completed.

New functionalities for prepaid cards were also developed and include the possibility of automatically charging the card when opening the card account and the possibility of applying for additional cards (LOL and Caixa Flow), the possibility of applying restrictions (MCC, daily limits on withdrawals and use) on the use of the cards, the possibility of the creation of loyalty programmes, charging of commissions to the respective card account, automatically charging the card from a current account other than the one associated with the card, charging the card by credit card and automatically charging the card whenever a certain balance is reached (parametrisable).

Internal intranet based informational actions on the network were also developed using the card microsite, in addition to branch office classroom training for employees in the commercial area and cross-selling managers.

1.6.2.2. SPECIALISED CREDIT

The financial leasing sector is closely associated with the investment decisions made by economic agents which, in 2010, translated into a contraction of around 5% in gross fixed capital formation. This sector's sales were therefore down 2% year-on-year. The reduction essentially derived from the 17% downturn in the property leasing subsector. The equipment leasing subsector, counteracting the trend towards contraction was up 6% over 2009. The factoring sector owing to its intrinsic treasury function support characteristics grew 20%. The consumer credit sector was up 12% over the same period 2009.

ANNUAL SALES

(EUR thousand)

	2009	2010	Change
Property leasing	1 538 802	1 271 242	-17%
Equipment leasing	2 691 548	2 865 375	6%
Factoring	23 564 033	28 218 481	20%
Consumer credit	4 962 446	5 561 472	12%

CAIXA LEASING E FACTORING

CGD Group is represented, in the specialised credit sector, by Caixa Leasing e Factoring, Instituição Financeira de Crédito, SA (CLF), which operates in the property and equipment leasing, factoring and consumer credit areas.

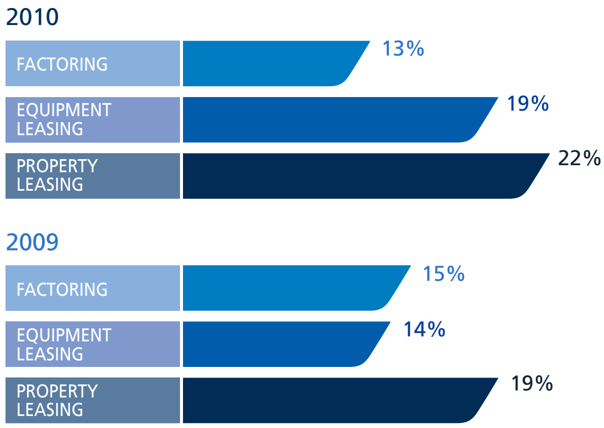
In financial leasing terms the company's sales were down 3% for property leasing and up 9% for equipment. Notwithstanding the slowdown in property activity, the company, owing to the fact that its sales were less than those of the respective subsector, increased its market share from 18.7%, in 2009, to 21.8% in 2010, giving it second position in the property leasing ranking (third in 2009). CLF retained pole position in the equipment leasing subsector ranking, having reinforced its market share from 14.3%, in 2009, to 19.4% in 2010. In light of this evolution and notwithstanding the adverse economic climate, the company achieved a 4.7% increase in financial leasing sales. In the case of factoring, the company maintained fourth position in the sector ranking with a market share of 13.1% (14.7% in 2009). Reference should be made to the fact that the company is the marked leader in terms of domestic factoring with sales of EUR 3 324 million, giving it pole position in the ranking for this type of product. In the case of consumer credit, CLF grew 15% over 2009 achieving a market share of 0.55%.

CAIXA LEASING AND FACTORING

(EUR thousand)

	CLF sales			CLF market share			
	2009	2010	Change (%)	2009		2010	
				Ranking	(%)	Ranking	(%)
Product							
Property leasing	287 266	277 524	-3.4%	3rd	19%	2nd	22%
Equipment leasing	508 567	556 027	9.3%	1st	14%	1st	19%
Total leasing	795 833	833 551	4.7%				
Factoring	3 454 210	3 694 722	7.0%	4th	15%	4th	13%
Consumer credit	26 566	30 538	15.0%		0.54%		0.55%
Vehicle finance							
Equipment leasing	138 204	229 539	66.1%				
Consumer credit	14 821	21 880	47.6%				

CLF Market Share



Caixa Leasing e Factoring's net assets were up 1.7%, owing to the growth of its loans and advances to customers credit (net) portfolio which was up 1.6% and the EUR 33.7 million increase in the non-current assets held for sale account heading.

CAIXA LEASING AND FACTORING

(EUR thousand)

	2009	2010
Assets (net)	3 579 643	3 642 086
Loans and advances to customers	3 554 488	3 629 242
Provisions for overdue credit, doubtful loans and foreign loans (balances)	-61 926	-79 313
Shareholders' equity	131 368	140 381
Net income	4 744	9 014
Share capital	10 000	10 000
% of Group	51%	51%
Employees	191	191

Net interest income and net operating income were down 3.9% and 0.6%, respectively. However, the reduction of 19.8% (EUR 5.2 million) in provisions and impairment appropriations, resulting from significant default control and management endeavours enabled the company to achieve income before tax of around EUR 11.8 million, i.e. up 78.5% in year-on-year terms.

After an appropriation for tax of EUR 2.8 million, the company's net income of EUR 9.0 million in 2010 was up 90% over December 2009.

1.6.2.3. INTERNATIONAL OPERATIONS

Internationalisation is one of CGD Group's fundamental strategy areas. Having wasted no time in initiating its internationalisation policy, which has always been regulated by the highest standards of prudence and rigour, CGD is even more conscious of the foreign sector's importance in terms of the recovery and sustained growth of the Portuguese economy and has endeavoured to continue to make a sustained and efficient proactive contribution to the development of the export sector.

Studies carried out by recognised analysts confirm the strong historical correlation between GDP growth and expansion of foreign trade, worldwide and in the case of Portugal, owing to the limited dimension of its domestic market and the high degree of economic openness, the contribution of international operations is a decisive factor in the country's economic recovery. 2010 was a positive year both as regards commercial flows with Portugal's traditional commercial partners, such as Spain and the so called "new economies", with a growing penetration of products and services of Portuguese origin, also accompanied by an expansion of direct investment in the said countries. By November, total exports of Portuguese goods had already superseded the final figure for 2009 and imports were slightly down over the preceding year. Accordingly, the recent evolution of the Portuguese economy has been confirming the importance of CGD Group's internationalisation strategy as a fundamental vector of Group policy and support for the internationalisation of the Portuguese economy.

The current international context continues to suffer from a series of weak points which are not only the result of the financial and economic crisis which has swept across the world over the last two years but, as in many other countries, also mirrors an imbalanced structural situation requiring major reformulations in terms of the business environment and the organisation of manufacturing activity. Prior to the crisis, growth in many developed countries derived from excessive domestic demand, in the form of consumption and/or property investment. Expansionary fiscal policies were widely used to stimulate domestic demand, which in the meantime reached unsustainable levels, with countries in deficit beginning to develop mechanisms to reinforce external demand by relying on exports.

The Portuguese economy epitomises several such imbalances which, owing to their existence at the time of the onset of crisis (as evidenced by several economic indicators) were clearly visible from then on. Owing to the limited dimension of the domestic market and, no less importantly, in a context of greater competition, the Portuguese business community and Portuguese authorities are consciously and increasingly gearing their attention to foreign markets, particularly, the "new economies".

CGD Group, with its extensive and diversified international platform, based on a physical presence in 23 countries and operating in a wide range of markets in support of the activities of Portuguese businesspeople, has endeavoured to play an increasingly important role in the internationalisation of the Portuguese economy, notably in its support for small and medium sized enterprises in their role as a fundamental pillar of the domestic production system. The group has, accordingly, geared its operations to a direct or indirect presence in markets with the greatest business potential for Portuguese companies and the group itself, in addition to countries with cultural or linguistic affinities or with large communities of Portuguese origin.

Special reference should be made, in this context, to foreign trade support mechanisms, in the form of short, medium and long term structures, making a marked contribution to Portugal's export sector.

Medium and long term instruments are usually structured as direct credits to the importer, both from a viewpoint of credit support (i.e. lines of credit) as in commercial terms (lines of finance whose risk is covered by Cosec).

CGD Group reinforced its support mechanism and customer solutions in 2010. The group's international offer also includes advisory services to companies in the form of detailed information on the specific characteristics of each relevant market.

As regards the accompanying and promotion of export lines of credit the following activities were included:

- An increase in the amount of the line of credit for the Republic of Mozambique, from EUR 200 million to EUR 400 million in March 2010 and extension of projects' allocation periods, in addition to the period for the use of this new tranche to March 2012 and March 2015, respectively;

- A first addendum to the line of credit for Tunisia was signed in March 2010, maintaining a credit limit of EUR 100 million and extending project allocation periods and use thereof to 30 March 2012 and 30 March 2015, respectively;

- A second addendum to the existing line of credit for Morocco, extending the period of the allocation of projects and deadline for use thereof to 16 January 2012 and 16 January 2014, respectively;

- Finance agreement for the launch of a new line of credit of EUR 200 million for Morocco on the same date;

- Award to CGD of the new line of credit for the Democratic Republic of East Timor. This financial instrument is expected to make a significant contribution to the promotion of Portuguese exports of capital goods and services to East Timor. The initial limit of EUR 100 million may be increased to up to EUR 500 million;

- First prioritisations for projects under the China Eximbank EUR 300 million line of credit;

- Further actions for the purpose of disclosing information on the enhanced capacity of Portuguese companies in terms of internationalisation processes in strategic markets for Caixa Group:

  > Organisation of "Algeria – Opportunities and Challenges for Portuguese Companies" benefitting from the business meeting of the III Portugal–Algeria Summit in November 2010, in Lisbon;

  > Organisation of "Internationalisation Meetings – Angola" in December 2010 in articulation with CGD's corporate network and Banco Caixa Geral Totta de Angola, attended by 150 companies divided up into six meetings held in Braga, Porto, Leiria, Ovar and Lisbon (2);

  > Intervention in a multiplicity of forums and seminars such as "ABCs of the Market" and "Find Out more about the market" organised by AICEP and the Business on the Way 2010, AEP Programme notably the II Chambers of Commerce Internationalisation Forum.

Reference should be made to several relevant elements of CGD Group's international branch office network's development and consolidation framework, in 2010:

- Two tranches of equal value, relating to the increase in share capital of Banco Caixa Geral Brasil from 123 million to 400 million reais in January and April;

- Closure of the representative office in São Paulo, in February, whose team was latterly incorporated into Banco Caixa Geral Brasil's new individual customers service;

- April increase in the share capital of Banco Interatlântico (BI) of Cape Verde, from CVE 600 million to CVE 1 billion (EUR 5.4 million to EUR 9.1 million). CGD accompanied this capital increase by maintaining its 70% equity investment in the bank;

- Reference should also be made, in Cape Verde, to BCA's highly successful issue of a CVE 500 million subordinated bond loan (EUR 4.5 million) which was oversubscribed by a factor of two and which particularly attracted the attention of small investors (individual customers) and several major national corporates. The main objective of this bond loan was to permit the sustained growth of the bank's activity, reinforce its solidity, increase own funds and the maximum limit of credit risk concentration and improve it solvency ratio;

- June formalisation of an agreement between Caixa Geral de Depósitos and Banif Groups, for a 70% equity investment in Banif Corretora de Valores e Câmbio, SA (Banif CVC). This deal included Brazil's third biggest online home broker;

- June also witnessed the public deed for the formation of Banco Nacional de Investimento, with a share capital of 17 145 million meticais (around EUR 399 million), in which CGD has a stake of 49.5%, the State of Mozambique 49.5% and BCI 1%, with 70 million meticais of the capital having been subscribed for and paid up at the end of 2010. The objective of the new institution is to incentivise the creation of Portugal–Mozambique business partnerships in the infrastructures sector (health, energy, education) and human resources training;

- The same month witnessed an increase of Banco Caixa Geral's (Spain) share capital from EUR 442.8 million to EUR 462.8 million, totally subscribed for and paid up by CGD;

- Banco Comercial e de Investimentos increased its share capital to 1 900 million meticais (around EUR 44 million) in August;

- The Canadian authorities agreed to the opening of a CGD representative office in Toronto, in September, scheduled for first quarter 2011.

Owing to the development of the vast range of above listed instruments and synergies between the group's different overseas companies, CGD's international operations succeeded in contributing EUR 80.7 million to CGD Group's consolidated net income.

Notwithstanding the current scenario of a continuous fall in reference rates, net interest income from the international area was up 2.6% to EUR 437 million. Non-interest income also grew by 11% over 2009, to EUR 144 million.

In operational terms, its contribution to consolidated gross operating income was EUR 151 million, comprising year-on-year growth of 50.4%. The less favourable evolution of structural costs, up by around 12.9%, resulted in a slight increase in cost-to-income in the international area from 53.5% in 2009 to 57.5% in 2010. This evolution particularly derives from the expansion of the network in several markets in which the expansion of commercial activity is considered to be a strategic priority.

Loans and advances to customers (net) were up 12.1% over December 2009 to EUR 13 812 million. Customer deposits were up 6% in year-on-year terms to EUR 10 050 million.

BRANCH OFFICES AND SUBSIDIARIES [a]

	Dec. 2009	Dec. 2010	Change Total	Change Percent
Branch offices [b]				
Loans and advances to customers (net) (EUR million)	5 204	5 418	214	4.1%
Loans and advances (gross)	5 426	5 668	242	4.5%
Overdue credit	130	184	55	42.0%
Credit impairment	222	250	28	12.6%
Customer resources (EUR million)	3 021	2 210	-811	-26.9%
Net income (EUR thousand)	11 624	21 832	10 208	87.8%
Branch offices	61	61	0	0.0%
Employees	686	698	12	1.7%
Subsidiaries				
Loans and advances to customers (net) (EUR million)	7 118	8 393	1 276	17.9%
Loans and advances (gross)	7 317	8 616	1 298	17.7%
Overdue credit	355	291	-64	-18.0%
Credit impairment	200	222	23	11.3%
Customer resources (EUR million)	6 459	7 841	1 382	21.4%
Net income (EUR thousand)	56 112	58 955	2 843	5.1%
Branch offices	376	411	35	9.3%
Employees	3 630	4 145	515	14.2%
Total				
Loans and advances to customers (net) (EUR million)	12 322	13 812	1 490	12.1%
Loans and advances (gross)	12 743	14 284	1 540	12.1%
Overdue credit	485	476	-9	-1.9%
Credit impairment	421	472	51	12.0%
Customer resources (EUR million)	9 480	10 050	570	6.0%
Net income (EUR thousand)	67 736	80 787	13 051	19.3%
Branch offices	437	472	35	8.0%
Employees	4 316	4 843	527	12.2%

(a) Contribution to CGD Group's consolidated indicators.
(b) Does not include offshore branch.

EUROPE

CGD Group has four branches (Spain, France, Luxembourg, London) and a subsidiary (Banco Caixa Geral in Spain) in Europe.

Spain

Banco Caixa Geral

During the course of 2010, Spain was directly affected by the sovereign debt crisis in the Euro Zone, which put a brake on its economic recovery. Notwithstanding real GDP expansion of 0.2% in the fourth quarter of the year, after seven consecutive recessionary quarters, the respective accumulated growth rate was minus 0.2%.

The unfavourable evolution of the labour market was one of Spain's main areas of concern. Spain has the highest unemployment rate in the European Union at 20.1%. Unemployment, traditionally high in Spain, was up 4.5% in 2010 to a total of 4 100 073, its highest level since the start of the statistical series in 1996.

Loans to the non-financial private sector have remained practically stagnant since the start of 2008. The adjustment in the household and non-financial companies segment is in sync with the reduction of credit and increased savings. The volume of doubtful loans in Spain, in November, was more than EUR 104 000 million with a default rate of 5.7% for the financial sector as a whole, its highest level for almost 15 years. Bank default rates were more than 5.80% with Cajas de Ahorro at 5.53%. Spain's financial system has, notwithstanding, shown a certain resistance to the crisis as evidenced by the stress tests. It has limited its use of public support and persevered in the restructuring process to maintain its market credibility.

Banco Caixa Geral maintained its network of 211 branch offices in 2010 and is present in more than 80% of the Autonomous Spanish Communities. With the objective of providing banking solutions to its individual and corporate customers, BCG has developed its presence in the form of branch offices located in the areas of greatest economic and social development such as, *inter alia*, Madrid, the Mediterranean axis (Catalonia and the Levant) and the north (Basque Country, Asturias and Cantabria). Banco Caixa Geral has, at the same time, maintained a strong presence in communities with close commercial relationships on the border with Portugal: Galicia, Extremadura, Andalusia and Castille-León.

During the course of this period, BCG has adequately faced up to the difficulties of an adverse context, in achieving credit growth and in resource-taking. Reference should be made to its prudent approach to making loans, resulting in a default rate of 2.82%, which is significantly less than the system average.

Reference should be made, in 2010, to the support received by BCG from its main shareholder, CGD, in increasing the bank's capital by EUR 46 million.

The balance of trade between Spain and Portugal, in the said period, was also affected by the international financial crisis. However, notwithstanding the negative environment, Portugal continues to be a destination and principal source of commercial activity, with the most active regions being Catalonia, Madrid, Galicia and Castille-León. Portuguese exports to Spain were up 12.95% in 2010 whereas Portuguese imports from Spain were up 5.47%.

BCG, in its awareness of the relevance of bilateral business, has strongly committed to promoting and assisting companies with Iberian interests. CGD Group's "Iberian Offer" as a whole and such products and services as the "Iberian Passport" have been essential growth enablers. The Iberian business area achieved significant results in 2010. Lending was up by more than 65%, resources taken up 43% and total business under management up 59%, at year close. In strategic terms, CGD considers the Spanish market to be a natural extension of its domestic market.

Spain branch

The activity of the Spain branch has, since its inception, complemented the activities of Banco Caixa Geral and the Caixa BI branch in the Spanish market, as a platform for the larger operations.

It is also an important link between the domestic branch office network and BCG's network in Spain.

France

France branch

The France branch is one of the Group's main foreign operations. The branch has particularly geared its activities to support for the Portuguese community and its descendants and other communities with historical and cultural ties to Lusophone countries. In addition to its domestic market operations, the France branch plays an important role in supporting Portuguese exports.

The French economy grew by around 1.5% in 2010, clearly in recovery after the major downturn of 2.6% occurring in 2009. This trend was accompanied by a recovery of monetary and credit aggregates, with loans and advances to the private non-financial sector having achieved an annual year-on-year growth rate of 3.9% in November 2010, with residents' deposits of 5.2%. The recovery of mortgage loans (up 7.2% in November) was particularly expressive, in a context of the lowest mortgage rates of the last few decades.

The France branch, traditionally geared to providing for the needs of the Portuguese population or of Portuguese origin living in France, has expanded its operations to other strata of French society (individual and corporate), benefiting from the technical and relational know how developed in its principal customer segment.

Notwithstanding the moderate progress achieved by the economy, the France branch succeeded in achieving an important expansion of its retail operations in the internal market both in terms of resources taken from customers (up 9.7%) as in lending (up 6.4%). Similar rates of credit growth encompassed both the individual customers (particularly mortgage loans) and small and medium sized companies segments, whose development, associated with the increasingly entrepreneurial character of the Portuguese community in France, has been accompanied by the branch through its provision of an adequate range of products and services.

The branch maintains a customer base diversification policy divided up into activity segments and also endeavours to secure French customers. Continuous improvements to the branch's range of products and services has helped to retain the loyalty of a younger customer stratum which considers that the branch satisfies their financial needs equally as well as their French competitors.

Together with its retail business, the France branch also plays an important role in terms of the Group's international operations and the intermediation of financial flows taken under the Group's financing programme in the money and capital markets.

The intermediation of financial flows was significantly down in 2010, in line with the changes to the structure and issue policy of Group funding, leading to a major drop in branch assets and liabilities. In turn, the volume of international operations was slightly down with a collection of new uses being more than offset by depreciation and the transfer of operations to other Group companies.

Good retail business performance was an enabling factor in achieving a major increase in the level of results from this central branch activity notwithstanding the evolution of interest rates, notably mortgage loans. International operations, in turn, were adversely affected by higher funding costs in the international marketplace but recorded significantly lesser impairment than in the preceding year while also achieving a major increase in income levels.

Luxembourg

Luxembourg branch

The country turned in a good economic performance in macroeconomic terms. Inflation, at the end of 2010, was 2.2% (close to 0% in 2009) whereas the unemployment rate hit 6.2% (5.1% in 2009) with GDP up 3.7% (3.2% in 2009). 2010 was the year in which the number of residents in the Grand Duchy passed the 500 000 mark (510 000 inhabitants).

The financial sector continues to represent 30% of the country's GDP, with around 30 000 employees, i.e. 10% of the working population. This number has been falling over the last two years owing to the international crisis in this sector.

CGD's Luxembourg branch, in 2010, was represented in Luxembourg's financial market by its branch office network made up of five branches: three commercial areas geared to the retail segment, a premium customers area and a corporate office. The branch, while continuing to gear its operations to retail banking activities has implemented a segmentation strategy between individual and corporate customers, adopting a competitive range of products and services in light of the local market's requirements.

In the individual customers segment, the branch has been paying special attention to accountholders with the highest income levels who are looking for solutions for their respective financial needs.

CGD restructured and renewed the image of its commercial units in Luxembourg with the aim of making its branch offices more welcoming and functional whilst also improving the quality of customer service which it intends to make more user-friendly and personalise, using the commercial image as adopted by CGD in Portugal.

The branch also began work on replacing its IT system in 2010. The new platform is scheduled to come into operation in mid 2011 and will help to improve productivity and quality and particularly the range of products and services available.

Reference should also be made to the branch's commercialisation of Império Bonança services, since mid 2010 with the exclusive sale of Vida Caixa Assur Immo life insurance in the Grand Duchy, on CGD's branch office network. Império Bonança is therefore the preferred partner for life insurance related with the mortgage loans of Caixa Geral de Depósitos's Luxembourg branch customers.

United Kingdom

London branch

The London branch's activity is almost exclusively geared to the structuring of financial products incorporating derivatives, which are supplied to various CGD Group companies on regular distribution channels. Activity is therefore geared to the management of dynamic hedges on volatilities used for a vast range of structured products in different formats ranging from the simplest deposits to the most complex financial products, both for private and institutional investors.

The branch employs specialised technical operatives and state-of-the-art equipment to manage all types of market risk, in addition to developing new products for the Group. The branch however is prudently managed in line with the Group's risk management and control policy.

In 2010, London continued to structure guaranteed and non-guaranteed capital products in support of Caixa's growing presence, particularly in the Spanish market and other international units. It is also committed to supplying other products on the assets side of the balance sheet.

The branch also provides services to the Portuguese community in the United Kingdom and to British and Irish citizens with interests in Portugal, through its promotion of the Live in Portugal campaign which is specifically targeted at English speaking customers interested in taking out mortgage loans in Portugal.

In the case of branch operations, reference should be made to its results, in 2010, which reflect the contribution made by a flexible, low risk strategy and excellent management of the various opportunities created by market volatility and liquidity shortages.

AFRICA

CGD Group has eight subsidiaries in Africa, four associated companies and a presence in Algeria: the subsidiaries operate in Angola (Banco Caixa Geral Totta de Angola), Mozambique (Banco Comercial e de Investimentos), Cape Verde (Banco Comercial do Atlântico, Banco Interatlântico, A Promotora, Garantia and Promoleasing) and South Africa (Mercantile Bank). CGD has associated companies in São Tomé e Príncipe (participation and chairmanship of the bank's executive board in Banco Internacional de São Tomé e Príncipe) and in Mozambique (GCI, BCI ALD and ImoBCI).

Angola

Banco Caixa Geral Totta de Angola

Angola has achieved sustained economic growth since the end of the war, in 2002. High oil prices and social stability brought about by the ending of the war have produced double digit GDP growth rates. Angola is Africa's largest oil exporter and the world's fourth largest exporter of diamonds.

Over the last two years and after several years of euphoria, Angola's economy has been faced with the need for a certain containment, a situation to which it was not accustomed owing to the fact that it was at a counter cyclical stage when compared to the high growth rates recorded in past times. In 2006, for example, Angola's economy posted growth of more than 18%. The fall in oil prices had a natural impact on the level of foreign reserves, in 2009 and early 2010.

Angola was not immune to the world crisis although it currently represents good growth opportunities, which is certified by the IMF's confidence in injecting around USD 883 million, in line with compliance and implementation of objective programmes drawn up for non-oil sectors.

According to the latest available statistics, Portugal was Angola's major supplier, in 2009 and Angola was Portugal's fifth largest customer with around 5% of total Portuguese export. Angola is the 3rd largest recipient of Portuguese direct foreign investment. This demonstrates the growing importance of the relationship between the two countries and illustrates the strong commitment between companies and authorities and the dynamics of the lines of credit to which reference has already been made.

IMF forecasts for 2010 indicate growth of around 2.5% for the Angolan economy and around 7.1% in 2011. These data are very positive and are further reinforced by the forecast of strong growth in non-oil sectors which will also contribute to improving Angola's GDP.

Average inflation estimated for 2010 is 13.5% with a forecast of less than 13% in 2011. The main culprits in terms of higher prices are foodstuffs and beverages as well as fuel (2010).

The three main rating agencies, Moody's, Standard & Poor's and Fitch Ratings have also rated Angola's debt. Moody's awarded a B1 rating on long term debt with a positive outlook. Fitch Ratings awarded a B+ rating for long term debt with a positive outlook and B for its short term debt and, lastly, Standard & Poor's issued its B+ rating for long term and B for short term debt with a stable outlook.

Another positive sign for the market was the reduction of the rediscount rate to 25%, by Banco Nacional de Angola (BNA).

CGD Group has been present in Angola through Banco Caixa Geral Totta de Angola, since July 2009, in a partnership with other leading shareholders in the local market and another international bank.

Banco Caixa Geral Totta de Angola has 20 business units in 8 provinces, having opened 7 branch offices: Saurimo, Soyo, Ambriz, Panguila, Cacuaco, Huambo and Lobito/INAR in 2010.

The bank has maintained its visibility in key sectors of the economy (oil and diamonds) centralising the banking movements of a selected number of companies and targeting its retail operations to such companies' workers.

In July 2010, CGD exercised its purchase option on 1% of the share capital of Partang as the holding company owning 51% of BCGTA. This gives CGD a 51% interest in Partang.

In addition to its banking activity, CGD Group also reached an agreement to form a partnership in the insurance area for which authorisation was given. This activity is scheduled to begin in 2011.

In line with the strategic orientation plan, during the course of 2010, the bank reinforced its focus on a vast range of tasks needed to improve its global performance, particularly:

- Major investment in the human resources area having closed the year with an increase of 26.8% in its number of employees and trained 94 new staff. Mention should also be made of the recruitment structure with the implementation of e-recruitment on its website and online selection tests, the establishing of its training and recruitment centre, creation of a new staff integration programme and implementation of e-learning;

- Organic growth of 42.9%, from 14 to 20 business units (branch offices and corporate centres) with the objective of achieving a presence in all provinces over the short term;

- Various reorganisational activities and support for the global improvement of procedures and efficiency;

- Increase in volume of business under management particularly concentrating on companies which currently represent the main strategic focus;

- Development and launch of the bank's new corporate image.

An expanding economy undergoing major transformation naturally leads to the need to endow the financial system with a development bank, in which CGD, in partnership with Sonangol was given permission in 2009, to incorporate Banco para a Promoção e Desenvolvimento (BPD), totally geared to the promotion of major infrastructure projects.

Cape Verde

Cape Verde's economy, in 2010, although still suffering from the consequences of the global economic and financial crisis, witnessed a recovery in several sectors in comparison to the preceding year, particularly tourism. The effects of the decrease of construction and FDI – foreign direct investment continued, however, to be felt.

The economic climate indicator peaked in fourth quarter 2010, having risen practically constantly during the course of the year as a whole, suggesting an acceleration of economic growth.

The trend in terms of emigrants' remittances was one of progressive reduction, keeping pace with the deterioration of labour market conditions in emigrants' principal host countries.

Inflation over the course of the year was moderate, at an average rate of 2.1% at the end of 2010 (1.1 p.p. up over 2009). Prices also kept pace with the dynamics of demand, benefiting from the impact of a good agricultural year.

The evolution of the economy led the Bank of Cape Verde to update its projections for 2010, defining GDP at between 4–5%, against growth of 3.9% in 2009.

2010 was marked by a change in the regime for the establishing of minimum cash reserves with an extending of the period to set up such reserves from three to fifteen days, with non-residents' deposits in domestic and foreign currency also being included for the calculation of the respective incidence basis. The council of ministers approved a new mortgage loan subsidy regime in August.

Competition in the banking sector continued to increase sharply, with the appearance of another three institutions in the marketplace increasing the number of banks operating in Cape Verde to eight (double the number of only two years ago).

Banco Comercial do Atlântico

Considered as the bank of reference, both nationally and in terms of the emigrant community, owing to its strong presence in Cape Verde's main emigration markets, BCA has retained its clear market lead with shares of around 45% and 49% in credit and deposits at the end of 2010, respectively.

Special mention should be made, in 2010, of BCA's highly successful issue of a CVE 500 million subordinated bond loan (EUR 4.5 million) which was oversubscribed by a factor of two and particularly attracted the attention of small investors (individual customers) and several major national corporates. The main objective of this bond loan was to permit sustained growth of the bank's activity, reinforce its solidity, increase own funds and maximum limit of credit risk concentration and improve its solvency ratio.

The bank's strategic objective is to continue to be the best and biggest national bank and it is with this objective in mind that it has endeavoured to improve its competitiveness, diversifying its offer with the launch of various products and services:

- BCA Visa Flex: for younger people and traders, increasing the mobility of their money;

- BCA Visa Corporate: for companies and very senior staff;

- Auto / equipment leasing: particularly geared to companies owing to its highly competitive fiscal advantages;

- Factoring: enabling companies to receive advance payment of invoices (credit sales) from BCA prior to the date of their maturity.

Reference should also be made to new BCA Directo (internet banking) functionalities which now enable transfers to be made abroad.

BCA took a 49% stake in the share capital of Promoleasing this year. The company was recently formed with the objective of promoting leasing services in conjunction with Banco Interatlântico (17.5%), A Promotora (23.5%) and Garantia (10%).

BCA continued its market expansion by opening a further three branch offices, two in Santo Antão and one in Santiago, ending the year with 32 branch offices.

Banco Interatlântico

Notwithstanding the constraints on banking activity during the year, Banco Interatlântico (BI) consolidated its position as the third biggest bank in Cape Verde's financial system with significant growth in resources taken of around 15%, of which special reference should be made to deposits which were up 22.1%. There was also growth of a similar magnitude in the case of credit (15.8%).

Such amounts made an essential contribution to the bank's increase in market shares, particularly in the corporate segment which the bank singled out as a growth priority. A sign of the bank's reinforcement of its market presence is the increase in its respective share of the number of active items of POS equipment in Cape Verde at 26%, ranking BI as the system's second bank in this aspect.

A further branch was added to the branch office network during the year (the ninth – Achada Grande Frente), without any increase in the number of employees over the preceding year, enabling most of the bank's efficiency ratios to be improved.

An increase in Banco Interatlântico's share capital from CVE 600 million to CVE 1 billion (EUR 9 million), was approved at the general shareholders meeting of 25 January 2010. The increase was paid up in full and was designed to bring the bank's own funds into line with its strategic vision and new market conditions.

The increase enabled the bank to close 2010 with a solvency ratio of 14.1%, much higher than the legal minimum of 10%.

Banco Interatlântico was, for the second consecutive year, considered by *World Finance* magazine to be the best bank in Cape Verde, in 2010.

Garantia

Garantia is the Group's insurance company in Cape Verde. It adopts a universal approach and independent and ethical position, endowed with an agile, modern structure, geared to profitability and leadership.

Garantia initiated its operations in 1991 and occupies a leading position in Cape Verde's economy, with a strong position in the market and financial strength. It provides its customers with various life and non-life solutions covering the most diverse risks of damages to property and bodily injury.

Mozambique

Banco Comercial e de Investimentos

Mozambique's economic performance, in 2010, remained strong, notwithstanding the fact that the foreign environment was less favourable than forecast. Mozambique displayed robust growth, via a let-up of its macroeconomic policies designed to counteract the effects of the economic crisis, with projected real GDP growth of 7.25%, which is expected to accelerate over the medium term to 8%. The recovery of foreign demand, increase in private capital inflows and strong and continued donor support are expected to contribute towards the improvement of Mozambique's external accounts and ensure comfortable levels of international reserves. This being the case, the monetary and fiscal policies adopted in the wake of the international crisis, associated with pressure on the balance of payments, were contributory factors to a depreciating exchange rate and higher inflation, representing a considerable burden on the most vulnerable segments of the population.

Over the most recent years, Mozambique's banking sector has been characterised by greater competition, and profound changes, notably the implementation of more aggressive deposit-taking policies, development of new financial products, investments in technological infrastructures (upgrading of ATMs and POS equipment) and expansion of the branch office network to rural zones. This scenario of banking business promotion is particularly motivated by the potential growth of economic activity in the country in general and several regions in particular, reduction of the rate of mandatory reserves and appearance of new market players.

Mozambique's banking system, nevertheless, remained highly concentrated in the country's four major banks including Banco Comercial e de Investimentos (BCI) (2nd), which, as a whole, have 89.20% of total deposits, 89.69% of credit and 87.69% of assets in the system.

2010 was characterised by a sharp increase in funding costs denominated in meticais and corresponding deterioration in net interest income (partially offset by the increase in the reference rate indexer).

Notwithstanding the macroeconomic environment and above referred to impact, BCI succeeded in complying with its main strategic objectives defined for this year:

- Expansion of the branch office network: BCI's branch office network grew 34% in 2010 as a consequence of the opening of 23 new branch offices and 3 business centres;

- Contribution to improving the country's general banking facilities: 9 of the 23 branch offices opened in 2010 were in rural districts;

- Increase in customer portfolios: investment and the results of the relationship with customers were immediately reflected in the securing of a further 80 000 new customers (up 84%), the highest ever number in the bank's history;

- Implementation of protocols: the policy of implementing the protocols signed in 2009 was continued, with new agreements, particularly with the Ministry of the Interior, having been signed;

- Credit and deposit portfolios. In terms of deposits the bank committed to strengthening its customer relationships;

- Electronic channels: work continued to be performed on the expansion and development of the electronic network, with a 46% increase in the number of ATMs. Sales of debit cards were also encouraged at the same time (up 64% to more than 225 000 cards). Reference should also be made to the growth in subscriptions to the e-banking service (45% for companies and 35% for individual customers);

- Consolidation of market share.

At the end of 2010, according to data published by the Bank of Mozambique, BCI had a market share of around 30% in terms of turnover, 33% of credit and 27% of deposits, thus consolidating its position as the system's second largest bank.

It should also be noted that, in 2010, BCI was, for the first time, included on the list of the 100 biggest banks in Africa, coming 95th and also won the PMR Africa Diamond Arrow Award for 2010 which is the most prestigious prize awarded by businessmen, directors and managers of large Mozambican companies.

South Africa

Mercantile Bank

South Africa has a strongly developed, regulated financial sector with high indices of governance models, having avoided most of the impact of the global crisis.

The banking sector is strongly concentrated in the four biggest banks in South Africa, which dominate the banking sector as a whole.

Mercantile is the fifth biggest bank in terms of clearing capacity in South Africa and is clearly a niche operator, geared to SMEs through its offer of products and services to this segment on a national level, maintaining its focus on the Portuguese community.

In April 2010 the bank implemented a new IT system whose new platform will improve its competitiveness in its target market.

Mercantile's strategy for 2010, includes the continuation of its services to SMEs, via its offer of products and services to this segment and its search for new opportunities in the alliance banking area, mainly cards, mobile banking and payments in general.

The bank's strategic plan is geared to the exploitation of new activity areas with the aim of optimising its invested capital.

São Tomé e Príncipe

Banco Internacional de São Tomé e Príncipe

CGD Group is present in São Tomé e Príncipe through its equity investment and chairmanship of the executive board of Banco Internacional de S. Tomé e Príncipe (BISTP), since 1993. BISTP has been active in the country for 18 years and is the biggest private commercial bank. BISTP is the leading bank in the market from any viewpoint, including, *inter alia*, the largest total assets, largest total own funds, largest number of branch offices and employees. BISTP's combined market share, in 2010, was around 70%, in a market in which a total number of seven commercial banks operate.

2010 was marked by legislative and municipal elections resulting in a change of government, in which the only party in opposition with a seat in parliament (ADI) won with a relative majority enabling its president, Patrice Trovoada, to form the 14th constitutional government. Presidential elections have been scheduled for 2011 and the current president, Fradique de Menezes, cannot be elected, as he is at the end of his second and last constitutional term of office.

Notwithstanding the non-appearance of new banking operators, in 2010 (as opposed to the five preceding years), 2010 marked a turnaround in market rules for the commercial banks. Foreign exchange parity between the local currency (dobra) and the euro came into force on 1 January, owing to a foreign exchange agreement with Portugal, with a fixed parity of 24 500 dobras per euro. This had direct consequences on banking profitability, with, in the case of BISTP, a reduction of around 70% in foreign exchange income owing to the decrease in foreign exchange revaluations and the ECART applied between the purchase and sale of all other currencies other than the euro.

Another change was associated with the entry into force of the new accounting plan for the banking system, in lieu of the former system which had been in force for twenty years, with the introduction of several IAS items for the purposes of a gradual adaptation. The application of these IAS also contributed to the unfavourable changes in operating income.

However and notwithstanding the drop in foreign exchange revenues, deriving from the fixing of the foreign exchange parity, BISTP's net income remained the same as in 2009.

Reference should also be made to the EUR 50 million line of credit, guaranteed by the Portuguese state, with CGD as the lender, for the integration of projects with the public investments programme of the Democratic Republic of São Tomé e Príncipe, for imports of materials, equipment and services of Portuguese origin and which, in 2010, included projects of crucial importance to São Tomé e Príncipe, such as national road no. 2 between São Tomé and the southernmost part of the island.

ASIA

CGD Group has 2 branches in Asia (Zhuhai / China and East Timor) and 2 subsidiaries (BNU Macau and Caixa Offshore Macau).

China

Banco Nacional Ultramarino

The Group has a presence in Macau through Banco Nacional Ultramarino, which operates as a universal bank and continues to be Macau's currency issuing bank, with the agreement reached with the Chinese authorities having been renewed in September 2010 for a period of 10 years.

Macau's economy recovered strongly in 2010 with growth of around 30 per cent. Contributory factors were the high rate of expansion of the Chinese economy at close to 10 per cent, in an environment of very low interest rates (with reference rates close to zero) and strong credit growth.

The key economic activity indicators particularly include an increase of around 57.8% in revenues from gambling which represents an absolute record, the huge expansion of retail sales, estimated at around 32% (mainly deriving from the increase in the number of tourists to Macau), with an increase in domestic consumption of around 6%.

Fixed capital investment was down by around 30% in the first nine months of 2010, owing to the postponement and suspension of various investment projects, particularly in the property and hotel and gambling areas although recovering gradually during the course of this year.

Goods exports were down again (by 8.7%) continuing their trend towards a reduction of their contribution to GDP.

Inflationary pressures began to make themselves felt in Macau in 2010, mainly on a level of foodstuffs, other imported goods and house rents. Wage increases and strong domestic pressure also contributed towards the increase in inflation with a 3.9% increase in the CPI.

The labour market status was practically one of full employment with the unemployment rate in Macau falling to less than 3% at the end of last year, leading to an increase in wages and companies' difficulties in recruiting staff.

BNU continued its high level of performance both on a level of results as in net operating income, notwithstanding a major upturn in Macau's economy and the gambling sector. There was also a major increase in competition in 2010 with the mass entrée of several large Chinese banks leading to a reduction of margins in practically all business areas including deposit-taking, loans and advances to customers (particularly mortgage loans), companies and credit cards and provision of treasury services.

Zhuhai branch

CGD has a branch in Zhuhai, geared to catering for Group customers in the region, particularly BNU customers, in light of the geographical proximity between both units.

East Timor

East Timor branch

CGD has had a presence in East Timor since 1912, initially via Banco Nacional Ultramarino. Activity in Timor ceased in 1975, and was resumed 25 years later with the issue of a bank operating licence to BNU, with the CGD branch being the first bank authorised to operate in East Timor after the referendum of 30 August 1999. With the merger between BNU and CGD, this branch became a CGD branch. The process for the maintenance of the BNU brand in the country owing to the strong links between the population of East Timor and the former CGD Group bank is currently in progress.

More than the market leader, CGD is Timor's benchmark institution in a country in which there are another two bank branches and a finance agency, whose activities have, however, been very limited.

The East Timor branch operates as a universal bank, via a network of 8 branches, most of whose customer base (individual and corporate) comprises customers of Timorese nationality.

The East Timor branch has operated as the economy's finance agent, both in the public sector as in the still incipient but clearly growing private sector. Mirroring the traditional relationship of strong links between Portugal and East Timor, the CGD branch in the territory has also collaborated with the authorities on the creation of a local financial activity regulatory environment.

AMERICAS

Brazil

Banco Caixa Geral Brasil

According to the recent projections of recognised entities published at the end of 2010, Brazil will be the fifth largest world economy in 2025. Brazil has been estimated since 2009, to already be 8th in the world ranking, as measured by GDP. with an estimated growth rate of 7.5% in 2010 and with one of the main challenges being to control inflation which hit the 5% barrier (accumulated CPI over the last 12 months).

The high interest rate, associated with the liquidity available worldwide, the decrease in Brazil risk and potential economic growth, have been attracting growing currency inflows to Brazil and putting pressure on its respective currency.

The overvaluation of the Brazilian real against the dollar in an economy in which the US currency plays a crucial role is also of concern to the Brazilian authorities.

The unemployment rate in the six main metropolitan regions (monthly employment survey for SMEs) was at its lowest of the last few years, at 6.1% in October 2010.

The balance of trade accumulated over the last 12 months comprised a superavit of 17.1 billion US dollars in November 2010, mainly deriving from the appreciation of commodities prices.

International reserves totalled 285.5 billion US dollars with net spot market purchases of 39.3 billion US dollars in 2010.

The growth cycle is largely sustained by domestic demand (up 10% in 2010, the highest since 2000), mainly deriving from the social support measures put into place by the government.

Banco Caixa Geral Brasil (BCG Brasil) is a multipurpose bank operating in commercial portfolios, and exchange and investment activities. It began to operate on 1 April 2009.

The strategic importance of CGD's presence in Brazil and the dimension of business flows from and to Brazil, are expressed in the reinforcement of the Group's decision to invest in the country. The Brazilian market is an effective natural option for Portuguese companies.

Essentially operating as a corporate and investment bank, BCG Brasil, in its use of the CGD Group network endeavours to promote commercial and investment contacts with its Brazilian customers operating in Europe, Africa and Asia, in addition to the movements of the Group's customers in Brazil.

In strategic-geographical terms, the bank endeavours to operate in the Portugal-Brazil-Africa triangle, particularly Angola. The exploitation of the business corridors between these countries and China could represent a new BCG Brasil commitment, as CGD Group is the Portuguese group with the most important presence in these territories.

BCG Brasil has an integrated offer of financial services embracing finance in local and foreign currency, guarantees, derivatives, foreign exchange and financial investments and investment bank operations. As an investment bank, BCG Brasil has focused its activity on advisory services and financing projects, mergers and acquisitions, structured finance and capital market operations both debt and equity.

CGD approved a 123 million to 400 million reais capital increase for BCG Brasil in January 2010 in two stages:

- 138.5 million reais in January 2010 – increasing share capital to 261 million reais;

- 138.5 million reais in July 2010 – increasing share capital to 400 million reais.

An agreement with Banif Group was entered into in June 2010 for an equity investment of 70% in Banif Corretora de Valores e Câmbio (Banif CVC) by Caixa – Banco Investimento (CaixaBI) and BCG Brasil for the amount of 129.5 million reais. The operation is contingent upon authorisation from Brazil's central bank.

BCG Brasil has 2 branch offices: São Paulo and Rio de Janeiro, the latter at its opening stage. Its presence in Rio de Janeiro aims at reinforcing business with the major groups headquartered therein and exploiting the investments planned for Rio de Janeiro (World Cup and Olympic Games).

USA

New York branch

CGD Group is present in the Americas through 2 branches (New York and Cayman Islands). These branch offices operate in close coordination with other CGD units operating in the USD market particularly Banco Caixa Geral Brasil.

The New York branch specialises in wholesale business. It concentrates on the capital market, import and export finance, syndicated operations and resource taking in USD for the Group, through its management of CGD Group's commercial paper programme in USD.

The New York branch recorded a global decrease in activity, in 2010, following the contagion of sovereign risk by the financial crisis and the consequent and difficult perception of CGD risk in the US financial market. Net assets were down 41.5% relatively uniformly spread over all account headings in line with the preventative measures put in place at the start of 2009 of reducing the credit portfolio by around 20%.

Cayman Islands

Cayman Islands branch

The Cayman Islands branch operates as a CGD Group domiciliation unit and as an additional alternative to funding in USD.

RESIDENTS ABROAD

CGD Group has a network of seven representative offices in Germany, Belgium, Switzerland, Venezuela, Mexico, India and Shanghai and a residents abroad unit in the United Kingdom, the latter of which headquartered in the London branch. It also has a unit in Brazil, headquartered in BCG Brasil's premises.

This international network operates with Portuguese communities abroad in addition to customers of other nationalities with interests in Portugal and with domestic branch offices and distance banking channels to monitor and become familiar with the needs and aspirations of Caixa customers resident abroad.

The India and Shanghai offices are the Group's business extensions in the two markets and are essentially geared to supporting the corporate segment.

CGD began work on setting up new structures in various countries in 2010, including Canada, enabling it to reinforce its position as the prime bank for customers resident abroad.

In addition to the important work of preparing new structures abroad, new models geared to distance customer services and a more specialised offer of products and services on a level of this segment were developed to accompany the evolution of this new business, namely owing to the existence of increasingly qualified students and professionals.

Resources taken from the residents abroad segment in 2010 represented around 10% of CGD's total individual customers deposits for which reason the management of this segment continues to be one of CGD Group's strategic commitments.

1.6.2.4. INVESTMENT BANK

Caixa – Banco de Investimento, SA (CaixaBI) in the performance of its 2010 activity furthered its international affirmation strategy. Net operating income, notwithstanding the 18% increase in commissions, was down 23%, absorbing the effects of a depressionary environment.

Caixa Geral de Depósitos (CGD) Group's investment bank, enjoys the same "A" rating on its medium and long term liabilities, as awarded to CGD and confirmed by Fitch Ratings in December 2010.

RESULTS

CaixaBI's net operating income for 2010 was down 23.4% over the preceding year to EUR 90.3 million. This amount incorporates commissions of EUR 73.7 million (up 17.9% over the preceding year).

2010 closed with net income of EUR 40.2 million which was down 11.9% over the preceding year. Cash flow was down 30.1% from 2009 to 2010.

Cost-to-income was down in year-on-year terms to 30.8%, owing to the decrease in net operating income. Structural costs were slightly down.

RECOGNITION

CaixaBI's performance in 2010, continued to be singled out not only by its customers and partners but also in the main international analysts' recognition of the merit of the bank's well earned top position in the main league tables.

Global Finance magazine classified CaixaBI as the Best Investment Bank in Portugal in 2010 and Euromoney also distinguished CaixaBI with its Best Debt House in Portugal award in 2010.

Project Finance magazine, in turn, awarded its European Hi-Speed Rail Deal of the year 2010 to the ELOS (high speed Portugal–Spain rail link) project.

RANKINGS

- Bloomberg ranked the bank as the principal bookrunner for the issue of domestic bonds denominated in euros in the primary debt market area for the fourth consecutive year.
- The ranking, based on CMVM data, puts CaixaBI in third position in the equity capital market ranking.
- CaixaBI consolidated its position in the mergers and acquisitions market, in Portugal, in the corporate financial advisory area, having participated in 16 announced or successfully completed operations, placing it second in the Bloomberg ranking.
- The various rankings in the project finance area also positioned CaixaBI among the top world players:
  - 1st place in Portugal as MLA for PFI / PPP project finance loans;
  - 6th place in Iberia as MLA for PFI / PPP project finance loans;
  - On a European level, the bank's 24th place as MLA for PFI / PPP project finance loans and 43rd place worldwide is indicative of the contribution and importance of the operations led by CaixaBI in the international market.
- According to CMVM data, CaixaBI recorded a 131% increase in its intermediation area activity, in comparison to the same period last year and now has a market share of 16%. It is responsible for a volume of trading of EUR 11 billion.

BUSINESS

CaixaBI led several emblematic business deals of which reference should be made to:

Corporate Finance – Debt

CaixaBI led 17 of the 20 primary bond market issues in which it was involved, in 2010. On the basis of this performance, the Bloomberg league table has ranked the bank as the principal bookrunner for euro bonds issued by national entities for the fourth consecutive year.

Portuguese public debt continued to comprise one of CaixaBI's operating priorities in the sovereign debt segment as a specialist treasury securities trader.

CaixaBI organised and led 25 new commercial paper programmes totalling EUR 2.3 billion.

In structured asset finance deals, the bank was the sole arranger for Portugal's largest securitisation operation to-date in the form of Nostrum Mortgages no. 2.

Capital Market – Equities

CaixaBI once again consolidated its leading position in the capital market, in Portugal, in 2010 as the leading financial institution as measured by the number of successfully completed deals, according to information supplied by the CMVM.

The major equity capital market transaction realised in Portugal, in 2010, was Parpública's issue of convertible bonds on Galp Energia shares, as part of the company's 5th reprivatisation stage, in which CaixaBI was involved as joint lead manager and joint bookrunner. The bank also provided Parpública with financial advisory services for the structuring and organisation of this issue.

Reference should also be made to the successful increase in the share capital of Vista Alegre Atlantis, in which CaixaBI was responsible for the respective organisation and structuring. This was also a highly complex operation to the extent that, in addition to a public subscription, it included a private offer for a strategic partner and a loan-to-equity conversion process.

Corporate Finance – Advisory

CaixaBI consolidated its position in Portugal's mergers and acquisitions market, in the financial advisory area, having participated in 16 operations giving it 2nd place in the Bloomberg ranking.

During the course of 2010, CaixaBI was involved in the largest and one of the most emblematic M&A operations in Portugal over the last 10 years, comprising Portugal Telecom's disposal of its indirect equity investment of around 30% in Vivo, for a total amount of EUR 7.5 billion.

Reference should also be made to the financial advisory services for the establishing of a shareholders' agreement between CGD and Votorantim as part of the latter's equity investment in Cimpor.

Project and Structured Finance

Caixa Geral de Depósitos Group, through CaixaBI was involved in operations totalling around EUR 1.2 billion, almost all of which for operations in Portugal, coming 1st in the Dealogic national ranking. Particular reference should be made to the major contribution to the country in terms of sustainability as they are reflected in renewable energy projects.

Of international relevance was geographical expansion comprising operations in Mozambique, Angola and Brazil with the aim of promoting investment banking activities in countries which are part of CGD Group's internationalisation strategy.

In operations in which the finance is structured on a corporate basis, reference should be made to the bank's participation in restructuring more than EUR 1.7 billion of La Seda Group liabilities, culminating with an oversubscribed capital increase of EUR 300 million enabling a leading group in its operating sector to restructure its operations.

Financial and Structuring Area

CaixaBI continues to operate as a benchmark liquidity provider, with Euronext having recognised its performance with the allocation of its maximum "A" rating for all securities and categories.

Financial Intermediation

CaixaBI once again turned in a highly positive level of performance, in 2010, in terms of its financial intermediation activity on Euronext Lisbon shares, with both volumes and commissions received outperforming the rest of the market, enabling CaixaBI to achieve pole position in terms of trading volumes.

Work also began on CaixaBI's internationalisation in the financial intermediation area through an agreement for an equity investment in Banif CVC, a broker operating in the São Paulo stock exchange, whose completion is contingent upon the required legal permits and which will permit direct investment in a financial market with one of the highest worldwide growth rates.

Syndication and Sales

CaixaBI placed 5 primary market issues totalling EUR 7 billion, this year. The bank has placed 276 commercial paper issues for more than EUR 8.2 billion.

Venture Capital

244 investment opportunities were analysed in 2010, with 43 approvals totalling EUR 134 million, of which 34 involving an amount of EUR 44 million proceeded. Seven operations involving a realisation price of EUR 19 million were also disinvested.

1.6.2.5. ASSET MANAGEMENT

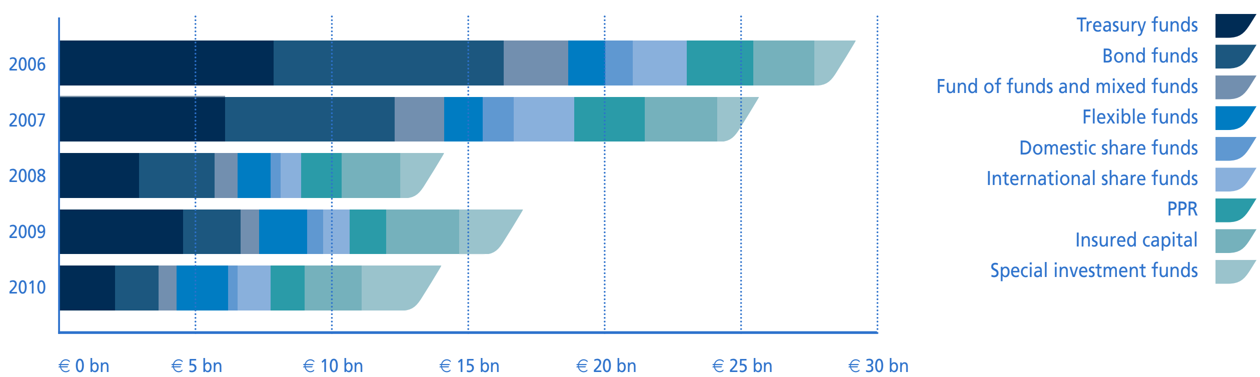
Asset management in Portugal in 2010 was conditioned by the impact of the confidence crisis of markets regarding the public debt of countries on the periphery of Europe.

UNIT TRUST INVESTMENT FUNDS

The volume of funds under Portuguese corporate management in 2010 was down 17.5%, to a year end total of EUR 14 219 million.

There was a significant decrease in high liquidity funds owing to the relocation of banking customers' investments to deposits. A quarter of guaranteed capital funds also matured and there was enormous difficulty in new funds placements. Positive growth rates were only recorded in the case of "special investment funds" and "flexible funds".

Evolution of Market Value



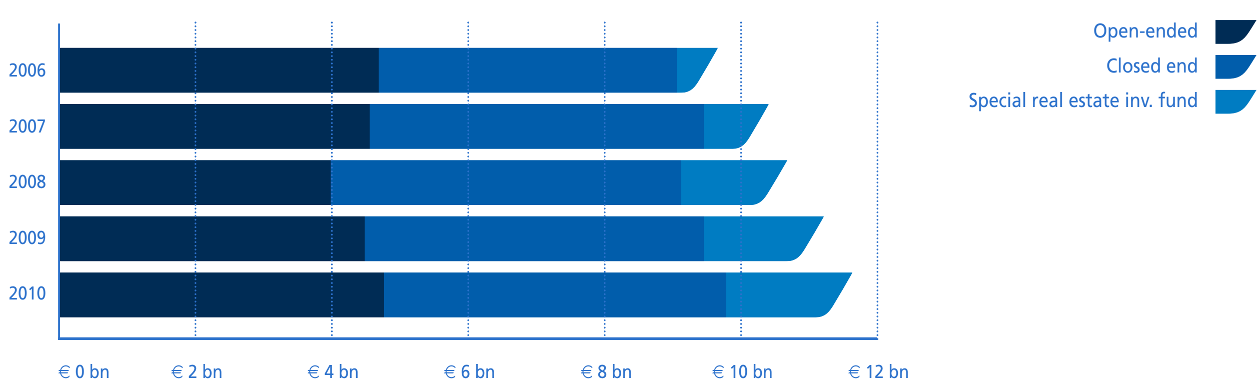
The five biggest Portuguese fund managers concentrated 84% of the investment funds market at year end.

PROPERTY INVESTMENT FUNDS

The property investment funds market, in turn, continued to grow, with total assets under fund management having increased by EUR 323 million to EUR 11.6 billion.

The growth was concentrated in open-ended property funds with an increase of EUR 213 million.

Evolution of Market Value



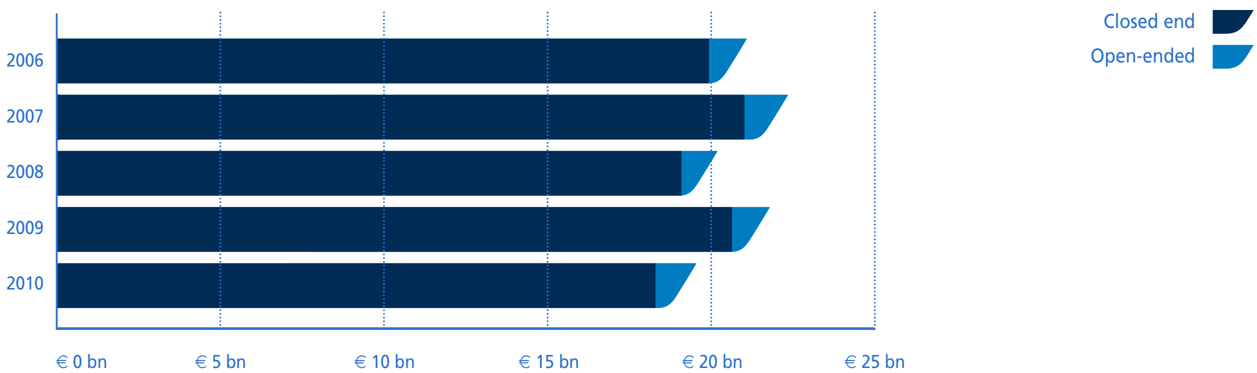
At year end, the national property funds market was spread over 35 fund mangers with the five biggest Portuguese property fund managers concentrating 50% of market.

PENSION FUNDS

The pension funds market, in 2010, was down 10.4%, to EUR 29.6 billion. Market volume was heavily influenced by the transfer of the Portugal Telecom and Companhia Portuguesa Rádio Marconi pension funds to Caixa Geral de Aposentações. With the elimination of the effect of these transfers pensions funds would have been down by only 2%.

Closed end funds, predominantly banks' pension funds continue to dominate this market segment with 94% of the pension funds total. In turn, the volume of open-ended pension funds (including retirement and share investment plans), albeit lower, was up 8% in 2010.

Evolution of Market Values



81% of the pension funds market was concentrated in the five biggest Portuguese fund managers at year end.

CGD GROUP

Proceeds from CGD Group's asset management business were slightly up over the preceding year, notwithstanding adverse financial market conditions.

Although assets under management were down 3% to EUR 24.4 billion, commissions were up to EUR 47.4 million, owing to property investment funds growth.

COMMISSIONS

(EUR thousand)

	2009	2010
Unit trust funds	21 176	21 727
Property funds	13 236	15 378
Pension funds	3 300	3 479
Wealth management	8 654	6 835
Total	46 366	47 418

Unit Trust Funds – Caixagest

In 2010, the average volume under Caixagest unit trust fund management was slightly up over the preceding year, reflected in the increase in commissions from this business segment to EUR 21.7 million.

However, since April 2010, the most liquid funds have been on the wane owing to the crisis in the sovereign debt markets and consequent preference for traditional bank funding products.

COMMISSIONS

(EUR thousand)

	2009	2010
Management fees	18 080	18 468
Depository fees	2 706	2 668
Subscription and redemption fees	390	591
Total	21 176	21 727

In terms of commercial strategy work continued on consolidating proximity with CGD's branch office network. Reference should be made to the increase of classroom training in various regions of the country.

In articulation with CGD's commercial and marketing networks Caixagest continued to further a launch strategy of three protected capital structured funds with variable returns associated with the evolution of the equities market and a money market fund for customers with a conservative profile and shorter investment maturities.

2010 also witnessed the redemption of five protected capital funds for a global amount of EUR 287 million.

Caixagest managed 54 unit trust investment funds, at year end, comprising a product portfolio diversified over several international financial markets and therefore adapted to various investor segments.

The volume of assets under management at 31 December was down 20% over the preceding year to EUR 3 282 million. Caixagest retained a market share of 23%, retaining pole position in a year marked by high volumes of redemptions of treasury and bond funds.

FUNDS UNDER MANAGEMENT

(EUR million)

	2009	2010
Treasury funds	1 065	730
Bond funds	566	330
Protected capital funds	1 657	1 351
Share funds	241	260
Funds of funds and mixed funds	89	84
Special investment funds	488	528
Total	4 106	3 282

Wealth Management – Caixagest

Caixagest continued to develop its wealth management service based on a branch office network proximity approach between CGD and its respective portfolio customers. With the aim of securing new customers, proposals were adjusted to the new environment with special reference to the particularly successful results achieved in terms of investment consultancy. This, however, was insufficient to offset the depreciation of portfolios investing in Portuguese public debt whose market value was negatively affected by the budget crisis.

Amounts under Caixagest management were therefore down 2% over the preceding year to EUR 18 570 million CGD Group, however, succeeded in retaining pole position in the ranking by volume with a market share of 27%.

PORTFOLIOS UNDER MANAGEMENT

(EUR million)

	2009	2010
Portfolios under management	**18 865**	**18 570**
Insurance portfolios	13 936	13 834
Institutional	2 894	2 627
Pension funds	1 802	1 879
Individual and corporate customers	234	230
Assets – management advisory	**273**	**303**

Global commissions, in 2010, were down by around 21% to EUR 6.8 million, owing to commissions adjustments to CGD Group's institutional customers' portfolios.

COMMISSIONS

(EUR thousand)

	2009	2010
Management fees	4 693	2 732
Depository fees	3 961	4 103
Total	8 654	6 835

Property Funds – Fundimo

There was a significant increase in Fundimo's global commercial activity, in 2010, in terms of the Fundimo open-ended fund, together with more demanding management criteria for several closed end funds, particularly affected by the unfavourable economic environment.

The Fundimo open-ended fund recorded annual growth of 15%, consolidating its position as the largest national property investment fund and ending the year with a net yield of 3.1%.

The fund's consistent performance and continued implementation of its management strategy over the last few years, without any exposure to the residential sector and implementing a policy designed to reconcile current portfolio monitoring activity with the active search for opportunities in prime national property market zones explain the fund's performance.

The fact that most closed end funds managed by Fundimo have been affected by property promotion and development activity explains a certain sluggishness.

At year end, Fundimo's product portfolio included an open-ended fund and 28 closed end funds, totalling EUR 1 683 million. Fundimo maintained its market lead, increasing its market share to 14.6%.

FUNDS UNDER MANAGEMENT

(EUR million)

	2009	2010
Open-ended funds (Fundimo)	923	1 064
Closed end funds	655	619
Total	1 578	1 683

In 2010, the campaigns for the commercialisation of the open-ended Fundimo fund spurred a 16% increase in commissions over the preceding year to EUR 15.4 million.

COMMISSIONS

(EUR thousand)

	2009	2010
Management fees	9 263	12 952
Depository fees	3 072	1 470
Redemption fees	901	957
Total	13 236	15 378

Pension Funds – CGD Pensões

At the end of 2010, the value of fund assets under CGD Pensões management was up 4% over the preceding year to EUR 2 183 million. This increase enabled the fund to increase its market share to 11.1% and retain fourth position by amount.

FUNDS UNDER MANAGEMENT

(EUR million)

	2009	2010
Open-ended funds	112	118
Closed end funds	1 988	2 065
Total	2 100	2 183

There continued to be an increase in redemptions of open-ended pension funds by retired investors over the course of the year and the transfer of investments from open-ended funds with the largest share components to the more conservative Caixa Reforma Prudente fund.

Commissions, in 2010, totalled EUR 3.5 million, translating an increase in volume under management.

COMMISSIONS

(EUR thousand)

	2009	2010
Management fees	3 041	3 185
Depository fees	245	283
Redemption fees	14	10
Total	3 300	3 479

1.6.2.6. INSURANCE AND HEALTHCARE ACTIVITY

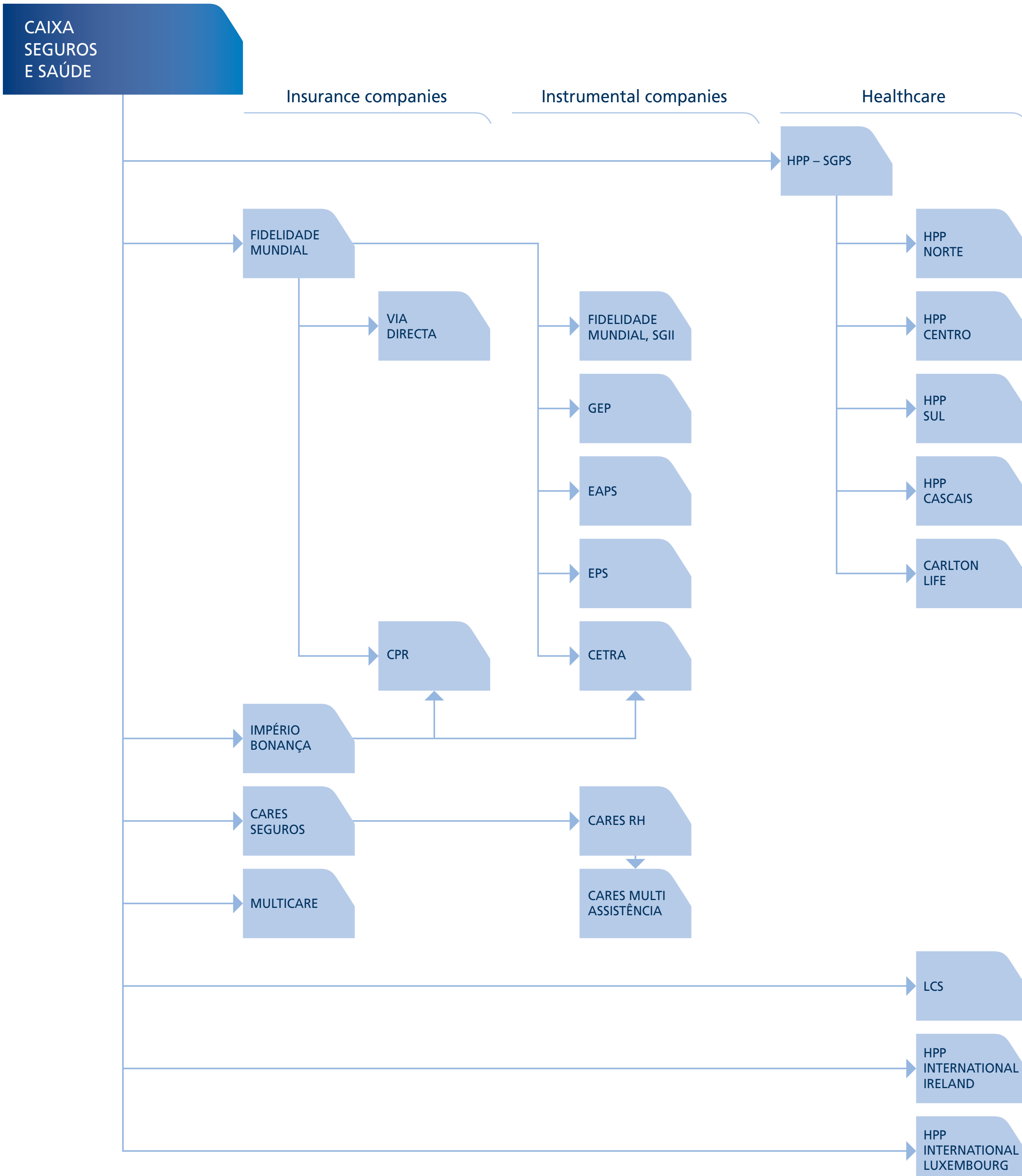
SUMMARY OF CAIXA SEGUROS E SAÚDE, SGPS, SA

Investment Structure

Caixa Seguros e Saúde, SGPS (CSS) operates as an umbrella organisation for all CGD Group insurance equity investments. It comprises several tradenames – Fidelidade Mundial, Império Bonança, OK!TeleSeguros, Multicare and Cares – supported by the largest and most diversified insurance sales network in Portugal.

Within the insurance area, it also owns Companhia Portuguesa de Resseguro (CPR) and several instrumental companies providing diverse complementary services to insurance operations.

Caixa Seguros e Saúde, SGPS, SA also includes investments in CGD Group's hospital activities in addition to LCS – Linha de Cuidados de Saúde, SA.



Operating Status of Caixa Seguros e Saúde, SGPS, SA

CSS is a global operator in the Portuguese insurance market. It commercialises products in all insurance areas, as part of a multibrand strategy on the largest and most diversified insurance products sales network in the domestic market, comprising Fidelidade Mundial and Império Bonança branches, associated mediators, agents and brokers, CGD branch offices, CTT counters, internet and telephone channels.

Taking its leading position and size into account, CSS also has added responsibilities in terms of its dissemination of good practice. This is a particularly relevant function in the insurance area in light of the new solvency, risk management, corporate governance, market conduct and business ethics rules.

CSS's insurance operations, in the social security area, owing to their nature and the Group's experience and image of solidity and trust inspired by its companies in the public eye, are particularly well positioned to operate as an instrument for the promotion of individual or collective savings, mitigating the effect of the inevitable reduction of the substitution rate of the public system's retirement pensions.

CGD Group has, accordingly, selected the retirement savings area as a strategic objective, commercialising an innovative retirement savings plan under the "Leve" tradename. The plan's main distinctive feature is the fact that it is associated with a credit card whose use contributes to the savings plan.

In international terms, CSS's insurance operations have focused on keeping pace with operations in foreign markets in which CGD has an autonomous presence or through subsidiary companies.

The growth of CGD Group's insurance area, deriving from its acquisition of Mundial Confiança in 2000 and Império Bonança in 2005 has, in turn, enabled it to improve the competitiveness of insurance companies' cost structures, attenuating one of the main competitive disadvantages *vis-à-vis* the activity of international operators in the Portuguese market.

Reference should also be made to CSS's position in the healthcare sector in which it already enjoys a significant presence, not only in financial terms as the healthcare insurance market leader but also in terms of providing medical assistance via HPP – Hospitais Privados de Portugal, SGPS and LCS – Linha de Cuidados de Saúde.

Hospital area strategy (through Hospitais Privados de Portugal) focuses on the expansion of private healthcare facilities, with the construction and acquisition of own hospitals and joint bids in public private partnerships for the provision of public healthcare services.

CAIXA SEGUROS E SAÚDE, SGPS, SA – MAIN FINANCIAL INDICATORS

Contribution to CGD Group's Net Income

Under IAS / IFRS regulations (CGD Group), CSS posted net income of EUR 66.9 million against the preceding year's EUR 7.2 million, although with different levels between the evolution of its two major business areas.

Results from insurance activity were EUR 90.9 million (slightly up by EUR 39.5 million over 2009). In the case of hospital activity, losses of EUR 24.0 million in comparison to last year's losses of EUR 32.3 million, continue to reflect the impact of the current growth stage, particularly the furtherance of the absorption of the initial costs of the new hospitals.

CSS's effective contribution to CGD's consolidated net income was EUR 41.3 million, a difference of EUR 25.6 million in comparison to the above referred to result, deriving from the elimination of intragroup transactions and particularly the capital gains on the disposal of financial investments.

Principal Components of Contribution to CGD Group

CSS contributed an amount of EUR 745 million in 2010 (up EUR 122 million over 2009) to CGD Group's net operating income, of which EUR 505 million derived from the technical margin on insurance operations and EUR 240 million in net operating income from financial operations.

In comparison to the preceding year, the contribution made by the technical margin on insurance operations increased by EUR 33 million, fundamentally as a reflection of claims containment. The volume of earned premiums net of reinsurance therefore totalled EUR 1 319 million, down EUR 450 million over 2009, essentially on account of the change in the type of life capitalisation products which mainly took the form of investment contracts whereas, in parallel, claims costs net of reinsurance were down to EUR 930 million against the preceding year's EUR 1 425 million.

Net operating income from financial operations, was, in turn, up EUR 89 million over 2009, also as a reflection of the launch of new life insurance products in the form of investment contracts, the best result in terms of financial operations and higher billing revenues in the healthcare area, impacting this account heading.

The global 3.9% increase in operating costs (excluding provisions changes), notwithstanding the 2.4% decrease in structural costs in the insurance area, essentially derived from the costs associated with the coming into operation of HPP's new hospitals.

In a highly unstable financial context, particularly in the sovereign debt markets, CSS's results continued to be significantly penalised by impairment of securities, down EUR 134.9 million (down EUR 113.3 million in 2009).

Shareholders' Equity and Solvency Margin

Caixa Seguros e Saúde, SGPS, SA's consolidated shareholders' equity at the end of 2010, totalled EUR 1 063.6 million (down by around EUR 100 million over 2009), essentially on account of the reduction of fair value reserves. Reference should also be made to EUR 436.5 million in subordinated liabilities.

In prudential terms, the solvency margin required of CSS's insurance companies, at the end of 2010, was EUR 741 million, whereas its respective component parts totalled EUR 1 167 million euros, translating into a solvency margin cover rate of 158% against the 2009 figure of 175%. In a difficult economic, financial and volatile context, CSS continued to reinforce its comfortable situation in terms of solvency, providing all customers and economic agents associated with its companies with a high safety margin.

CSS's liabilities to its insured and third parties are, therefore, fully covered and adequately represented and comply with financial investment limits.

GENERAL INDICATORS

	2009	2010
CAIXA SEGUROS E SAÚDE, SGPS INDICATORS (EUR million)		
Assets (net)	**15 762.8**	**15 964.5**
Of which: Securities portfolio, deposits and cash	13 813.7	14 070.1
Investment properties and investments in associated companies	329.3	338.1
Shareholders' equity and minority shareholders' interests	**1 161.6**	**1 063.6**
Liabilities	**14 601.2**	**14 900.9**
Of which: Subordinated liabilities	411.5	436.5
Insurance contracts liabilities	**12 962.5**	**13 315.6**
Direct insurance technical and inwards reinsurance provisions	6 174.7	5 472.8
Liabilities for financial instruments	6 787.8	7 842.8
Net income	**7.2**	**66.9**
Of which: Insurance activity	39.5	90.9
Hospital activity	-32.3	-24.0
Profitability		
ROE (net)	0.7%	6.0%
Number of employees	**5 555**	**5 871**
Insurance companies	3 552	3 472
Instrumental companies	167	272
HPP (Consolidated)	1 836	2 127
INSURANCE COMPANIES INDICATORS		
Direct insurance premiums	**4 470.1**	**5 714.0**
Life insurance	714.1	311.3
Investment contracts (financial instruments)	2 565.5	4 233.7
Non-life insurance	1 190.5	1 169.0
Market shares (activity in Portugal)	**30.3%**	**34.5%**
Life insurance (including investment contracts)	31.2%	37.0%
Non-life insurance	28.0%	27.1%
Combined ratio - net of reinsurance (non-life)	**106.3%**	**104.6%**
Loss ratio (*)	71.1%	69.7%
Expense ratio	35.2%	34.8%
Solvency (Local GAAP)		
A. Solvency margin (total)	1 299.0	1 167.3
B. Solvency margin (mandatory)	740.2	740.8
Solvency margin cover (A./B.)	175.5%	157.9%
Number of branch offices	**150**	**148**
Number of exclusive mediators	**2 131**	**2 500**

...continued

	2009	2010
LCS – Linha de Cuidados de Saúde INDICATORS		
Number of incoming calls	1 659 620	656 706
Satisfaction level	96.6%	98.1%
Recommendation level	98.0%	98.9%

The amounts set out in this table comply with the financial statements in IFRS/IAS format (CGD Group) and correspond to the consolidated accounts.
(*) Without cost allocations and excluding technical income from mathematical provisions for workman's compensation insurance.

HEALTH AREA INDICATORS (number)

	2009	2010
Turnover (EUR million)	143	161
Operations	18 620	22 440
Daily hospital confinements	148 670	173 800
Imagiology	255 700	303 150
Urgent consultations	196 600	240 300
Consultations	429 100	518 500

SUMMARY OF INSURANCE AREA

Market Overview in 2010

There was an increase in the activity of the domestic insurance market in June 2010, with EUR 16.3 billion in direct insurance premiums (including resources taken under investment contracts), equivalent to growth of 12.5%.

Life insurance, with premium income of EUR 12.2 billion, was up 17.2% over the same period last year, particularly deriving from the strong growth of capitalisation products and retirement savings plans.

The non-life insurance sector, as a whole, with sales of EUR 4.2 billion, was up 0.7% notwithstanding the unfavourable macroeconomic environment and still insufficiently profitable pricing levels, particularly in terms of motor and workman's compensation insurance.

The sector continues to be led by Caixa Seguros e Saúde, with an overall market share of 34.5%, at the end of 2010 which continued to lead the life and non-life insurance sectors with market shares of 37.0% and 27.1%, respectively.

The insurance market's level of concentration was not uniform in terms of life and non-life activities. There was a slight increase of levels of concentration in life insurance, translating into an increase in the market share of the 10 most representative groups in this area to 94.6% against 94.0% in 2009.

The main non-life insurance operators also lost a certain level of representativeness with the 10 main groups achieving a market share of 86.9% against 87.3% in 2009.

A series of insurance activity regulatory items was published (statutes and standards) of which reference should be made to the standards on technical provisions, claims settlements, mediation, advertising and complaints.

Caixa Seguros e Saúde, SGPS, SA, reinforced its lead of the domestic insurance market, with a total market share of 34.5% against 30.3% in 2009. It also leads the life and non-life segments with market shares of 37.0% and 27.1%, respectively.

General

Work continued on the implementation of an integrated set of projects referred to as the Activaction Programme throughout 2010. This programme was defined to meet the challenges of the strategic action programme for the three year period 2008–2010.

Under this programme and its reorganisation of the branch office network, new Fidelidade Mundial and Império Bonança multibrand spaces were opened and segmented between customer care / service and mediation centres. There were 56 and 92 spaces operating the new model, respectively at the end of 2010.

In the case of life insurance products and in addition to the development of "Leve PPR" (pension retirement plan), several limited offers of tranches of financial products designed to provide customers with a safe savings alternative in a climate of major financial market instability, were commercialised.

As regards non-life insurance, reference should be made to the launch of a new environmental liability product and global healthcare offer by Multicare as the only health brand in the market providing a collection of customised solutions: healthcare plans, network access cards and check-ups, associated with the largest medical network in Portugal.

Sales and Market Shares

Caixa Seguros e Saúde, SGPS, SA, achieved sales of EUR 5 714 million in direct insurance premiums, including resources taken under investment contracts, comprising growth of 27.8%, in 2010.

CAIXA SEGUROS E SAÚDE, SGPS, SA – INSURANCE AREA

(EUR million)

	2009	2010
Activity in Portugal		
Total market share	30.3%	34.5%
Life insurance (*)	31.2%	37.0%
Non-life insurance	28.1%	27.1%
Direct insurance premiums	4 396	5 633
Life insurance (*)	3 237	4 502
Non-life insurance	1 159	1 131
Combined ratio net of reinsurance (non-life)	106.3%	104.6%
Loss ratio net of reinsurance (non-life) (**)	71.1%	69.7%
Expense ratio net of reinsurance (non-life)	35.2%	34.8%
Foreign operations		
Direct insurance premiums	74	81
Life insurance (*)	43	43
Non-life insurance	31	38

(*) Includes investment contracts.
(**) Excluding technical income from mathematical provisions on workman's compensation insurance.

98.6% of sales were achieved in Portugal, up 28.1% to EUR 5 632 million in terms of direct insurance premiums, enabling CSS to consolidate its lead of the domestic insurance market with an overall market share of 34.5% (up 4.2 p.p. over the preceding year), in line with its vocation as a global insurance group.

Life insurance, in Portugal, totalled EUR 4 502 million in direct insurance premiums including resources taken under investment contracts. This was up 39.1% over 2009 owing to the commercialisation of capitalisation and retirement pension products, the latter reflecting the success of the LEVE product, materialising CGD Group's strategic position in this domain. This substantial growth of CSS's sales translated into a significant increase in its market share to 37.0% against 31.2% in 2009 and a reinforcement of its leadership in this business area.

In the case of non-life insurance activities CSS's sales in Portugal were down 2.5% to EUR 1 130 million, centred on motor and workman's compensation insurance, reflecting the economic slowdown and lower year-on-year price levels. Although its market share was down to 27.1%, against 28.0% in 2009, CSS remains the undisputed leader in non-life insurance as a whole, with around three times the share of its closest competitor, in addition to all of the main insurance branches.

Owing to a larger increase in life insurance sales, this business segment, for the first time, played a greater role in the structure of Caixa Seguros e Saúde's premiums portfolio (80.0%) in comparison to the sector (74.5%).

Claims Rate

The direct insurance claims rate on non-life insurance areas (without the allocation of costs and the effects of mathematical provisions on workman's compensation insurance) was, at 61.9%, down over the preceding year, as a reflection of the favourable performance of several areas.

DIRECT INSURANCE CLAIMS RATE – NON-LIFE INSURANCE

(EUR million)

	Claims costs		Claims rate	
	2009	2010	2009	2010
Workman's compensation	147.3	104.1	65.8%	49.2%
Health	154.4	144.8	91.4%	82.8%
Fire and other damage	150.0	124.9	64.0%	52.5%
Motor	315.6	320.1	61.1%	66.6%
Other	32.7	55.9	27.9%	48.6%
Total	**800.0**	**750.0**	**63.3%**	**61.9%**

Results

Aggregate technical income from life insurance operations was up from EUR 16 million to EUR 58 million over the preceding year. This evolution particularly reflects the favourable performance of products associated with life risk and investment contracts, with insurance contracts continuing to be strongly penalised by impairment factors.

In the case of the technical exploitation of non-life insurance, the favourable performance of the claims rate was a decisive factor behind the improvement of the respective indicators. The loss ratio net of reinsurance was therefore down to 69.7% and the expense ratio net of reinsurance to 34.8%, for which the combined ratio net of reinsurance (excluding the effect of technical income from workman's compensation insurance) totalled 104.6%, with a marginally negative level of technical income.

Structural costs, excluding provisions translating the effect of the rationalisation and containment in force, were down 2.4% in year-on-year terms to EUR 328 million.

As a consequence of the above, Caixa Seguros e Saúde, SGPS, SA's insurance area recorded an aggregate level of net income of EUR 88 million against EUR 23 million in 2009, in its statutory accounts.

Insurance operations contributed EUR 90.9 million (EUR 39.5 million in 2009) to CGD Group's net income. This differs from the insurance area's statutory income as it also includes several instrumental companies in addition to various consolidation instruments and was affected by the changeover from the statutory accounts to the accounts defined under CGD Group's IAS / IFRS standards.

Solvency

With the gradual recovery of financial markets, Caixa Seguros e Saúde, SGPS, SA's insurance companies' solvency levels, as a whole, continued to progress favourably, resulting in a solvency margin cover ratio of 158% in 2010 against 175% in 2009. This is a highly comfortable situation for all insured and economic agents associated with CGD Group insurance companies.

SUMMARY OF THE MAIN INSURANCE COMPANIES' OPERATIONS

Companhia de Seguros Fidelidade Mundial, SA

Measures designed to reinforce the Fidelidade Mundial brand and boost its commercial performance continued to be taken in 2010, in the form of special promotions, improved sales support computer tools and the launch and promotion of innovative products.

Reference should also be made to the development of the assurfinance project, based on the availability of mortgage loans and CGD Group vehicle finance for Fidelidade Mundial customers on mediation networks.

In the case of life insurance and in addition to the development of "Leve PPR", limited offers of several tranches of financial products designed to provide customers with a safe savings alternative in a climate of major financial market instability, were commercialised.

In terms of sales the company maintains a clear market lead with a share of 30.9% (up 4.7 p.p. over 2009), achieving premium income of EUR 5 055 million from its operations in Portugal (including resources taken under investment contracts), up 32.7% over the preceding year.

Life insurance activity, mainly responsible for the increase in the premiums portfolio in Portugal, achieved a 40.7% increase in sales to EUR 4 359 million, enabling it to significantly improve its market share by 6.0 p.p. over June 2009 to 35.8%.

Premium income from non-life operations, in Portugal, at EUR 697 million, was down 2.2%, leading to a 0.5 p.p. drop in market share to 16.7%.

Foreign operations recorded sales of EUR 80 million (including resources taken under investment contracts), up 19.2% with a contribution from all insurance areas.

The company achieved a net income level of EUR 65.8 million, in its statutory accounts. This represents a significant level of evolution over the preceding year's EUR 25.5 million, deriving from the improvement of the technical margin on its activity in Portugal, capital gains and the results achieved by its branches.

Whereas the solvency margin required of Caixa Seguros, at end 2010, was EUR 562 million, its respective component parts totalled EUR 850 million, comprising a solvency margin cover ratio of 151.2% in comparison to 181.9% at the end of 2009, representing a high safety margin for all policyholders and economic agents related with insurance companies.

Fidelidade Mundial ended 2010 with EUR 12.2 billion in assets representing technical provisions against EUR 12.1 billion in 2009, having achieved a respective cover ratio of 103.8% against the preceding year's 106.4% and a respective assets surplus of approximately EUR 444 million against EUR 726 million in 2009.

COMPANHIA DE SEGUROS FIDELIDADE MUNDIAL – SEPARATE ACCOUNTS (a)

(EUR thousand)

	2009	2010
DIRECT INSURANCE PREMIUMS		
Direct insurance premiums – total activity	3 877 853	5 135 188
Direct insurance premiums – activity in Portugal	3 810 945	5 055 438
Life insurance (*)	3 098 141	4 358 619
Non-life insurance	712 804	698 820
MARKET SHARE IN PORTUGAL	**26.3%**	**30.9%**
Life insurance	29.8%	35.8%
Non-life insurance	17.2%	16.7%
Assets (net)	12 873 757	13 057 276
Shareholders' equity	954 033	782 282
Net income	**25 498**	**65 763**
Solvency margin cover ratio	181.9%	151.2%
Share capital	400 000	400 000
% CGD Group	100%	100%
Number of employees	1 817	1 717
Number of branch offices	124 (b)	148 (b)
Exclusive mediators	1 111	1 358
Franchising outlets	309	296

(a) The amounts set out in this table comply with insurance company activity standards.
(b) Includes areas shared with Império Bonança.
(*) Includes investment contracts.

There is also a series of non-allocated assets which may be used to represent these liabilities and which would increase the cover ratio to 105.5% (107.9% last year).

Império Bonança – Companhia de Seguros, SA

Measures designed to reinforce the Império Bonança tradename and boost its commercial performance continued to be implemented in 2010, in the form of special promotions, improved sales support computer tools and the launch and promotion of innovative products.

Various guaranteed income and capital financial products, in addition to a permanent, comprehensive offer for individual customers and companies were also launched.

Premium income of EUR 535 million from operations in Portugal (including resources taken under investment contracts), was down 1.9% over 2009. Market share was down 0.5 p.p. to 3.3%.

Life insurance premiums were up 3.2% to EUR 143 million. This result significantly underperformed the market owing to the company's absence from the banking channel, for which reason its share was reduced to 1.2%. Reference should be made to growth of 18.1% in retirements savings plans (PPRs), as a product with long term characteristics and as one of CGD Group's strategic objectives.

Non-life insurance sales totalled EUR 392 million, enabling a market share of 9.4% to be achieved. The company achieved the status of being the second largest domestic insurance company in this business area, coming immediately after Fidelidade Mundial.

Império Bonança's net income in its statutory accounts was up EUR 25.8 million in comparison to the preceding year to EUR 19.4 million deriving from the increase in the technical margin on life insurance and reduction of operating costs.

Império Bonança, at the end of 2009, had a cover rate of 232% on its solvency margin (196% in 2009). Whereas the required margin was EUR 121 million, its component parts totalled EUR 281 million. The company therefore reinforced its comfortable solvency level providing all associated insured and economic agents with a high safety margin.

Império Bonança ended 2009 with EUR 1.8 billion in assets representing technical provisions, achieving a cover ratio of 107.3%, with a respective assets surplus of approximately EUR 123 million against EUR 188 million in 2009.

There is also a series of non-allocated assets which may be used to represent these liabilities and which would increase the cover ratio to 115.7%.

IMPÉRIO BONANÇA COMPANHIA DE SEGUROS – SEPARATE ACCOUNTS [(a)]

(EUR thousand)

	2009	2010
DIRECT INSURANCE PREMIUMS		
Direct insurance premiums – total activity	552 683	536 620
Direct insurance premiums – activity in Portugal	545 561	535 450
Life insurance [(*)]	138 487	142 980
Non-life insurance	407 074	392 470
MARKET SHARE IN PORTUGAL	3.8%	3.3%
Life insurance	1.3%	1.2%
Non-life insurance	9.9%	9.4%
Assets (net)	2 268 831	2 187 672
Shareholders' equity	210 177	230 089
Net income	**-6 364**	**19 421**
Solvency margin cover ratio	196.0%	232.3%
Share capital	202 005	202 005
% CGD Group	100%	100%
Number of employees	1 261	1 235
Number of branch offices	113 [(b)]	148 [(b)]
Exclusive mediators	1 020	1 142
Franchising outlets	206	213

(a) The amounts set out in this table comply with insurance company activity standards.
(b) Includes areas shared with Fidelidade Mundial.
(*) Includes investment contracts.

OPERATING SUMMARY OF REMAINING INSURANCE AND INSTRUMENTAL COMPANIES

Reference should be made to the following aspects relating to the separate performance of CSS's other insurance area companies, considered for the purposes of the consolidated financial statements:

- Via Directa, which operates under the Ok!Teleseguros brand, posted a 4.2% increase in premium income to EUR 40 million, in a particularly difficult market context, having made net losses of EUR 3 million – essentially on account of the unusual occurrence of a series of particularly large claims during the year in question;

- Cares, specialising in legal assistance insurance, posted a 3% reduction in its level of premium income, over the preceding year, to EUR 46 million, earning net income of EUR 5.3 million;

- Multicare, the insurance company geared to healthcare insurance, posted inwards reinsurance premiums of EUR 174 million, with net income of EUR 603 thousand;
- CPR – Companhia Portuguesa de Resseguros continued to manage its run-off claims portfolio, achieving net income of EUR 5.3 million – essentially deriving from the valuation of assets representing provisions;
- GEP – Gestão de Peritagens Automóveis, SA, responsible for CSS Group's loss adjustment claims, posted net income of EUR 78 thousand on sales of EUR 21 million;
- EAPS – Empresa de Análise, Prevenção e Segurança, SA continued to make a positive contribution to CSS's operations in its specific areas, with turnover of EUR 2 million and net income of EUR 37 thousand;
- Fidelidade Mundial, SGII, geared to the management of property assets, contributed EUR 381 thousand to CSS's net income;
- Cetra – Centro Técnico de Reparação Automóvel, specialising in vehicle repair services, earned net income of EUR 216 thousand on a turnover of EUR 2.4 million;
- LCS – Linha de Cuidados de Saúde, made net losses of EUR 330 thousand on a turnover of EUR 10 million.

HEALTHCARE AREA OPERATING SUMMARY

In the healthcare field, Caixa Seguros e Saúde, SGPS, SA, owns HPP, SGPS, which encompasses CGD Group investments in the hospital area in addition to 100% of HPP International (Ireland and Luxembourg).

Background

CGD Group's healthcare operations are part of a context involving the appearance and expansion of major private projects in this area in Portugal, over the last few years, which have increasingly complemented general government's traditional role in terms of large scale healthcare systems. Private healthcare units have focused on endeavours to provide first class services with highly qualified professionals and state-of-the-art equipment, to provide for growing, selective demand, leveraged by an increase in subscriptions to healthcare insurance.

Available indicators suggest an already significant and rapidly expanding dimension of the private healthcare sector. Hospital turnover is expected to total EUR 1.2 billion over the next two to three years. There are currently 3 000 beds in private hospitals. This is expected to increase to 5 000 with the new healthcare units, which already account for more than 25% of operations in Portugal and are expanding in terms of all clinical indicators.

HPP is a major player and a benchmark operator in the sector in Portugal. It provides a quality product, has a nationwide private network of healthcare services providers and a distinctive presence in primary, hospital and ongoing healthcare segments in addition to performing activities in the complementary diagnoses and therapeutics field.

Operational Activity

2010 was the year of the opening of the new Cascais hospital as a PPP and an expansion of the services provided, after a year of management in the old premises.

In the north, reference should be made to the completion of the works in the Obstetrics and Gynaecology Department of Boavista hospital and the installation of another item of magnetic resonance equipment in addition to greater activity in the Sangalhos hospital operating theatre.

In Greater Lisbon, Lusíadas hospital consolidated its growth of the preceding year with an increase in its market share.

In southern Portugal, the performance of Faro and Lagos hospitals was in line with the defined objectives. The planned construction of Faro's new hospital (in lieu of the current premises) has been completed.

In consolidated terms the company achieved a positive year-on-year change of 12.1% in its total operating income of EUR 163.4 million. Sales of medical services were also significantly up between 2009 and 2010 with a 21% increase in consultations; 24% in urgent consultations; 21% in operations; 11% in daily hospital confinements; 24% in imagiology exams and 88.5% in deliveries.

The Group, in its activity in the healthcare area, made losses of EUR 24.0 million (losses of EUR 32.3 million last year), continuing to reflect the impact of the current growth stage, particularly the furtherance of the absorption of the start-up costs of the new hospitals.

Other facts which deserve special mention this past year are:

- Continuation of the implementation of the group's hospitals' accreditation process with the Joint Commission International;
- The full acquisition of Carlton Life in October 2010, as a company providing comprehensive, specialised solutions in the geriatric assessments area, long term care and accommodation for seniors, enabling the expansion of the activity of Boavista and Lusíadas hospitals.

FINANCIAL STATEMENTS AND KEY INDICATORS (IAS / IFRS)

CAIXA SEGUROS E SAÚDE, SGPS, SA [(a)]

(EUR million)

	2009	2010
SUMMARY OF CONSOLIDATED BALANCE SHEET		
Assets (net)		
Securities portfolio, deposits and cash	13 813.7	14 070.1
Investment properties and investments in associated companies	329.3	338.1
Other tangible and intangible assets	501.3	502.5
Current and deferred tax assets	113.6	159.1
Technical provisions for outwards reinsurance	255.1	260.2
Other assets	749.7	634.5
Total assets	**15 762.8**	**15 964.5**
Liabilities and shareholders' equity		
Liabilities		
Financial liabilities (investment contracts)	6 787.8	7 842.8
Technical provisions (insurance contracts)	6 430.0	5 733.0
Other provisions	48.6	74.1
Current and deferred tax liabilities	60.2	48.8
Subordinated liabilities	411.5	436.5
Other liabilities	863.1	765.7
Total liabilities	**14 601.2**	**14 900.9**
Shareholders' equity		
Capital	448.4	448.4
Share premiums	184.4	184.4
Reserves	506.0	346.3
Advance of dividends	0.0	0.0
Net income	7.2	66.9
Minority shareholders' interests	15.6	17.6
Total shareholders' equity	**1 161.6**	**1 063.6**
Total liabilities and shareholders' equity	**15 762.8**	**15 964.5**
CONSOLIDATED SUMMARY OF GAINS AND LOSSES		
Net operating income	150.0	239.7
Technical margin on insurance operations	472.0	505.5
Operating costs, including changes in provisions	-481.6	-527.6
Impairment	-113.0	-134.9
Income generated by associated companies	0.4	-0.1
Income before tax and minority shareholders' interests	**27.8**	**82.6**
Income tax	-20.0	-14.2
Minority shareholders' interests	-0.6	-1.5
Income after tax and minority shareholders' interests	**7.2**	**66.9**

(a) The amounts set out in this table comply with the financial statements in IFRS/IAS format (CGD Group) and correspond to the consolidated accounts.

1.7. FINANCIAL ANALYSIS

1.7.1. CONSOLIDATED OPERATIONS

1.7.1.1. INCOME AND PROFIT RATIOS

Caixa Geral de Depósitos Group's consolidated net income, in 2010 was down 10.2% over the preceding year to EUR 250.6 million.

Income before tax and minority shareholders' interests, was down 2.7% over 2009 to EUR 364.4 million.

INCOME STATEMENT (Consolidated)

(EUR thousand)

			Change	
	2009	2010	Total	Percent
Net interest inc. including income from equity investments (1)	**1 641 345**	**1 612 735**	**-28 610**	**-1.7%**
Interest and similar income	5 317 030	4 388 089	-928 941	-17.5%
Interest and similar costs	3 784 087	2 972 831	-811 256	-21.4%
Income from equity instruments	108 402	197 477	89 075	82.2%
Non-interest income (2)	**866 893**	**977 666**	**110 773**	**12.8%**
Income from services and commissions (net)	447 768	502 315	54 547	12.2%
Income from financial operations	199 497	124 388	-75 109	-37.6%
Other operating income	219 629	350 963	131 334	59.8%
Technical income from insurance operations (3)	**491 235**	**508 998**	**17 763**	**3.6%**
Premiums net of reinsurance	1 774 167	1 323 352	-450 815	-25.4%
Investment income allocated to insurance contracts	250 125	206 767	-43 358	-17.3%
Claims costs net of reinsurance	1 425 806	931 660	-494 146	-34.7%
Commissions and other associated income and costs	-107 250	-89 461	17 789	16.6%
Net operating income (4)=(1)+(2)+(3)	**2 999 474**	**3 099 398**	**99 924**	**3.3%**
Operating costs (5)	**1 936 431**	**1 967 180**	**30 749**	**1.6%**
Employee costs	1 040 370	1 047 134	6 764	0.7%
External supplies and services	698 080	721 197	23 117	3.3%
Depreciation and amortisation	197 981	198 849	868	0.4%
Gross operating income (6)=(4)-(5)	**1 063 042**	**1 132 218**	**69 176**	**6.5%**
Provisions and impairment (7)	**684 185**	**774 892**	**90 707**	**13.3%**
Provisions and credit impairment net of cancellations and reversals	424 905	420 232	-4 673	-1.1%
Impairment of other assets, net	259 280	354 660	95 380	36.8%
Income generated by associated companies (8)	**-4 404**	**7 100**	**11 504**	**261.2%**
Income before tax and minority shareholders' interests (9)=(6)-(7)+(8)	**374 453**	**364 426**	**-10 027**	**-2.7%**
Tax (10)	**70 210**	**65 039**	**-5 171**	**-7.4%**
Current	-8 562	129 220	137 782	1 609.2%
Deferred, net	78 773	-64 181	-142 954	-181.5%
Consolidated net income for year (11)=(9)-(10)	**304 243**	**299 387**	**-4 856**	**-1.6%**
Attributable to minority shareholders' interests	25 343	48 806	23 463	92.6%
Attributable to CGD shareholder	**278 899**	**250 582**	**-28 317**	**-10.2%**

This evolution translated the recognition of impairment of EUR 339.1 million, particularly on CGD's equity investments and group insurance companies' securities portfolios. These potential capital losses have been accumulating since 2nd half 2008 and most of them have been recognised in fair value reserves. The prolonged effect of the depreciation of such assets determined the transfer thereof to costs for the year in the form of impairment losses.

Contributory factors to the group's net income were national and international banking operations, with EUR 323.2 million and EUR 78.8 million, respectively, and insurance and healthcare operations with EUR 109.5 million.

INCOME FROM CGD GROUP'S BUSINESS AREAS

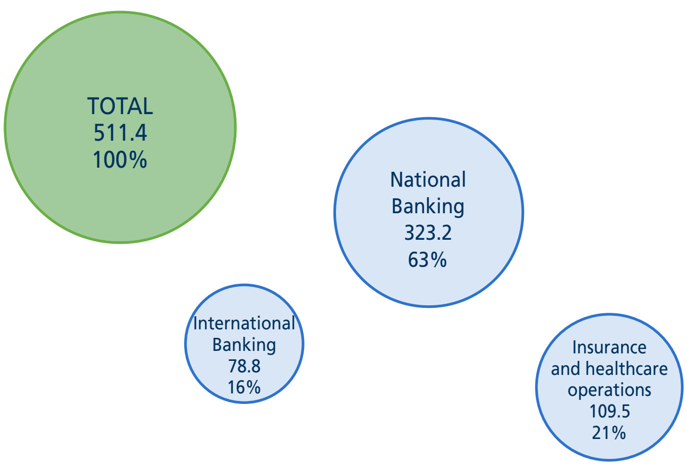
(EUR thousand)

	Dec. 2009	Dec. 2010	Change: Total	Change: Percent
Income before impairment on securities (1):	443 694	511 390	67 696	15.3%
Banking	362 569	401 913	39 345	10.9%
National	293 773	323 153	29 380	10.0%
International	68 796	78 761	9 965	14.5%
Insurance and healthcare operations	81 125	109 476	28 351	34.9%
Impairment on securities (1)	164 794	260 808	96 013	58.3%
Consolidated net income	278 899	250 582	-28 317	-10.2%

(1) Net of tax.

Contribution for Net Income (Before impairment on securities, net of tax)

(EUR million)



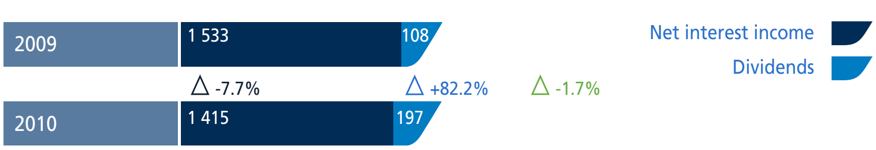
Note: Impairment on securities (net of tax) was EUR 260.8 million.

Net interest income, including income from equity investments totalled EUR 1 612.7 million. This was slightly down over 2009, with an increase of income from equity instruments (EUR 89 million, up 82.2%) having been part offset by the 7.7% reduction of EUR 117.7 million in net interest income.

The negative evolution of net interest income derived, *inter alia*, from the impact of the reduction of interest rates, which does not lend itself to increases in funding costs over the short term.

Net Interest Income, Including Income from Equity Investments

(EUR million)



In the case of dividends reference should be made to income of EUR 135.7 million deriving from PT – Portugal Telecom and EDP – Electricidade de Portugal.

INCOME FROM EQUITY INSTRUMENTS

(EUR thousand)

	2009	2010
Portugal Telecom, SGPS, SA	45 752	98 264
EDP – Energias de Portugal, SA	31 659	37 448
Unit trust investment funds	-	25 828
ZON Multimédia, SGPS, SA	6 545	5 972
AdP – Águas de Portugal, SA	-	4 677
REN – Rede Eléctrica Nacional, SA	4 405	1 302
Brisa – Auto-Estradas de Portugal, SA	2 963	2 804
UNICRE – Cartão Internacional de Crédito	2 816	2 024
GALP Energia, SGPS, SA	2 761	3 067
Banco Comercial Português, SA	2 617	2 918
Other	8 885	13 172
Total	108 402	197 477

Non-interest income, mainly deriving from commissions and other operating income was up 12.8% by EUR 110.8 million to EUR 977.7 million.

Net commissions were up 12.2% by EUR 54.5 million to EUR 502.3 million. Particularly relevant were the increases in credit account headings (EUR 19.6 million, up 19.9%), operations on financial instruments (EUR 9.3 million, up 51.5%) and the provision of services (EUR 9.7 million, up 9.9%). This was offset by commissions on asset management, which were down once again by 9.6% to EUR 4.4 million.

Income from financial operations was down to EUR 124.4 million, strongly penalised by instability in public debt markets.

Other operating income was affected by the capital gains of EUR 103.9 million on CGD's headquarters' sale of its offices to the Caixa Geral de Depósitos pension fund, as part of the process of the reorganisation and optimisation of CGD assets, namely property for own use. This operation involves CGD's rental of the referred to building for a minimum period of 20 years, with the bank having a purchase option thereon at market prices.

The technical margin on insurance operations contributed EUR 509 million to the group's net operating income, representing a 3.6% increase of EUR 17.8 million over the preceding year.

Earned premiums net of reinsurance at EUR 1 323.4 million, were down 25.4% over the preceding year. The same performance was registered in claims costs net of reinsurance, down EUR 494 million by 34.7% to EUR 931.7 million.

As a result of the above, net operating income from banking and insurance operations was up 3.3% by EUR 99.9 million over the same period last year to EUR 3 099.4 million.

Operating costs tended towards containment (up 1.6%), having increased to EUR 1 967.2 million. Changes in employee costs and external supplies and services were 0.7% and 3.3%, respectively. This performance benefited from the evolution of CGD's separate operations with a reduction of around 2.4% in all cost component parts.

Information on the main external supplies and services costs and respective changes is set out below:

EXTERNAL SUPPLIES AND SERVICES

(EUR million)

	2009	2010	Change
Total	698.1	721.2	3.3%
Of which:			
Water, energy and fuel	23.6	24.8	5.3%
Rents and leases	81.7	81.3	-0.5%
Communications	57.0	54.0	-5.3%
Advertising and publications	53.0	48.0	-9.5%
Maintenance and repair of material	48.5	51.5	6.1%
IT	106.9	110.7	3.5%
Studies and consultancy	24.2	23.2	-4.2%

In light of the referred to evolution of structural costs and net operating income from banking and insurance operations, the group's cost-to-income improved from 64.7% to 63.3%, whereas the efficiency indicator for CGD's separate operations was 58.5%. The operating costs to average net assets ratio also improved from 1.65% to 1.59% in 2010:

EFFICIENCY RATIOS

	2009	2010
Cost-to-income (consolidated operations)	64.7%	63.3%
Employee costs / net operating income (1)	34.7%	33.7%
External services and supplies / net operating income (1)	23.3%	23.2%
Operating costs / average net assets	1.65%	1.59%

(1) Includes income generated by associated companies.

Provisions and credit impairment, net of cancellations and reversals were down 1.1% to EUR 420.2 million in 2010 with impairment of other assets (net) of EUR 354.7 million, of which EUR 339.1 million for securities, notably EDP, ZON and BCP, unit trust investment funds and the group's insurance companies' portfolio securities.

PROVISIONS AND IMPAIRMENT FOR YEAR

(EUR thousand)

			Change	
	2009	2010	Total	Percent
PROVISIONS				
Appropriation for provisions	130 294	126 266	-4 028	-3.1%
Recovery and reversal of provisions	122 234	75 136	-47 098	-38.5%
Provisions (net)	**8 059**	**51 130**	**43 071**	**534.4%**
IMPAIRMENT				
(a) Credit (1)-(2)-(3)	**416 846**	**369 102**	**-47 744**	**-11.5%**
Impairment losses (1)	**1 176 650**	**1 674 681**	**498 031**	**42.3%**
Loans and advances to customers	420 736	616 961	196 225	46.6%
Overdue credit and interest – loans and advances to customers	755 914	1 057 720	301 806	39.9%
Reversals of impairment losses (2)	**719 237**	**1 270 596**	**551 359**	**76.7%**
Loans and advances to customers	368 115	520 350	152 235	41.4%
Overdue credit and interest – loans and advances to customers	351 121	750 246	399 124	113.7%
Credit recovery (3)	**40 567**	**34 984**	**-5 583**	**-13.8%**
Written-off loans	33 071	32 068	-1 003	-3.0%
Interest and expenses on overdue credit	7 496	2 916	-4 580	-61.1%
(b) Other assets (1)-(2)	**259 280**	**354 660**	**95 380**	**36.8%**
Impairment losses (1)	**336 596**	**493 286**	**156 690**	**46.6%**
Loans and advances to credit institutions	69 041	73 015	3 974	5.8%
Debtors and other loans and advances	8 123	2 372	-5 751	-70.8%
Securities	212 889	344 374	131 485	61.8%
Investments in subsidiaries excluded from the consolidation	161	0	-161	-100.0%
Non-financial and other assets	46 383	73 525	27 142	58.5%
Reversals of impairment losses (2)	**77 316**	**138 625**	**61 309**	**79.3%**
Loans and advances to credit institutions	15 189	81 168	65 979	434.4%
Debtors and other loans and advances	39 564	2 062	-37 502	-94.8%
Securities	641	5 247	4 606	718.6%
Non-financial and other assets	21 923	50 149	28 226	128.8%
Net impairment (a)+(b)	**676 126**	**723 762**	**47 636**	**7.0%**
PROVISIONS AND IMPAIRMENT FOR YEAR	**684 185**	**774 892**	**90 707**	**13.3%**

The above figures translate the decrease in results with ROE-Return on Equity of 4.1% (5.0% before tax) and ROA-Return on Assets of 0.24% (0.29% before tax):

PROFIT RATIOS

	2009	2010
Gross return on equity – **ROE** (1)	5.9%	5.0%
Return on equity after tax – **ROE** (1)	4.8%	4.1%
Gross return on assets – **ROA** (1)	0.32%	0.29%
Return on assets after tax – **ROA** (1)	0.26%	0.24%
Net operating income (2) / average net assets	2.56%	2.51%

(1) Considering average shareholders' equity and net assets values.
(2) Includes income generated by associated companies.

1.7.1.2. EVOLUTION OF BALANCE SHEET

CGD Group's net assets, at the end of 2010, were up 4% by EUR 4.9 billion to EUR 125.9 billion, over the preceding year, mainly deriving from loans and advances to customers and securities investments.

CGD GROUP'S CONSOLIDATED BALANCE SHEET

BALANCES AT 31 DECEMBER

(EUR million)

			Change	
	2009	2010	Total	Percent
Assets				
Cash and cash equivalents at central banks	1 926	1 469	-458	-23.8%
Loans and advances to credit institutions	9 591	4 689	-4 902	-51.1%
Loans and advances to customers	77 222	81 907	4 685	6.1%
Securities investments	25 929	30 547	4 619	17.8%
Investments in subsidiaries and associated companies	26	28	2	8.8%
Investment properties	354	396	42	11.9%
Tangible and intangible assets	1 590	1 569	-21	-1.3%
Current tax assets	128	90	-38	-29.4%
Deferred tax assets	951	1 089	138	14.5%
Technical provisions for outwards reinsurance	258	265	6	2.4%
Other assets	3 009	3 812	802	26.7%
Total	120 985	125 862	4 877	4.0%
Liabilities				
Central banks' and credit institutions' resources	6 479	14 604	8 125	125.4%
Customer resources	64 256	67 680	3 424	5.3%
Financial liabilities	1 902	1 712	-190	-10.0%
Debt securities	25 182	19 307	-5 876	-23.3%
Provisions	796	803	7	0.9%
Technical provisions for insurance contracts	6 439	5 743	-696	-10.8%
Subordinated liabilities	3 202	2 800	-401	-12.5%
Other liabilities	5 572	5 373	-199	-3.6%
Total	113 828	118 022	4 194	3.7%
Shareholders' equity	7 157	7 840	683	9.5%
Total	120 985	125 862	4 877	4.0%

CGD's separate operations accounted for 72.6% of the group's net assets (against 75.5% in 2009), the insurance sector for 10.6%, Banco Caixa Geral (Spain) for 5%, Caixa Leasing e Factoring with 2.9% and BNU (Macau) with 2%.

CGD GROUP'S CONSOLIDATED NET ASSETS
OUTSTANDING BALANCES AT 31 DECEMBER

(EUR million)

	2009		2010	
	Amount	Structure	Amount	Structure
CGD GROUP				
Caixa Geral de Depósitos	91 355	75.5%	91 379	72.6%
Caixa Seguros e Saúde	12 668	10.5%	13 335	10.6%
Banco Caixa Geral (Spain)	4 474	3.7%	6 352	5.0%
Banco Nacional Ultramarino, SA (Macau)	2 204	1.8%	2 467	2.0%
Caixa – Banco de Investimento	1 763	1.5%	1 856	1.5%
Caixa Leasing e Factoring	3 498	2.9%	3 659	2.9%
Banco Comercial e de Investimentos (Mozambique)	759	0.6%	991	0.8%
Banco Comercial do Atlântico (Cape Verde)	576	0.5%	597	0.5%
Mercantile Lisbon Bank Holdings (South Africa)	485	0.4%	579	0.5%
Partang (Bank Totta Angola)	134	0.1%	934	0.7%
Other companies [(a)]	3 069	2.5%	3 713	3.0%
Consolidated net assets	**120 985**	**100.0%**	**125 862**	**100.0%**

(a) Includes companies consolidated by the equity accounting method.

CASH AND CASH EQUIVALENTS, LOANS AND ADVANCES TO AND RESOURCES WITH CREDIT INSTITUTIONS

Cash and cash equivalents and loans and advances to credit institutions totalled EUR 6.2 billion, with resources of EUR 14.6 billion, of which EUR 6.55 billion in funding secured by CGD from the European Central Bank.

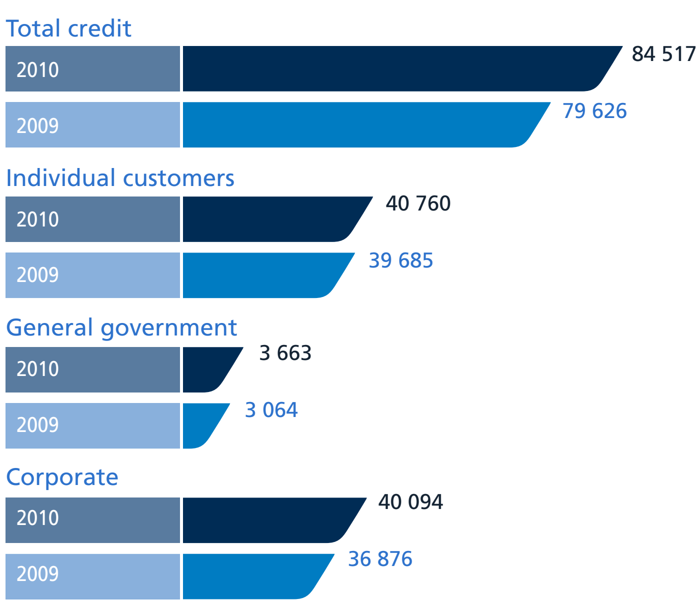
LOANS AND ADVANCES TO CUSTOMERS

Loans and advances to customers (gross) were up EUR 4.9 billion over December 2009 to EUR 84.5 billion.

Around 77.5% of the loans and advances to customers total derived from CGD's operations in Portugal. In the case of international operations, special reference should be made to the increases achieved by Banco Caixa Geral (Spain) with EUR 761 million (up 17.4%), Banco Comercial e de Investimentos (Mozambique), with EUR 165 million (up 29.9%), and Partang SGPS (Banco Totta Angola) with EUR 128.6 million (up 385%).

Loans and Advances to Costumers

(EUR million)



LOANS AND ADVANCES TO CUSTOMERS [(a)]
BY CUSTOMER SEGMENT
Balances at 31 December

(EUR million)

	2009	2010	Change: Total	Change: Percent	Structure: 2009	Structure: 2010
Corporate and institutional	36 876	40 094	3 218	8.7%	46.3%	47.4%
Of which: companies (CGD Portugal)	23 349	24 066	717	3.1%	29.3%	28.5%
General government	3 064	3 663	599	19.6%	3.8%	4.3%
Of which: municipalities	2 614	2 559	-55	-2.1%	3.3%	3.0%
Individual customers	39 685	40 760	1 075	2.7%	49.8%	48.2%
Total	**79 626**	**84 517**	**4 891**	**6.1%**	**100.0%**	**100.0%**

(a) Consolidated operations before impairment.

The individual customers segment continues to account for the preponderant proportion of total credit with 48.2% of the overall lending balance. Mortgage loans accounted for 45.1% against the preceding year's 46.6%, with corporate lending comprising 47.4% of the total.

The general government credit balance remained at EUR 3.7 billion (up 19.6%) of which EUR 2.6 billion in loans to municipalities (down 2.1% over the end of 2009).

CGD's commitment to and support for the national economy translated into a reinforcement of its share of loans and advances to customers from 15.5% to 16.1%. Its market share of mortgage loans was down from 27.1% to 26.8%, whereas in the case of loans and advances to general government it was around 40%. CGD's global share of loans and advances to customers was up from 20.5% to 20.9%.

LOANS AND ADVANCES TO CUSTOMERS – MARKET SHARES [(a)]
BY CUSTOMER SEGMENT

	2009	2010
Companies	15.5%	16.1%
General government	44.1%	39.9%
Individual customers	23.6%	23.6%
Mortgage loans	27.1%	26.8%
Other	8.5%	9.2%
Total	**20.5%**	**20.9%**

(a) Activity in Portugal including securitised loans.

As regards corporate and institutional loans and advances there were significant increases in the credit balances to the services sectors comprising 67.6% of total corporate loans, with a 14.2% increase of EUR 3.4 billion. Lending to mining and manufacturing industries and electricity, gas and water was up 7.5% and 11.3% respectively, offset by lending to construction and public works which was down 9.4% by EUR 635 million.

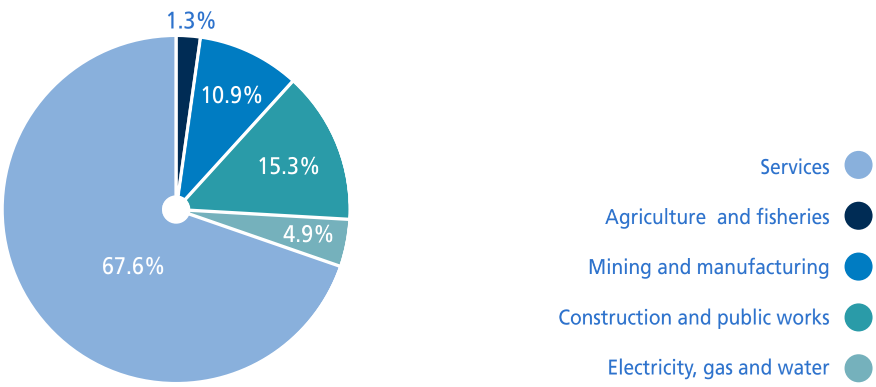
CORPORATE AND INSTITUTIONAL LOANS AND ADVANCES [(a)]
BY OPERATING SECTORS
Outstanding Balances at 31 December

(EUR million)

	2009	2010	Change: Total	Change: Percent
Agriculture and fisheries	529	514	-15	-2.9%
Mining and manufacturing	4 054	4 356	303	7.5%
Construction and public works	6 785	6 150	-635	-9.4%
Electricity, gas and water	1 764	1 962	198	11.3%
Services	23 745	27 112	3 367	14.2%
Total	**36 876**	**40 094**	**3 218**	**8.7%**

(a) Consolidated operations.

Corporate and Institutional Loans and Advances – December 2010



The balance of credit to the services sector was particularly taken up by the "financial activities" with EUR 8.2 billion, "property activities", with EUR 4.2 billion and "wholesale and retail trade" with EUR 4.1 billion sub-sectors.

The loans and advances to individual customers balance was EUR 40.8 billion at the end of the year, with a 2.7% increase of EUR 1.1 billion, based on mortgage loans (up 2.8%) and "other" (up 1.4%).

LOANS AND ADVANCES TO INDIVIDUAL CUSTOMERS [(a)]
OUTSTANDING BALANCES

(EUR million)

			Change	
	2009	2010	Total	Percent
Mortgage loans	37 106	38 144	1 038	2.8%
Other	2 579	2 616	37	1.4%
Of which:				
Credicaixa (consumption) [(b)]	1 098	1 151	53	4.8%
Credit cards [(b)]	313	342	29	9.2%
Total	39 685	40 760	1 075	2.7%
NEW OPERATIONS				
Mortgage loans				
Number of contracts	43 143	31 151	-11 992	-27.8%
Amount	3 488	2 747	-741	-21.3%

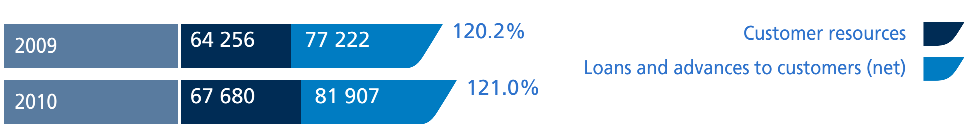
(a) Consolidated operations.
(b) Activity in Portugal.

As regards mortgage loans, the amount of operations contracted for in 2010 on national territory was EUR 2 747 million, with a market share of 26.5% for the year in terms of sales.

The deposit-to-loans conversion ratio at 31 December 2010 was 121.0% against an end of 2009 figure of 120.2%.

Deposits-to-Loans Ratio

(EUR million)



CREDIT QUALITY

The 8.5% increase in the overdue credit balance over 2009 to EUR 2 478 million, was reflected in asset quality indicators. The non-performing credit ratio, calculated under Bank of Portugal rules, was 3.13%, against a total overdue credit ratio of 2.93% and the credit more than 90 days overdue ratio, which increased to 2.63%.

Accumulated impairment on loans and advances to customers (normal and overdue) at the end of 2010 was around EUR 2.6 billion, with a credit overdue more than 90 days ratio of 117.4% against the preceding year's 122.4%.

CREDIT QUALITY (Consolidated)
OUTSTANDING BALANCES AT 31 DECEMBER

(EUR million)

			Change	
	2009	2010	Total	Percent
Total credit	**79 627**	**84 517**	**4 890**	**6.1%**
Loans and advances to customers (outstanding)	77 344	82 039	4 695	6.1%
Overdue credit and interest	2 283	2 478	195	8.5%
Of which: credit more than 90 days overdue	1 965	2 223	258	13.1%
Credit impairment	**2 405**	**2 610**	**205**	**8.5%**
Accumulated impairment – loans and advances to customers	1 155	1 250	95	8.2%
Accumulated impairment – overdue credit and interest	1 250	1 360	110	8.8%
Credit net of impairment	**77 222**	**81 907**	**4 685**	**6.1%**
Ratios				
Non-performing credit ratio [a]	3.00%	3.13%		
Non-performing credit net / total credit net [a]	-0.02%	0.04%		
Overdue credit / total credit	2.87%	2.93%		
Credit overdue for more than 90 days / total credit	2.47%	2.63%		
Accumulated impairment / non-performing credit	100.7%	98.7%		
Accumulated impairment / overdue credit	105.3%	105.3%		
Accumulated impairment / credit overdue for more than 90 days	122.4%	117.4%		

(a) Indicators calculated in accordance with Bank of Portugal Instruction.

SECURITIES PORTFOLIO

Securities investments, including group insurance companies' investment operations increased to EUR 30.5 billion at the end of 2010, distributed as follows.

SECURITIES INVESTMENTS (Consolidated) [a]
OUTSTANDING BALANCES AT 31 DECEMBER

(EUR million)

			Change	
	2009	2010	Total	Percent
Banking	**15 050**	**18 925**	**3 875**	**25.7%**
Financial assets at fair value through profit or loss	6 101	4 970	-1 132	-18.5%
Available for sale financial assets	8 949	13 955	5 007	55.9%
Insurance	**10 879**	**11 623**	**744**	**6.8%**
Financial assets at fair value through profit or loss	108	97	-12	-10.7%
Available for sale financial assets	9 902	10 793	891	9.0%
Investments associated with unit linked products	868	733	-135	-15.6%
Total	**25 929**	**30 547**	**4 619**	**17.8%**

(a) After impairment.

The increase over the preceding year essentially derived from the purchase for the banking portfolio of bonds issued by entities created under the scope of the BPN restructuring process (EUR 3.1 billion) in lieu of the commercial paper issued by BPN and recognised in loans and advances to credit institutions at the end of 2009.

This purchase explains a part of the 31.3% growth of EUR 5.9 billion in available for sale financial assets in the year, with the rest being due to the increase in the amount of Portuguese public debt, as a charge to the reduction of this position in the trading portfolio, which strategy was used to minimise the effects of the speculative movements affecting the national public debt.

Performance in the securities market over the course of the year was essentially based on the reinforcement of the securities portfolio eligible as collateral for ECB funding operations. Therefore, several opportunities deriving from the maturity or sale of several of the company's debt securities positions in financial companies and asset-backed securities for the replacement by more liquid assets and/or better credit quality with greater sectoral and geographical diversification were exploited.

At the same time a proactive strategy for the realisation of repos operations on the securities of other entities was adopted in an endeavour to find alternative finance to ECB operations.

Total equity instruments held by the group were down 25.9% by EUR 746.6 million, with the sale of several relevant financial investments such as EDP and UNICRE, accompanied by sales of significant positions in unit trust investment funds.

LIQUIDITY FUNDING AND MANAGEMENT

Concerns over the sustainability of the public finances of several Euro Zone countries, translated by successive negative ratings issued by several rating agencies were the main issue in 2010. This situation determined an expressive increase in the risk premium on the debt of several such countries, particularly conditioning banks' ability to secure liquidity in the market.

Notwithstanding the deterioration of funding conditions in the first few months of the year, CGD successfully launched its third issue of covered bonds, for the amount of EUR 1 billion with a maturity of 10 years, at a fixed rate of 4.25% which was allocated the maximum rating of AAA/Aaa by the three rating agencies. Various private placements were also negotiated under the EMTN programme and in the form of *Schuldschein* loans.

In an increasingly distrustful climate in the interbank markets, access to funding became steadily more limited, notwithstanding the fact that the monetary authorities adopted a series of monetary policy measures designed to provide European financial institutions with the necessary liquidity.

In such an environment, the use of the Euro Commercial Paper programme was highly conditioned by weak demand from investors. The outstanding balance was significantly down although there continued to be a high level of rotation of issues.

Liquidity needs were accordingly met by ECB financing and funds taken from CGD's retail network. Three EMTN programme bond issues were made for retail customers: two at a variable rate with a maturity of 3 years totalling EUR 514 million and one at a fixed rate with a maturity of 5 years for the amount of EUR 500 million.

CGD also undertook a residential mortgage loan securitisation operation referred to as Nostrum Mortgage II, for the amount of EUR 5.4 billion, enabling it to reinforce its securities portfolio eligible as collateral with the ECB.

In such an environment, the total balance of resources taken by the Group (excluding the interbank money market) was down 4.5% over the end of 2009, to EUR 103.5 billion. However, not considering funding secured from institutional investors, the total customer resources balance was up EUR 1.1 billion by 1.3%.

Balance sheet resources totalled EUR 93.5 billion, mainly deriving from the retail segment with a balance of EUR 74.2 billion, up 3.2%, benefiting from the positive 4.2% evolution of customer deposits and 4.0% increase in insurance capitalisation.

Resources taken from institutional investors in the form of own issues were down 23.6% by EUR 5.9 billion, particularly influenced by the reduction in balances issued under the EMTN and ECP programmes and to a lesser extent the EMTN programme. Covered bonds, however, posted 17% growth of EUR 1.04 billion over the end of 2009, to a balance of EUR 7.1 billion.

RESOURCES TAKEN BY GROUP
BALANCES AT 31 DECEMBER

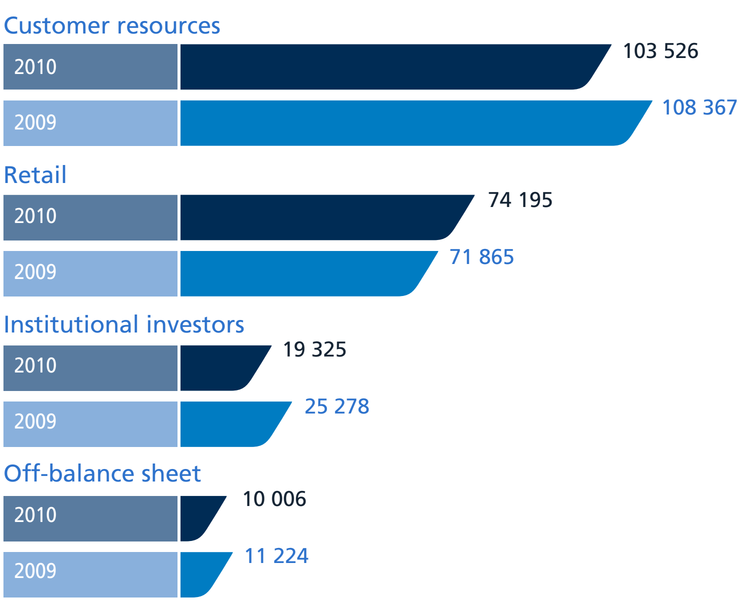
(EUR million)

	2009	2010	Change Total	Change Percent
Balance sheet	**97 143**	**93 520**	**-3 624**	**-3.7%**
Retail	**71 865**	**74 195**	**2 330**	**3.2%**
Customer deposits	57 785	60 209	2 424	4.2%
Capitalisation insurance [(a)]	10 423	10 843	420	4.0%
Other customer resources	3 657	3 142	-514	-14.1%
Institutional investors	**25 278**	**19 325**	**-5 953**	**-23.6%**
EMTN	10 517	8 786	-1 731	-16.5%
ECP and USCP	5 832	676	-5 156	-88.4%
Nostrum Mortgages and Nostrum Consumer	581	475	-106	-18.2%
Covered bonds	6 088	7 125	1 036	17.0%
Bonds guaranteed by the Portuguese Republic	1 248	1 250	2	0.2%
Bonds issue on the public sector	1 012	1 013	1	0.1%
Off-balance sheet	**11 224**	**10 006**	**-1 218**	**-10.8%**
Investment units in unit trust investment funds	5 684	4 966	-718	-12.6%
Caixagest	4 106	3 283	-823	-20.0%
Fundimo	1 578	1 683	105	6.6%
Pension fund	2 100	2 183	83	3.9%
Wealth management [(b)]	3 440	2 857	-583	-16.9%
Total	**108 367**	**103 526**	**-4 841**	**-4.5%**
Total excluding institutional investors	**83 089**	**84 201**	**1 112**	**1.3%**

(a) Includes fixed-rate insurance and unit linked products.
(b) Does not include CGD companies' insurance portfolios.

Total Customers Resources

(EUR million)



Off-balance sheet resources were down 10.8% by EUR 1.2 billion notwithstanding the positive contributions made by the Fundimo property fund (up 6.6%) and pension funds (up 3.9%).

CUSTOMER RESOURCES

Customer resources were up 5.3% to EUR 67.7 billion, sustained by a 4.2% increase in customer deposits and 15.5% increase in "other resources" mainly comprising fixed-rate insurance products with a balance of EUR 7.1 billion (up 20.1%).

CUSTOMER RESOURCES (Consolidated)
BALANCES AT 31 DECEMBER

(EUR million)

	2009	2010	Change Total	Change Percent
Deposits	57 785	60 209	2 424	4.2%
Sight	18 656	19 046	390	2.1%
Term and savings	38 547	40 783	2 235	5.8%
Mandatory	582	381	-201	-34.5%
Other [(a)]	6 471	7 471	1 000	15.5%
Total	64 256	67 680	3 424	5.3%

(a) Includes fixed rate insurance products.

The global deposits balance was up 4.2% to EUR 60.2 billion, over the preceding year, mainly on the back of term and savings deposits which were up 5.8% by EUR 2.2 million to 67.7% of the total.

EUR 49.3 billion of the deposits balance, i.e. 81.9% of the consolidated total, referred to CGD's domestic operations. Reference should be made to the Group's branches and subsidiaries, namely in BNU (Macau) (EUR 2.2 billion), Banco Caixa Geral (EUR 2.2 billion) and the France branch (EUR 1.8 billion) all of which were up over 2009.

Evolution of Customer Deposits

(EUR million)

The increase in term and savings deposits derived from companies (up 67.6%). This was offset by total public sector deposits which were down 16.3%.

CUSTOMER DEPOSITS (Consolidated)
BALANCES AT 31 DECEMBER

(EUR million)

	2009	2010	Change Total	Change Percent
Individual customers	46 907	46 274	-633	-1.3%
Sight deposits	13 104	13 092	-12	-0.1%
Term and savings	33 802	33 182	-621	-1.8%
Companies	7 493	11 104	3 611	48.2%
Sight deposits	3 361	4 178	817	24.3%
Term deposits	4 132	6 926	2 794	67.6%
Public sector	3 385	2 832	-553	-16.3%
Sight deposits	2 191	1 775	-415	-19.0%
Term deposits	613	676	63	10.2%
Mandatory deposits	582	381	-201	-34.5%
Total	57 785	60 209	2 424	4.2%

Caixa retained its leading position in customer deposits, in Portugal, in 2010 with a market share of 28.5% (down 0.4 p.p. over December 2009), with a 33.2% share of the individual customers segment and a corporate segment share of 15.3%, representing an increase of 5.2 p.p. this year.

CUSTOMER DEPOSITS – MARKET SHARES [a]
BY CUSTOMER SEGMENT

	2009	2010
Corporate	10.1%	15.3%
General government	33.9%	23.2%
Individual customers	34.0%	33.2%
Emigrants	41.5%	41.5%
Mandatory	98.1%	94.6%
Total	28.9%	28.5%

(a) Activity in Portugal.

DEBT SECURITIES

Debt securities were down 23.3% to EUR 19.3 billion at the end of 2010 in comparison to the preceding year, translating greater difficulty in access to wholesale markets. Reference should be made to a reduction in the balance of securities issued under the ECP and USCP programme for the amount of EUR 5 156 million (down 88.4%) and cash bonds and certificates of deposit, for the amount of EUR 1.3 billion (down 89%).

DEBT SECURITIES
BALANCES AT 31 DECEMBER

(EUR million)

			Change	
	2009	2010	Total	Percent
EMTN programme issues [a]	8 937	8 605	-332	-3.7%
ECP and USCP programme issues	5 832	676	-5 156	-88.4%
Nostrum Mortgages and Nostrum Consumer	581	475	-106	-18.2%
Covered bonds	6 088	7 125	1 036	17.0%
Bonds guaranteed by the Portuguese Republic	1 248	1 250	2	0.2%
Bonds issue on the public sector	1 012	1 013	1	0.1%
Cash bonds and certificates of deposit	1 484	163	-1 321	-89.0%
Total	25 182	19 307	-5 876	-23.3%

(a) Does not include issues classified as subordinated liabilities.

SUBORDINATED LIABILITIES

Caixa took in resources of EUR 2.8 million in subordinated liabilities (down 12.5% over the preceding year), mainly comprising bonds issued under the Euro Medium Term Notes programme. The remainder (around EUR 1 billion) referred to subordinated cash bonds placed with retail banking customers.

SUBORDINATED LIABILITIES
BALANCES AT 31 DECEMBER

(EUR million)

			Change	
	2009	2010	Total	Percent
EMTN programme issues [a]	2 139	1 762	-377	-17.6%
Other	1 063	1 038	-24	-2.3%
Total	3 202	2 800	-401	-12.5%

(a) Does not include issues classified as debt securities.

1.7.1.3. CAPITAL MANAGEMENT

The group's shareholders' equity was up 9.5% by EUR 683 billion to EUR 7.8 billion over the end of 2009. A major contributory factor was the EUR 550 million increase in Caixa Geral de Depósitos's share capital, in December 2010.

SHAREHOLDERS' EQUITY

(EUR million)

	2009	2010	Change	
			Total	Percent
Share capital	4 500	5 050	550	12.2%
Fair value reserves	-331	-507	-176	-53.3%
Other reserves	1 644	1 660	16	1.0%
Retained earnings	-189	-144	45	24.0%
Minority shareholders' interests	1 254	1 530	276	22.0%
Net income for year	279	251	-28	-10.2%
Total	7 157	7 840	683	9.5%

The essential objective behind CGD's capital increase to EUR 5 050 million was to consolidate its solidity and ensure the reinforcement and maintenance of its solvency and capitalisation at adequate levels while reinforcing the measures to adapt to the new demands of the Basel III Accord.

The solvency ratio, on a consolidated basis, calculated under the Basel II regulatory framework and Bank of Portugal regulations, and including net income for the year, was 12.3% at the end of 2010 against 12.6% at the end of 2009. Tier I, in turn, was up from 8.5% to 8.9% and Core Tier I from 8.3% to 8.8%.

SOLVENCY RATIO (On a Consolidated Basis) [(a)]

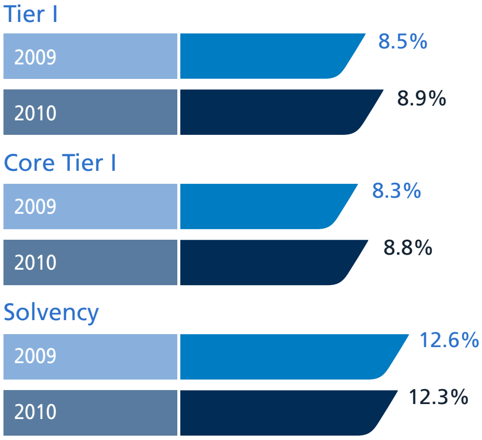
BALANCES AT 31 DECEMBER

(EUR million)

	2009	2010	Change	
			Total	Percent
Total own funds (1)	**8 966**	**9 486**	**520**	**5.8%**
a) Basis own funds	6 037	6 844	807	13.4%
Of which: core capital	5 904	6 798	894	15.1%
b) Complementary own funds	2 966	2 682	-284	-9.6%
c) Deductions	36.7	39.7	3	8.2%
Total weighted assets (2)	**71 041**	**76 989**	**5 948**	**8.4%**
Own funds requirements (3)=(2)/(12.5)	5 683	6 159	476	8.4%
Surplus own funds (4)=(1)-(3)	3 283	3 327	44	1.3%
Tier I (5)=(1a)/(2)	**8.5%**	**8.9%**	**0.4%**	
Core Tier I (6)	**8.3%**	**8.8%**	**0.5%**	
Solvency ratio (7)=(1)/(2)	**12.6%**	**12.3%**	**-0.3%**	

(a) Including retained earnings. Basis own funds and complementary own funds: 50% of investment of more than 10% in insurance companies and credit institutions in which the investments are > 10% has been deducted from basis own funds and complementary own funds.

Solvency Ratios



1.7.1.4. CGD PENSION FUND AND EMPLOYEES' HEALTHCARE PLAN

CGD set up its employees pension fund on 31 December 1991, to cover the retirement costs of its employees, in addition to survivors' pensions for employees engaged after the said date. The survivors' pensions of employees engaged prior to the referred to date are the responsibility of Caixa Geral de Aposentações.

At the end of 2004 with the publication of Decree Law 240–A/2004 of 29 December and 241–A/2004 of 30 December retirement and survivors' pension liabilities for CGD employees, as regards their length of service up to 31 December 2000, were transferred to Caixa Geral de Aposentações (CGA). As an offset the pension fund transferred the provisions set up to cover the said liabilities to CGA. Also starting 2004, the pension fund included liability for death grants, if death occurred during the retirement period. Death grants take the form of a lump sum payment of six times the amount of the gross monthly pension, paid, since the said date, by the pension fund.

Starting 2005, with the entry into effect of the International Accounting Standards and the publication of Bank of Portugal official notice 4/2005, the recognition of liabilities for post retirement healthcare benefits in CGD's liabilities became mandatory. A provision, revalued annually on the basis of the said liability was set up for the purpose in question.

Under Law 53–A/2006 of 29 December, CGD, as the employer, was responsible, from 2007, for paying survivors' pensions costs for employees engaged up to 1991, to the CGA, at a contribution rate of 3.75% of the said employees' remuneration, totalling EUR 5.6 million in 2010.

Reference should be made to the following demographic and financial premises used to calculate pension and healthcare liabilities for 2010:

- Discount rate 5.50%
- Wages growth rate 2.50%
- Pensions growth rate 1.75%
- Men's mortality table TV 73/77 (-1 year)
- Women's mortality table TV 88/90 (-1 year)
- Disability table EKV80
- Average retirement age 60 years

At the end of December 2010, CGD revalued its wage scale rate from 3.5% to 2.50%, in addition to the pensions growth rate from 2.25% to 1.75%, taking into account the impacts of the proposal for the reduction of global wage costs of state owned companies in the state's business sector as set out in the budget for 2011.

CGD's liabilities for its employees' retirement pensions at 31 December 2010 and 2009, totalled EUR 1 308.2 million and EUR 1 332.4 million, respectively, down EUR 24.2 million.

PENSION FUNDS IN 2010
FUND MOVEMENTS

(EUR thousand)

Value of fund at 31.12.2009	**1 332 368**
Employee contributions	26 364
Regular CGD contributions	69 525
Extraordinary CGD contributions	-
Pensions paid	(30 058)
Net income of fund	26 665
Value of fund at 31.12.2010	**1 424 864**

The value of the fund fully covered its share of liabilities for current pension payments and the past services of present employees. At year end, 108.9% of liabilities were funded by the pension fund.

An amount of EUR 74.5 million was recognised as costs for the year, as was an amount of EUR 10.6 million on the amortisation of deferred costs as a charge to reserves. Actuarial deviations at year end, totalled EUR 65.3 million, fully included in the "corridor".

Returns on CGD's pension fund were up 1.93%, owing to the slight improvements in the financial market.

The following table shows that liabilities associated with CGD employees' post employment medical benefits, totalling EUR 436.7 million and EUR 460 million, respectively, at 31 December 2010 and 2009 were fully provisioned:

MEDICAL PLAN IN 2010
EVOLUTION OF PROVISION

(EUR thousand)

Value of provision at 31.12.2009	**460 025**
(+) Current cost for year	33 979
(-) Contributions for healthcare services (SS and SAMS)	21 211
(-) Actuarial gains	36 095
Value of provision at 31.12.2010	**436 698**

The actuarial gains for the year referred to in the table essentially derive from deviations between the presuppositions used and the amounts effectively verified. The accumulated balance on actuarial deviations, after EUR 3.4 million in amortisation for the year, totalled EUR 61.9 million at 31 December of which EUR 43.7 million were allocated to the corridor and EUR 18.2 million outside the corridor.

1.7.1.5. GROUP RATING

The effects of the sovereign debt crisis, in 2010, had repercussions on the evolution of the ratings issued by the main rating agencies in various operating sectors. These new circumstances, together with worsening financial conditions dating back to past years, accentuated the existing trend towards the downgrading of the most important ratings for the financial sector. Notwithstanding this downwards pressure in ratings (and/or respective outlooks), CGD retained the highest ratings in terms of Portuguese financial groups.

Moody's

In May 2010, Moody's classified CGD's long term rating and BFSR – Bank Financial Strength Rating as eligible for an "eventual downwards revision", following a similar revision of the Portuguese Republic.

In July, following the downgrading of the rating on the Portuguese Republic's long term liabilities from Aa2 to A1, with a stable outlook, Moody's downgraded its rating on eight Portuguese banks, with CGD's long term rating having been changed from Aa3 to A1, with a stable outlook. The short term Prime-1 rating was left unchanged.

In December Moody's classified CGD's rating for an "eventual downwards revision", as part of its revision procedure on the ratings of Portuguese banks.

Fitch Ratings

In March 2010, Fitch Ratings, following the downgrade of its long term ratings on the Portuguese Republic from AA to AA-, with a negative outlook, revised its long term ratings on CGD from AA- and F1+ to A+ and F1, respectively, maintaining a negative outlook.

In November, the same rating agency, as part of the process for the revision of its rating on Portuguese banks, changed CGD's "standalone" rating which measures the bank's intrinsic quality without any external support, from B/C to C, having restated its other ratings. According to the said rating agency the revision of CGD's "standalone" rating, as with other Portuguese banks, reflects added funding and liquidity risks, in addition to any deterioration of the quality of its assets and profitability in a recessionary context which the agency has forecast for Portugal. Fitch Ratings has, however, made reference to the banks' solid deposits base, cost containment and adequate capital ratio.

In December, following the downgrade of its long term ratings on the Portuguese Republic's long term liabilities from AA- to A+ with a negative outlook Fitch Ratings revised its long term rating for CGD from A+ to A, with a negative outlook, having restated its short term F1 rating with a stable outlook.

Standard & Poor's

Standard & Poor's, following its April 2010 downgrade of the long and short term ratings on the Portuguese Republic from A+ and A-1 to A- and A-2 respectively, with a negative outlook, downgraded the ratings on five Portuguese banks with a rating of more than A-, including CGD, whose long term rating changed from A+ to A- and short term rating from A-1 to A-2, with outlook remaining negative.

In December, the rating agency placed CGD's long and short term ratings (A- and A-2, respectively) on "CreditWatch Negative" following the similarly downwards revision on the Portuguese Republic.

Notwithstanding the referred to changes, CGD continues to enjoy the highest ratings allocated to a Portuguese banking group.

Information on CGD's current ratings is set out in the following table:

	Short term	Long term	Outlook	
MOODY'S	Prime –1	A1	Revision for possible downgrade	Dec. 2010
FITCHRATINGS	F1	A	Negative	Dec. 2010
STANDARD & POOR'S	A-2	A-	CreditWatch negative	Dec. 2010

1.7.2. SEPARATE OPERATIONS (*)

1.7.2.1. EVOLUTION OF BALANCE SHEET

There was a 6.7% annual increase of EUR 7.1 billion in net assets from Caixa Geral de Depósitos' separate operations to EUR 112.9 billion at the end of 2010. This amount comprises around 72.6% of consolidated assets.

BALANCE SHEET (Separate)
BALANCES AT 31 DECEMBER

(EUR million)

	2009	2010	Change Total	Change Percent
Assets				
Cash and cash equivalents at central banks	1 479	919	-560	-37.8%
Loans and advances to credit institutions	17 207	12 477	-4 730	-27.5%
Loans and advances to customers	65 597	69 715	4 118	6.3%
Securities investments	14 205	21 895	7 691	54.1%
Investments in subsidiaries and associated companies	3 099	3 280	181	5.8%
Tangible and intangible assets	759	624	-135	-17.8%
Deferred tax assets	661	745	84	12.7%
Other assets	2 801	3 247	446	15.9%
Total	105 809	112 903	7 094	6.7%

(*) Including the operations of the France, London, Spain, Luxembourg, New York, Grand Cayman, Madeira Offshore, East Timor and Zhuhai branches.

...continued

(EUR million)

	2009	2010	Change Total	Change Percent
Liabilities				
Central banks' and credit institutions' resources	9 673	16 666	6 993	72.3%
Customer resources	53 713	54 788	1 075	2.0%
Financial liabilities	2 322	7 523	5 201	224.0%
Debt securities	26 077	20 364	-5 713	-21.9%
Provisions	1 205	1 125	-80	-6.6%
Subordinated liabilities	3 477	3 163	-314	-9.0%
Other liabilities	3 497	3 072	-425	-12.2%
Total	**99 963**	**106 700**	**6 737**	**6.7%**
Shareholders' equity	**5 846**	**6 202**	**357**	**6.1%**
Total	**105 809**	**112 903**	**7 094**	**6.7%**

Net assets growth particularly derived from the 54.1% increase of EUR 7.7 billion in securities investments, and 6.3% increase of EUR 4.1 billion in loans and advances to customers.

The most significant increases on the liabilities side occurred in central banks' and credit institutions' resources with a 72.3% increase of EUR 7 billion and financial liabilities with an increase of EUR 5.2 billion.

1.7.2.2. CAPITAL MANAGEMENT

Shareholders' equity after its 6.1% increase of EUR 357 million deriving from the EUR 550 million increase in Caixa Geral de Depósitos's share capital in December 2010, totalled EUR 6.2 billion.

SHAREHOLDERS' EQUITY (Separate)

BALANCES AT 31 DECEMBER

(EUR million)

	2009	2010	Change Total	Change Percent
Capital	4 500	5 050	550	12.2%
Revaluation reserves	-80	-121	-41	50.5%
Other reserves and retained earnings	1 185	1 226	41	3.5%
Net income for year	241	47	-194	-80.4%
Total	**5 846**	**6 202**	**357**	**6.1%**

CGD's separate solvency ratio, determined under the Basel II regulatory framework and Bank of Portugal regulations and including retained earnings was 15.0% at the end of 2010 against the preceding year's 13.9%. The Core Tier I, ratio, in turn, improved from 8.4% to 9.5%.

1.7.2.3. RESULTS

INCOME STATEMENT (Separate)

(EUR thousand)

	2009	2010	Change Total	Change Percent
Net interest income including income from equity investments (1)	**1 320 760**	**1 210 245**	**-110 515**	**-8.4%**
Interest and similar income	5 367 347	4 339 337	-1 028 010	-19.2%
Interest and similar costs	4 272 503	3 413 771	-858 732	-20.1%
Income from equity instruments	225 916	284 679	58 763	26.0%
Non-interest income (2)	**635 520**	**738 205**	**102 685**	**16.2%**
Income from services and commissions (net)	365 632	408 472	42 840	11.7%

...continued

(EUR thousand)

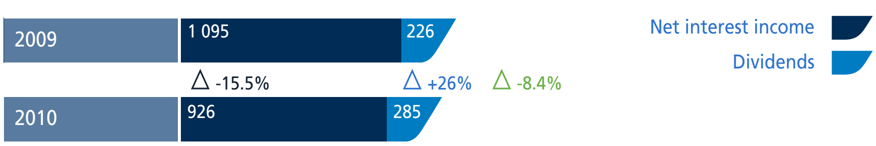
	2009	2010	Change	
			Total	Percent
Income from financial operations	159 979	105 864	-54 115	-33.8%
Income from the disposal of other assets	419	103 455	103 036	-
Other operating income	109 491	120 415	10 924	10.0%
Net operating income (3) = (1)+(2)	**1 956 280**	**1 948 450**	**-7 830**	**-0.4%**
Operating costs and depreciation (4)	**1 166 807**	**1 139 216**	**-27 591**	**-2.4%**
Employee costs	632 191	614 219	-17 972	-2.8%
External supplies and services	415 068	413 691	-1 377	-0.3%
Depreciation and amortisation	119 548	111 306	-8 242	-6.9%
Gross operating income (5)=(3)-(4)	**789 473**	**809 235**	**19 761**	**2.5%**
Provisions and impairment (net of recoveries and cancellations) (6)	**533 782**	**792 728**	**258 947**	**48.5%**
Credit provisions	336 739	471 170	134 430	39.9%
Impairment of other financial assets	194 463	258 346	63 883	32.9%
Impairment of other assets	2 579	63 212	60 633	-
Income before tax (7)=(5)-(6)	**255 692**	**16 506**	**-239 185**	**-93.5%**
Tax (8)	**14 622**	**-30 750**	**-45 372**	**-310.3%**
Current	-66 640	50 182	116 822	175.3%
Deferred	81 263	-80 932	-162 195	-199.6%
Net income for year (9)=(7)-(8)	**241 069**	**47 256**	**-193 813**	**-80.4%**

Separate net income for 2010 was EUR 47.3 million, down 80.4% over the preceding year. Significant contributions were made by the reduction of net interest income, growth of credit provisions and the recognition of impairment on financial investments held by CGD, in the income statement.

Net interest income was down 15.5% over 2009 to EUR 925.6 million as opposed to income from equity instruments which was up 26%.

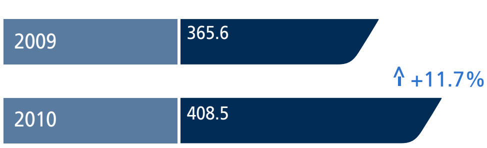
Net Interest Income, Including Income from Equity Investments

(EUR million)



Net Comissions

(EUR million)



Non-interest income, in turn, was up 16.2% over the preceding year to EUR 738.2 million, influenced both by higher commissions levels and the capital gains of EUR 103.9 million on the sale of CGD headquarters to the Caixa Geral de Depósitos' Employees pension fund as part of the reorganisation and optimisation process on CGD assets notably property for own use.

Provisions and impairment for the year of EUR 792.7 million were particularly allocated to the reinforcement of provisions on loans and the impairment of securities.

1.7.3. MAIN RISKS AND UNCERTAINTIES IN 2011

The world economy achieved notable progress in 2010, globally achieving remarkable growth levels after the most severe recessions in decades. Several of the main identifiable risks in 2011 are related with the evolution of the economic cycle into a new stage. Another series of risks is related with the financial aspect of a crisis beginning in 2007 and still not definitively resolved. In this context, monetary policy and budget decisions are also important factors of uncertainty over the next twelve months.

These symptoms have also been noted in the developed economies which were more affected by the economic and financial crisis, notwithstanding recovery. The fact that the growth achieved, in 2010, was not sufficient to return such countries to their former levels of activity, is clearly visible in the level of unused resources, particularly the maintenance of high unemployment rates. It is herein that one of the uncertainties for 2011 resides. The continuation and acceleration of the upturn will be dependant upon businessmen having the conditions required for a more vigorous investment and job creation cycle including the maintenance of an expressive rate of global demand and a lower levels of uncertainty.

In the emerging economies, the rapid growth and acceleration of inflation noted in 2010 have also been at the base of the decisions made by various central banks in the said countries to increase their reference interest rates, which process is likely to continue throughout 2011. The extent of such movements could lead to a slowdown in activity in this bloc, with effects on the developed regions as well as a source of oscillations in financial markets.

The persistence of the recent trend towards an increase in the prices of commodities in the international marketplace could put pressure on prices. The importance of the energy and foodstuffs components and filling households' shopping baskets and consequently inflation measurements, could have a double negative effect on the economy in a the decrease of disposable income for expenditure on other types of assets and the triggering of a reaction by the central banks in the form of interest rate hikes, resulting in a cooling of activity.

One of the sources of uncertainty which will carry through into 2011 from the preceding year derives from the situation of the public finances of European countries, particularly in the so-called countries on the periphery of Europe. The re-emergence of the sovereign debt crisis has brought this issue to levels of growing centrality and complexity, bringing with it a multiplicity of impacts and risks.

The effects of the budget austerity measures on economic activity will decelerate economic growth, namely domestic demand in countries which are consolidating their public finances. The level of economic slowdown is, however, uncertain. It will depend on the reaction of national economic agents and an adverse domestic environment, both in consumption and investment decisions and the dynamism of external demand which is also subject to the referred to uncertainty factors will be crucial. Closely associated with economic performance will also be the evolution of unemployment which runs the risk of remaining high over the course of next year.

Another fundamental aspect will be the performance of debt markets, namely investors' receptiveness to the public and private debt issues of various peripheral European countries. In 2011, issuers must face the need for a positive evolution in two domains: each country must individually make significant improvements to its budget situation while Community authorities will have to find effective, comprehensive and lasting solutions to the future operation of economic and monetary union to restore investor confidence. The failure to overcome this challenge will entail important risks for the performance of the European economy and may prolong the failure of its financial system to achieve full normalisation.

Risks, in 2011, consequently include the possibility of access to wholesale markets and particularly the international investors base remaining exiguous if they continue to display a high level of aversion to risk in the peripheral countries. This scenario places liquidity and financial control at the heart of the management of institutions. In such market circumstances the impact of adverse financing conditions will be felt for a longer period on banking institutions' net interest income both in the form of higher financing costs and the potential slowdown in lending. In more general terms, the actual growth of banking system assets may be limited.

In a scenario of a more marked slowdown in economic activity, banks' profitability may be affected not only by the performance of net interest income, but also the evolution of default levels, owing to the possibility of unfavourable labour market performance. The possibility of a hike in money market interest rates in a context of asymmetrical growth rates between the European average and the periphery would also cause negative risks regarding asset quality.

Reference should also be made to continued uncertainty over the evolution of liquidity injections by the European Central Bank, both in terms of concrete decisions to normalise them and their implementation schedule.

An unfavourable economic environment in 2011 will also, naturally, have negative consequences on insurance operations: the demand for insurance will be affected, particularly in areas such as workman's compensation and transport and claims rates will tend to increase in various areas such as credit insurance. A negative environment could also increase the moral risk on most mass insurance areas and increase fraud.

Lastly, economic stagnation also has the effect of retarding the implementation of tariff adjustment measures which are essential for the rebalancing of the technical exploitation of non-life insurance areas in the insurance sector in Portugal as a whole.

In the financial domain, fears over sovereign debt and a downgrading of the ratings of various institutions and states will trigger a level of instability and disruption on corporate results. This will strongly affect insurance activity, owing to its status as a major institutional investor due to the nature of insurance business.

Notwithstanding the recent Euribor increase, the fact that interest rates remain at historically low levels tends to penalise returns on various life insurance products with minimum guaranteed rates.

By way of contrast, over the longer maturity rates and notwithstanding the increase which has already occurred in second half 2010, there are risks of new increases, particularly for the debt of the countries on the periphery of the Euro Zone, with an adverse effect on the valuation of banks' and insurance companies' bond portfolios.

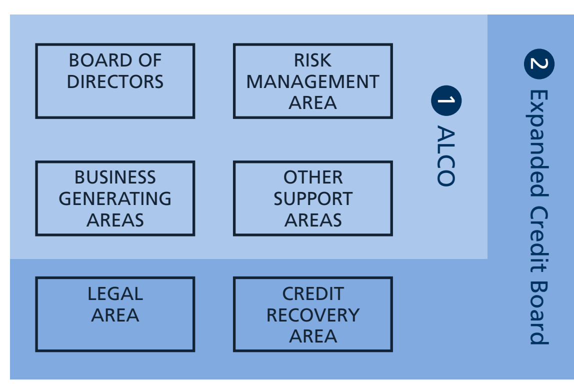
1.8. RISK MANAGEMENT

Risk management operations, in CGD Group, are centralised. Risk management encompasses the assessment and control of the group's credit, market and liquidity risks, based on the principle of the separation of functions between commercial and risk areas.

The risk management area is part of the support structure and is present:

1 In the **Assets and Liabilities Management Committee (ALCO)**, in conjunction with business generating areas, support areas and with members of the board of directors. Under the terms of a board of directors' resolution, the committee was, *inter alia*, given the following responsibilities:

- Promotion of the asset management and liabilities (ALM) process and actions and procedures necessary for their implementation on a consolidated and separate basis for various group entities;
- The preparation of proposals for strategic guidelines on CGD Group's financing and liquidity policy;
- The preparation of proposals for strategic guidelines on risk management policy, defining indicators, limits and management rules;
- The preparation of proposals for strategic guidelines on CGD Group's capital ratios.



2 In the **expanded credit board**, in conjunction with the business generation areas, the legal area, credit recovery area and the board of directors. Under the terms of a board of directors' resolution, the board was, inter alia, given the following responsibilities:

- Authorisation of operations, which being part of the internal regulatory framework require the board's assessment;
- Analysis of non-performing loans;
- Definition of credit policies strategy and respective risk.

RISK PROFILE AND RESPECTIVE EVOLUTION

CGD Group consistently tends to adopt an adequate risk aversion approach although there is room for an innovation and a market monitoring component, in the products to which it is exposed.

PRINCIPLES AND POLICIES

The furtherance of CGD Group's risk profile enshrines the following principles:

- Focus on risk-weighted return;

- Sustained growth and business diversification;
- Definition and monitoring of the use of limits by type of risk;
- Proactive risk management;
- Prompt response from the risk management area.

1.8.1. CREDIT RISK

Credit risk is associated with the losses and level of uncertainty over a customer / counterparty's capacity to meet their obligations.

Given the nature of banking activity, credit risk is particularly important, owing to its materiality, notwithstanding its interconnection with the remaining risks.

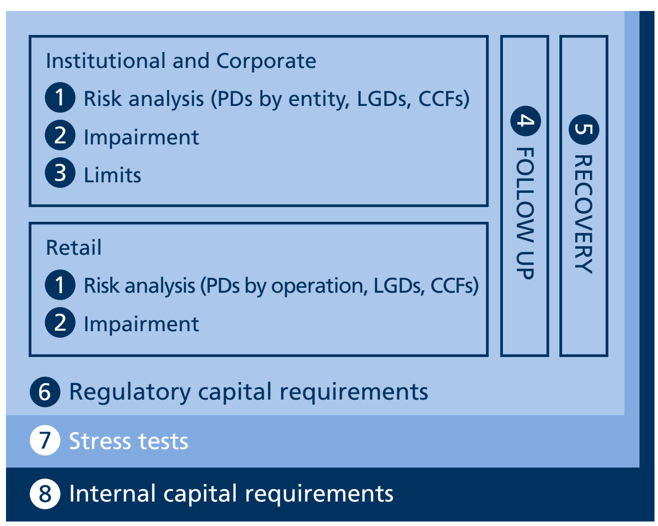
EVOLUTION OF RISK FACTORS

2010 as opposed to 2009, witnessed a decrease of new defaults on loans and advances to individual customers, in addition to settlements made by customers already in default. This was particularly relevant in the case of mortgage loans.

There was an increase in defaults in the corporate segment having an impact on a worsening of the respective impairment provisions.

METHODOLOGY

1 Risk analysis – CGD Group has implemented identification, assessment and risk control on its credit portfolio, which includes all customer segments and is active both at the time when loans are made and in the monitoring of risk over the lifetime of the operations.



- In the case of companies with more significant levels of exposure, credit risk assessment, in addition to the use of internal rating models (incorporating both financial information and qualitative elements) is subject to a separate risk analysis by a team of analysts which produces credit risk assessment reports and issues an independent opinion on the respective credit risk. This analysis is performed periodically and whenever there are any changes to the relationship with the customer or endogenous or exogenous factors recommending a reassessment of the risk are identified;

- The assessment of credit risk in the retail segment uses statistical risk assessment tools (scoring and rating models) based on a series of internal regulations, which define objective criteria to be complied with when loans are being made, in addition to the delegating of competences in accordance with the risk ratings allocated to customers.

2 The credit impairment model developed by CGD Group, under IAS 39, enables credit risks with objective evidence of impairment and impaired credit to be identified and monitored.

The risk factors used in the credit impairment model are revised annually with an adjustment being made in the impairment analysis, for the effects of the market's current conditions which were not noted in past historical periods.

The credit impairment model is used to analyse and process the credit portfolio which is subdivided in conformity with the following approaches:

• Collective impairment analysis – impairment provisions per risk sub segments are set up for exposures which are not considered to be individually significant. They include assets with similar risk characteristics (credit segment, type of collateral, payments history, *inter alia*);

• Individual impairment analysis – an individual assessment is made on a quarterly basis for customers with exposures considered to be individually significant. It involves CGD's commercial areas, credit recovery and risk management areas.

Individual assessments on customers with major exposure levels essentially focus on the following items:

• Compliance with contractual terms agreed with CGD Group;

• Assessment of economic-financial situation;

• Prospects for the evolution of the customer's activity;

• Verification of the existence of operations involving overdue credit and interest, within CGD Group and/or the financial system;

• Adequacy of guarantees and collateral to offset the amount of the loan;

• Analysis of historic information on the behaviour and good payment of customers.

For significant exposures with no objective signs of impairment, a collective provision is determined, in conformity with the risk factors determined for credits with similar characteristics.

(EUR million)

	2008	2009	2010
Impairment on loans and advances to customers (consolidated)	2 121	2 405	2 610

3 **Limits** – to improve the flexibility of the short term corporate lending process and harmonise risk analysis, CGD Group has developed and implemented a model for the definition of short term exposure limits on companies, parameterised on the basis of economic-financial and sectoral indicators and risk ratings providing guidelines on the recommended short term risk exposure on each customer. The model permits the use of the same collection of clear and objective rules for the calculation of reference levels, which limits, when necessary, are then subject to a detailed analysis for validation purposes. At its initial stage, the model was applied to SMEs. There were further developments in 2010 to broaden the model's application to small businesses and large enterprise.

In the case of the financial institutions segment, internal limits are approved for each institution. The definition of such limits is based on the entity's status in the financial sector and its peers, rating, VaR, and other relevant elements.

Compliance with limits, credit exposures and counterparty and group risk profile is regularly monitored by analysts.

4 In terms of credit risk control, the credit portfolio is regularly monitored in terms of its composition and corresponding quality. The analysis includes the splitting up of the portfolio by product, customer segmentation, level of exposure, operating sector and geographical area.

Follow-up work on the performance of the internal development of risk classification models is also particularly important. This exercise which processes the information from the use of the referred to models, provides indications on their continued adequacy and guidelines on eventual re-estimation of needs and information on type of use.

Second half 2010 witnessed the implementation of a special tool making it possible to harmonise the follow-up of internally developed risk factor estimation models.

5 **Recovery** – The monitoring policies for the overdue credit were improved in 2010 owing to the difficult economic context affecting the country. Such endeavours, however, did not entail any increase in the number of employees working in the Credit Recovery Division (DRC) or the need to contract for extra legal counsel. Only employees leaving the division were replaced. The relationship with commercial areas from which the respective credit derived was intensified, with control over overdue credit being a determining variable in terms of the analysis of the performance of each structural organ.

Special reference should be made to the following in terms of the division of the analysis between the individual customers and corporate segments and between negotiations and legal action:

- In the area of recovery through negotiations with individual customers, it was possible to reduce the number of case files received by the Credit Recovery Division in comparison to 2009 and increase the number of resolved cases. In December 2010, 21 295 operations were being processed in comparison to the preceding year's 24 625 involving an amount of EUR 817.359 million against a December 2009 figure of EUR 989.4 million, with the overdue credit ratio on mortgage loans at the end of 2010 being 2.54% against 2.51% in December 2009;

- It was decided, in November 2010, to apply the automatic mechanism existing in the case of mortgage loans to consumer credit, with loans having three monthly instalments in arrears being sent to the Credit Recovery Division;

- 20 179 operations representing EUR 706 603 million were recovered in 2010 and returned to the network;

- In the area of legal recoveries on individual customers, it was possible, in 2010, to collect EUR 115 363 million and restructure credit for the amount of EUR 73 110 million which was returned to the network;

- In the case of corporate area negotiations, the rate of new cases in the Credit Recovery Division remained high, with negotiations involving 1 019 customers under management at the end of 2010 representing EUR 348 276 million in liabilities. EUR 77 998 million were collected and EUR 101 118 million restructured during the year at the negotiating stage.

  Payments in kind representing EUR 44 238 million were made by 18 customers;

- There were no sales or assignments of credit portfolios in 2010;

- In the property area the intense level of activity of Caixa Imobiliário and property investment funds for home rentals played a decisive role in accompanying the sector which accounts for a large proportion of CGD's portfolio. Major decisions are analysed by the Property Committee formed by the board of directors, Credit Recovery Division, Securities Division, Property Division, Caixa Imobiliário, SogrupoGI and Imocaixa;

- An amount of EUR 88 182 million was recovered in the corporate legal recovery area with a positive effect on the release of provisions and impairment. An amount of EUR 18 765 in credit was also restructured.

  There was a huge increase in customers in this area, deriving from third party repossessions and bankruptcy proceedings.

At the end of 2010 DRC dealt with 90.5% of overdue credit in Caixa, split up between mortgage loans with 98.3% and loans and advances to companies with 85.45%.

6 **Regulatory capital requirements** – for derivatives instruments, repos operations, loans made or issued on securities or commodities, long term settlement operations and loan operations with the imposition of a margin, the mark to market assessment method is used as defined in Part 3 of Annex V of the Bank of Portugal's (BdP) official notice 5/2007, which consists of adding to the operation's market value when positive, its future valuation potential, resulting from the multiplication of the notional amount by a prudential factor based on the type of contract.

The standard method described in Bank of Portugal official notice 5/2007 is applied to loans and receivables.

The "Market Discipline 2009" document, scheduled for publication in first half 2011 will provide detailed information on the regulatory requirements for CGD Group capital.

7 The realisation of **stress tests** aims to facilitate an analysis of CGD Group's position in terms of solvency when subject to extreme conditions. In 2010 and in addition to the stress tests used for internal management purpose and those required by BdP under Instruction 32/2009, CGD participated in the transversal "EU wide stress test exercise", coordinated by the CEBS (Committee of European Banking Supervisors) in cooperation with the European Central Bank.

8 **Internal capital requirements** per operation result from the use of credit risk factors (probabilities of default PDs – loss given defaults – LGDs and conversion factors into internally estimated credit equivalents – CCFs).

1.8.2. MARKET RISK

This translates, in simplistic terms into potentially negative impacts on an institution's income or capital, deriving from unfavourable price movements of portfolio assets based on their transaction levels.

Market risk exists on instruments such as shares, funds, commercial paper, bonds, borrowing and lending operations, spot or forward foreign currency operations, interest rate derivatives, foreign exchange derivatives, shares / indices / baskets, commodities and credit. Exposure to this type of risk is therefore transversal to various categories: price, interest rate, exchange rates, volatility and commodities. CGD Group is exposed to major market risk concentration in the first three categories, owing to the major contribution of simple, liquid assets although there is space for an innovation and a market accompaniment component present in the products to which it is exposed.

Executory functions on market operations and associated risk control are completely separate.

LIMITS

The practice of setting diverse limits and the monitoring thereof, is extremely important for mitigating market risk. The global limits are submitted by the risk management area to the board of directors for discussion and approval. The management rules established on each portfolio or business unit, include, *inter alia*, market risk limits and limits on the type of instruments authorised and maximum acceptable loss levels. There are also specific management rules governing the foreign exchange risk position for CGD Group units.

Market risk hedge operations are decided by portfolio managers or business units, on the basis of risk limits and authorised instruments, with the Risk Management Division collaborating on an assessment of the impact of hedges on the total risk or change in authorised market risk levels, if recommended by the circumstances.

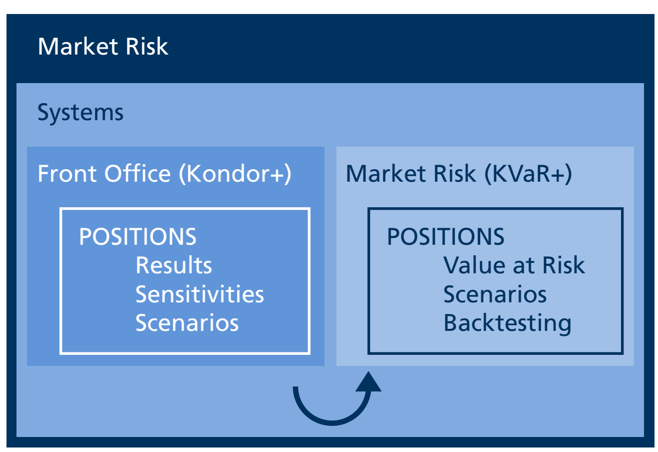
VaR amounts and limits are calculated on CGD Group's total open and currency positions.

METHODOLOGY

The risk management area has, since 2002, used the Value at Risk (VaR) measure to monitor the Group's market risk with market risk limits being based on this measure and, in several cases, complemented by tolerance to changes in risk factors – basis point value (bpv) for interest rates and other sensitivity indicators commonly applied to options portfolios. VaR is assessed for all types of market risk (interest rates, shares, exchange rates and volatility), using the historic simulation method, whose confidence levels are contingent upon the reasons for holding the portfolios.

Stress tests have also been developed to assess the impact of extreme scenarios on results.

The risk management area calculates and monitors such measures on a daily basis, having designed an exhaustive VaR reporting structure, sensitivity analysis, profitability indicators, compliance with limits and stress test structure, for all entities with market risk exposure in their balance sheet trading and foreign exchange risk portfolios.

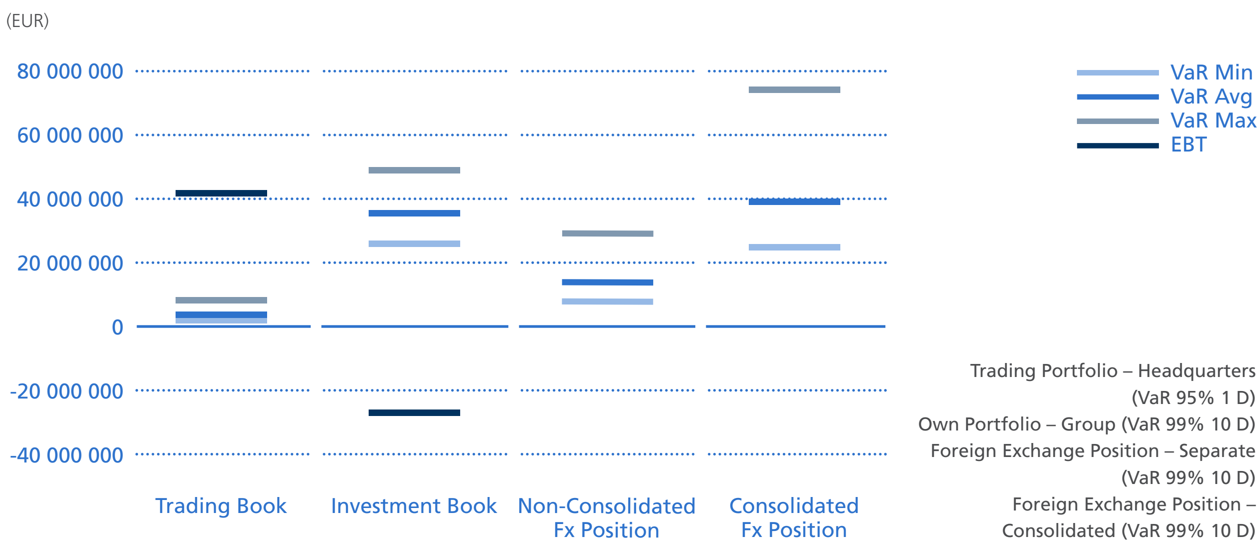


Foreign exchange risk control and assessment are performed separately on a daily level in the case of domestic activity and for each of the branches and subsidiaries and fortnightly on a consolidated level for the whole of the Group.

The VaR model is continuously put to the test either through its day-to-day use or daily backtesting exercises, as well as the real monthly determining of backtesting values.

The number of exceptions obtained i.e. the number of times theoretical or real losses exceed VaR, enable the method's accuracy to be assessed and any necessary adjustments made.

For 2010 the main market risk indicators and the most relevant perimeters are as follows:



1.8.3. INTEREST RATE RISK ON BALANCE SHEET

This is the risk incurred in the activity of an institution whenever it contracts for operations whose financial flows are sensitive to interest rate changes. Put in different words it is the risk of the occurrence of a change in the interest rate associated with the mismatching of maturities and revision of interest rates between assets and liabilities held, with a decrease in yield or increase in financial cost.

METHODOLOGY

To measure this type of risk, the methodology used by CGD comprises the aggregating of periods to maturity of all of its assets and liabilities sensitive to interest change, thus assessing the corresponding interest rate gaps.

An analysis of the interest rate risk dimension also involves a monthly calculation of the duration of sensitive assets and liabilities, in addition to the respective duration gap. This measures the mismatch between the average time in which cash inflows are generated and cash outflows are required.

To monitor the effect of the referred to gaps on net interest income, a regular quarterly forecast of the monthly evolution of sensitive assets and liabilities scenarios is produced. These scenarios include relevant financial activity behaviour and trends, evolution of different market rates and expectations reflected in yield curves.

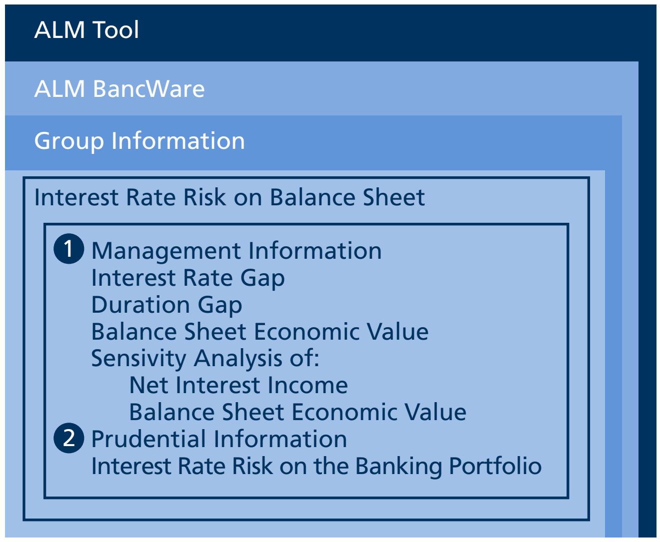
Pursuant to an ALCO resolution, a set of guidelines on interest rate risk in the balance sheet and banking portfolio, including a definition of limits on certain significant changes in the level of exposure to this type of risk, was established. The objective in complying with these guidelines is to ensure that CGD has a means of managing the risk / return trade-off in balance sheet management terms and is in a position to define the adequate level of exposure and control the results of the risk policies and positions assumed at any point of time.

The limits fixed are calculated monthly for the accumulated 12 months gap and the duration gap and quarterly for the economic value at risk indicator (which translates the changes in the economic value of the bank's capital, resulting from changes in interest rate levels) and for the earnings at risk indicator (which translates the changes in the bank's forecast net interest income, resulting from changes in interest rate levels and the evolution of resources and investment balances).

In the analysis of interest rate risk, the assets and liabilities management referred to as BancWare ALM, enables an assessment of the most materially relevant CGD Group entities to be made.

The outputs, for each group entity, in consolidated terms, are set out below:

- Monthly: contractual balance, economic and balance sheet value, interest rates and duration gaps;
- Quarterly: forecast balance for the desired simulation period and net interest income and balance sheet economic value with a sensitivity analysis to rate changes (up/down 200 bp, up/down 100 bp and up/down 50 bp).



The outputs are for the bank's management and risk management area. Monthly information is also produced for the assessment of ALCO meetings.

In 1st half 2010, the accumulated static interest rate gap of up to 12 months was appreciably stable at around 20% of sensitive assets. The 2nd half witnessed a progressive increase of this amount, at year end to 27% of sensitive assets i.e. EUR 26 560.5 million.

INTEREST RATE GAP AT 31.12.2010 (*)

(EUR million)

	7 D	1 M	3 M	6 M	12 M	3 Y	> 3 Y
Total assets	6 425	21 354	34 575	22 194	6 404	1 942	4 079
Total liabilities + capital	5 337	12 153	24 936	12 198	5 650	28 142	10 516
Total interest rate swaps	396	-1 026	-3 613	327	-191	2 996	1 256
Total interest rate futures and options	0	0	-403	-33	425	-34	-644
Period gap	1 483	8 175	5 623	10 291	988	-23 238	-5 826
Accumulated gap	1 483	9 658	15 281	25 572	26 561	3 323	-2 503

(*) Perimeter: CGD, offshore branch, Spain, France, London, New York and Cayman Islands, Banco Caixa Geral, Caixa – Banco de Investimento, CGD Finance, Caixa Geral Finance, CGD North America and Macau Offshore Branch.

The assessment and measurement of interest rate risk in the banking portfolio is based on the calculation of the accumulated impact of a parallel movement of +200 bp in own funds and interest margin (BdP Instruction 19/2005). This information together with the result of the internal models on the assessment of interest rate risk in the banking portfolio is sent to the Bank of Portugal every six months. At ALCO's discretion and for the purposes of internal management the calculation is effected quarterly with internal compliance limits having been fixed for the purpose.

At the end of 2010 impacts on shareholders' equity (as defined in Bank of Portugal official notice 12/1992) and interest income (understood to be the difference between interest income and costs, comprising the annualised equivalent of its current level), resulting from the referred to movement in the yield curve, were 11% and 41%, respectively.

Impact on shareholders' equity		Impact on interest margin	
Time band	Weighted position	Time band	Weighted position
spot–1 month	-7 161	spot	36 547
1–3 months	-27 191	spot–1 month	136 785
3–6 months	-71 120	1–2 months	154 529
6–12 months	-9 869	2–3 months	-5 262
1–2 years	660 095	3–4 months	45 502
2–3 years	79 143	4–5 months	24 646
3–4 years	168 665	5–6 months	50 779
4–5 years	102 545	6–7 months	509
5–7 years	205 278	7–8 months	-1 739
7–10 years	118 254	8–9 months	-2 322
10–15 years	-70 266	9–10 months	-2 562
15–20 years	-37 039	10–11 months	-1 316
> 20 years	-104 991	11–12 months	1 923
Total	1 006 342	Total	438 018
Impact on shareholders' equity / own funds			11%
Accumulated impact of instruments sensitive to interest rates with a maturity of up to one year as a percentage of interest margin			41%

1.8.4. LIQUIDITY RISK

This involves the possibility of the occurrence of a time-lag or mismatch between a bank's payment and reception of funds, creating a situation in which a bank is unable to satisfy its commitments, i.e. in this kind of situation an institution's reserves and cash assets are insufficient to meet its obligations when they occur.

Liquidity risk in the banking business area can occur in the event of:

- Difficulties in securing resources to finance assets, normally leading to higher costs in securing such finance but which may also entail a restriction on the growth of assets;
- Difficulties in promptly meeting obligations to third parties caused by significant mismatches between residual periods on assets and liabilities.

METHODOLOGY

Liquidity risk management in CGD uses an analysis of the periods to maturity of different balance sheet assets and liabilities. The volumes of cash inflows and cash outflows, and respective liquidity gaps, both for the period and accumulated, are shown for each of the different time bands considered.

The structural liquidity concept is used for analysis purposes which, according to studies and models developed internally and based on the behaviour of depositors, translates the distribution of sight and term deposits over the different time bands considered.

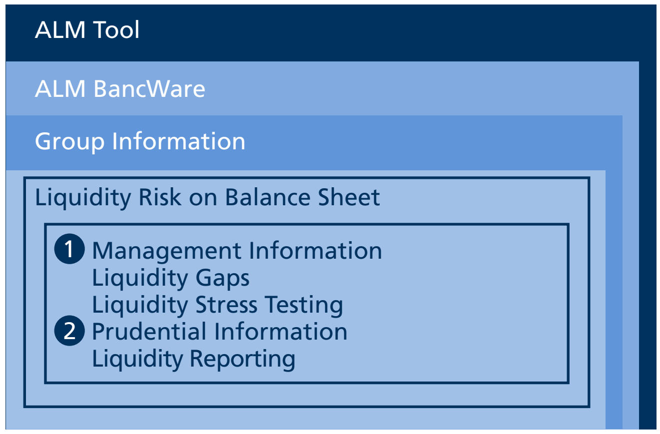
Therefore, in the case of sight deposits, around 82% of the balance (core deposits) is considered in the more than 10 years time band with the rest (non-core deposits) being allocated to time bands of up to 12 months, in line with seasonality studies and minimum noted balances. Term deposits and savings accounts are, in turn, split up between the different time bands in accordance with a model for estimating their expected average life and expected time distribution of the withdrawals of the deposits.

Securities investments also merit special treatment with around 85% of the total securities considered to have adequate liquidity and therefore considered in the up to 1 month time band and the remaining 15% being split up according to the proportion of the balances in the structure of the residual periods of their initial maturity.

Shares and other variable income securities with adequate liquidity are globally considered in the up to 1 month time band.

Liquidity gaps are calculated monthly and compliance is compared to three liquidity risk exposure limits (two short term and one long term) fixed by the ALCO committee.

The tool used to manage structural interest rate management risks is also used for the analysis of balance sheet liquidity.



The outputs, for each of the group entities, in consolidated terms, are: liquidity gap structural liquidity gap and the table of the source and application of funds.

The amounts of the liquidity gaps, at end 2010, were as follows:

LIQUIDITY GAP AT 31.12.2010 (*)

(EUR million)

	1 M	3 M	6 M	12 M	3 Y	5 Y	10 Y	> 10 Y
Total assets	15 266	5 454	7 949	5 235	13 829	9 037	14 738	16 795
Total liabilities + capital	11 428	12 931	6 594	9 612	22 599	12 380	8 342	15 045
Total swaps	0	9	0	-4	17	44	2	74
Period gap	3 838	-7 468	1 355	-4 382	-8 753	-3 298	6 398	1 824
Accumulated gap	3 838	-3 630	-2 275	-6 657	-15 410	-18 708	-12 310	-10 486

(*) Perimeter: offshore branch, Spain, France, London, New York and Cayman Islands, Banco Caixa Geral, Caixa – Banco de Investimento, CGD Finance, Caixa Geral Finance, CGD North America and Macau Offshore Branch.

Liquidity risk management also incorporates **quarterly stress test exercises** in articulation with the current **liquidity contingency plan**, in line with the disclosure of the principles and recommendations of the BCBS (Basel Committee on Banking Supervision) and CEBS (Committee of European Banking Supervisors).

The methodology developed internally for the assessment of Caixa's resilience to liquidity difficulties involves the measuring and monitoring of the "survival period" (period of time up to the occurrence of liquidity difficulties if corrective measures have not been applied beforehand), in light of three stress scenarios in the finance markets. A fourth scenario is also considered – base scenario – which assumes that Caixa will perform its activities in line with its budget and consequent financing plan.

The current model also encompasses a series of limits for the survival periods defined for each of the referred to scenarios. Any non-compliance with any of the existing limits assumes the implementation of the contingency measures provided for in the contingency plan for Caixa's liquidity in accordance with levels of priority therein defined regarding the use of different financing instruments.

Notwithstanding the problems occurring in the monetary and capital markets, Caixa furthered its policy of taking in resources with more adequate maturity periods to avoid mismatches between assets and liabilities maturity periods, ensuring greater stability of its customer resources, both in its launch of structured savings products, as in debt issues.

To avoid high negative liquidity gaps over short term time bands, Caixa has endeavoured to ensure a permanent level of efficient treasury management. To provide for the longer maturity periods, particularly associated with the continuous growth of its mortgage loans, Caixa continued to use medium and long term resource-taking instruments in national and international markets, in 2010.

As regards prudential liquidity information, Caixa continues to produce the new liquidity report (BdP instruction 13/2009), comprising a diversified range of tables and charts, designed to improve knowledge and control of banking liquidity. Considering also the need for permanently and promptly accompanying the liquidity levels of credit institutions, particularly in periods of disruptions in financial markets the Bank of Portugal also requested weekly information on liquidity in wholesale markets starting from the second half of June.

1.8.5. OPERATIONAL RISK

The management of operational risk in CGD Group is based on a series of guidelines, methodologies and regulations recognised as "good practice":

- Operational risk principles and management approaches originating from the Basel Committee;

- Internal control methodologies proposed by COSO (Committee of Sponsoring Organizations of the Treadway Commission) and defined in the sphere of CobiT (Control Objectives for Information and related Technology);

- Approach underpinning the risk assessment model implemented by the Bank of Portugal.

For the calculation of own funds requirements to hedge operational risk, the Bank of Portugal approved CGD Group's adoption of the standard method on a consolidated basis in 2009, which also covers Caixa Geral de Depósitos, Caixa – Banco de Investimento and Caixa Leasing e Factoring on a separate basis.

The application of the standard method has also been formally approved by the respective supervisory entities in Banco Caixa Geral (Spain) and Mercantile (South Africa). In the case of the Group's other institutions abroad, the assessment of own funds requirements for operational risk hedging purposes, on a separate basis, uses the basic indicator method.

From the application of the standard method, at 31.12.2010 and on a consolidated basis, own funds requirements to hedge operational risks were EUR 338 million.

On an organisational level, CGD's operational risk management is the responsibility of the following structures and funds with specific responsibilities in this process:

- An operational risk and internal control management committee responsible for verifying conformity with operational risk and internal control strategy and policies, monitoring the management thereof within the group and assessing / proposing action plans;

- An area exclusively dedicated to operational risk and internal control management, responsible for developing and implementing strategy and policies, ensuring that operational risk is being adequately managed and that the controls are operating efficiently, in articulation with other departments, branches and subsidiaries, in order to ensure harmonisation between practices on a group entity level;

- Process owners who are responsible for facilitating and promoting the operational risk and internal control process, within their respective sphere;

- Other particularly relevant parties in this process, are the Board of Directors, the Consultancy and Organisation Division (management of processes), Compliance Office (compliance risk management), Accounting, Consolidation and Financial Information Division (calculation of own funds requirements) and the Internal Audit Division (control tests).

The methodology adopted by the group for its operational risk management has been integrated with the internal control assessment system and may be characterised by the following components distributed among the 4 risk management cycle stages.

1. Identification

- Group processes catalogue;

• Documentation on activities, potential operational risks, control and mitigating activities;

• Decentralised collection of operational risk events, losses and recoveries, including near-misses, reinforced and supported by control procedures and communication / stimulus actions to help guarantee database integrity.

2. Assessment

• Potential operational risk self-assessment questionnaires developed in line with a procedural approach targeted at people in charge of and executors of activities;

• Performance of control tests for design and implementation and operational assessment purposes;

• Measurement of consumption of shareholders' equity.

3. Monitoring

• Risk indicators;

• Disclosure of information on operational risk, sourced from the various methodological components, to diverse management parties.

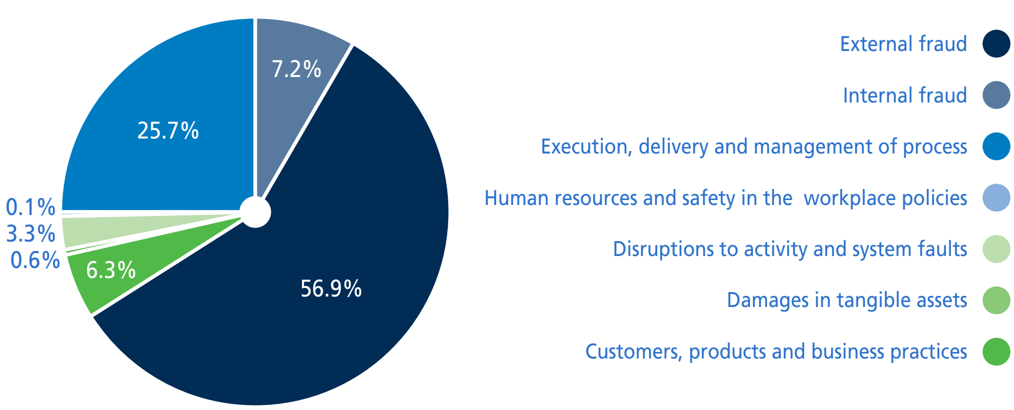
4. Mitigation

• Promotion and monitoring of the implementation of action plans as a corollary to the remaining methodological components.

The implementation of this methodology in CGD began in 2007 with a programme of expansion to subsidiaries being launched in 2008. The process, at 31 December 2010, had been completed in Caixa Gestão de Activos, Caixa – Banco de Investimento, Caixa Capital, Caixa Leasing e Factoring, Banco Caixa Geral (Spain), Macau offshore branch, Banco Comercial do Atlântico (Cape Verde), Banco Interatlântico (Cape Verde) and Banco Nacional Ultramarino (Macau) and is also in force in Banco Caixa Geral Brasil and Banco Comercial e de Investimentos (Mozambique). CGD retains its commitment to completing the expansion of this methodology to all CGD Group institutions, coming under the supervision of the Bank of Portugal on a consolidated basis by the end of 2011.

The following charts provide information on operational risk contained in the losses database, based on the occurrence of events in 2008, 2009 and 2010:

Distribution of Losses by Type of Risk Within CGD Group



In addition to the referred to operational risk management methodology and with the objective of guaranteeing the continuous operation of activity, CGD has implemented a global business continuity strategy, based on two fundamental pillars: operational continuity and technological recovery.

This more demanding and comprehensive global vision implemented by CGD, including persons and processes which are more critical to its activity, is in compliance with the recommendations on the management and continuity of business in the financial sector, approved by the National Council of Financial Supervisors on 9 September 2010.

The "new global business continuation strategy", is based on an integrated crisis management approach and the strengthening of response capabilities to situations of disruption of activity. In addition to encompassing CGD, it also includes other CGD companies such as Fidelidade Mundial, Império Bonança, Caixa – Banco de Investimentos, Caixa Leasing e Factoring and Caixa Gestão de Activos.

1.8.6. BASEL II

Since end 2002, Caixa Geral de Depósitos has been developing a series of initiatives referred to as the Basel II programme with the objective of ensuring compliance with the requirements of the new Basel II Capital Accord and its application for the use of advanced approaches to the calculation of own funds requirements.

The aim behind the implementation of the Basel II programme is not only to comply with regulatory, requirements but also to endow CGD Group with the most sophisticated risk assessment and management tools and methodologies in terms of credit, market, interest rate and liquidity.

Innumerable stages of different projects have been completed over the course of time. The experience acquired has been incorporated in day-to-day activities, with direct or indirect reference being made thereto in the description of the management methodologies of diverse risks.

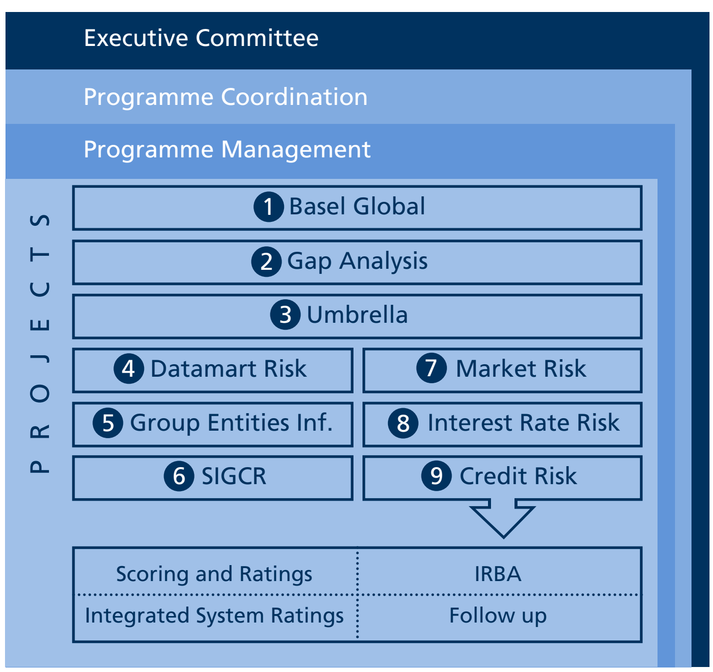
The following is a summary of each project's purpose and respective evolution in 2010.

1 Basel Global has the principal objective of guaranteeing the coordination of transversal activities to the programme.

2 The **Gap Analysis** project was the programme's departure point and enabled the whole of the consequent action plan to be established.

3 The **Umbrella** project encompasses the development of training actions related with the risk categories present in the programme and the production of risk management and control handbooks for CGD Group.

At the end of 2010 an application for the use of internal credit risk models in CGD's more material segments was submitted to the Bank of Portugal.



Internal standards encompassing risk management handbooks were also published, namely: credit, foreign exchange, interest rate and liquidity risk in the balance sheet and operational risk.

E-learning courses on Basel II, credit risk and risk adjusted returns were also provided to a large number of CGD workers.

4 The **DataMart Risk** (DMR) project aims to integrate all relevant information for the other programme projects in a centralised repository.

Under the **DataMart Risk** (DMR) project, in addition to the activities involving maintenance, a monthly validation process for loading the DMR models was implemented to control the quality of information, both in terms of its integrity and accuracy.

5 The **Group Entities Information (PRIG)** project deriving from the need to ensure the centralisation of information relating to the operations of entities.

A project with the supplier of information systems used by CGD's subsidiaries in Africa (with the exception of Mercantile Bank) began in 2010 to support the necessary developments to enable such entities to provide a satisfactory response to PRIG requirements. The project is scheduled for completion in first half 2011.

Work continued, during the course of the year, on: i) harmonising the information sent by the entities; and ii) support to entities for the necessary developments for the periodic sending of information.

6 The principal objectives of the **Integrated Risk Management and Control System** (SIGCR) are to define the implementation of an integrated management risk model supported by a capital requirements calculation tool in addition to the implementation of an internal capital adequacy self-assessment process (ICAAP).

Under the scope of this project, in addition to the regular prudential reporting of own funds requirements for credit risk (standard method), the interim self-assessment report (ICAAP) on own capital adequacy was prepared and supplied.

7 The principal objective of the **Market Risk** project is to use advanced market risk methodologies for CGD Group.

8 The **Interest Rates and Balance Sheet Liquidity project** results from the need to adopt the Basel II recommendations under the management and supervision of interest rates and balance sheet liquidity risk.

9 The **Credit Risk** project combines:

- The **Scoring and Rating** project which aims to endow CGD with internal models for estimating the probability of default as required by internal models in the Basel II Accord.

  The results of these models have been used in the credit-related decision-making processes by CGD's headquarters since April 2005. This use has been implemented and supported by internal standards on a staged basis up to July 2009;

- The principal objective of the **Internal Rating Based Advanced** models is the development of internal models for estimating Loss Given Default – LGD and Exposure-at-Default – EAD factors, enabling an advanced IRBA approach to be adopted.

  The models' results are used for pricing decisions in the corporate and retail, credit portfolio and housing segments;

- The **Ratings Integrator System** (SIR) consists of a repository of financial statements and information on collective persons as part of a workflow for the allocation, management and disclosure of information on internal ratings. It permits and facilitates an economic-financial analysis of the referred to collective persons.

  The implementation of SIR was completed in 2010, with the use thereof starting in the first half of the year.

  The system provides significant advantages over the former application as it permits the automatic supply of accounting data from all of the available countries via the Simplified Statistical Information System, increasing flexibility of use and management of the data obtained and provides a more agile user-friendly navigation interface;

- The **Monitoring of Internal Credit Risk Models** project aims to implement a support application for monitoring internal models.

  Work began on the implementation of a computer tool for standardising and systemising the accuracy of the performance of the internally developed credit risk assessment models in second half 2010.

OBJECTIVES FOR 2011

With the submission of the application for the use of internal credit risk ratings, at the end of 2010, one of the main objectives for 2011 will be to obtain the regulator's respective approval.

CGD also intends to apply for the use of internal market risk models in 2011.

In first quarter 2011, it will also be necessary to make internal adjustments in light of the legislative revision imposed by the transposition of Community directives 2009/111/EC, 2009/27/EC and 2009/83/EC as defined in Decree Law 140–A/2010 of 30 December and the instructions and official notices therefrom deriving into national law.

Relevant actions to accompany the integration of best practice and risk management principles inherent to the revision of the Basel III Capital Accord will also continue to be developed.

Self-assessment of the adequacy of internal capital (ICAAP), risk aggregation and production of stress test exercises will continue to be revised to keep them in line with best available practice.

1.9. PROPOSAL FOR THE APPROPRIATION OF RESULTS

Pursuant to the terms of article 376 of the Commercial Companies Code and article 26 of the bank's articles of association approved by Decree Law 287/1993 of 20 August, the following appropriation of CGD's separate net income of EUR 47 256 051 for the year is hereby proposed:

1. 20% for the legal reserve – EUR 9 451 210;

2. EUR 24 382 125 to retained earnings;

3. EUR 13 422 716 to free reserves.

Lisbon, 15 March 2011

Board of Directors

Chairman:
Fernando Manuel Barbosa Faria de Oliveira

Deputy Chairman:
Francisco Manuel Marques Bandeira

Members:
Norberto Emílio Sequeira da Rosa
Rodolfo Vasco Castro Gomes Mascarenhas Lavrador
José Fernando Maia de Araújo e Silva
Jorge Humberto Correia Tomé
Pedro Manuel de Oliveira Cardoso

1.10. DECLARATION ON THE CONFORMITY OF THE PRESENTATION OF FINANCIAL INFORMATION

1.10.1. BOARD OF DIRECTORS

Under the terms of sub-paragraph c) of no. 1 of article 245 of the Securities Market Code we declare that the financial statements for 2010 and other accounting documents have, to the best of our knowledge been produced in conformity with the applicable accounting standards and provide a true and appropriate image of the assets and liabilities, financial situation and results of Caixa Geral de Depósitos, SA and the companies included in its consolidation perimeter and that the board of directors' report gives an accurate account of the business evolution and the performance and position of the referred to entities and contains a description of the principal risks and uncertainties they face.

Lisbon 15 March 2011

Board of Directors

Chairman:
Fernando Manuel Barbosa Faria de Oliveira

Deputy Chairman:
Francisco Manuel Marques Bandeira

Members:
Norberto Emílio Sequeira da Rosa
Rodolfo Vasco Castro Gomes Mascarenhas Lavrador
José Fernando Maia de Araújo e Silva
Jorge Humberto Correia Tomé
Pedro Manuel de Oliveira Cardoso

1.10.2. AUDIT BOARD

Under the terms of sub-paragraph c) of no. 1 of article 245 of the Securities Market Code we declare that the financial statements for 2010 and other accounting documents have, to the best of our knowledge been produced in conformity with the applicable accounting standards and provide a true and appropriate image of the assets and liabilities, financial situation and results of Caixa Geral de Depósitos, SA and the companies included in its consolidation perimeter and that the board of directors' report gives an accurate account of the business evolution and the performance and position of the referred to entities and contains a description of the principal risks and uncertainties they face.

Lisbon 15 March 2011

Audit Board

Chairman:
Eduardo Manuel Hintze da Paz Ferreira

Acting members:
Maria Rosa Tobias Sá
Pedro António Pereira Rodrigues Felício

1.10.3. BONDS HELD BY MEMBERS OF THE BOARD OF DIRECTORS

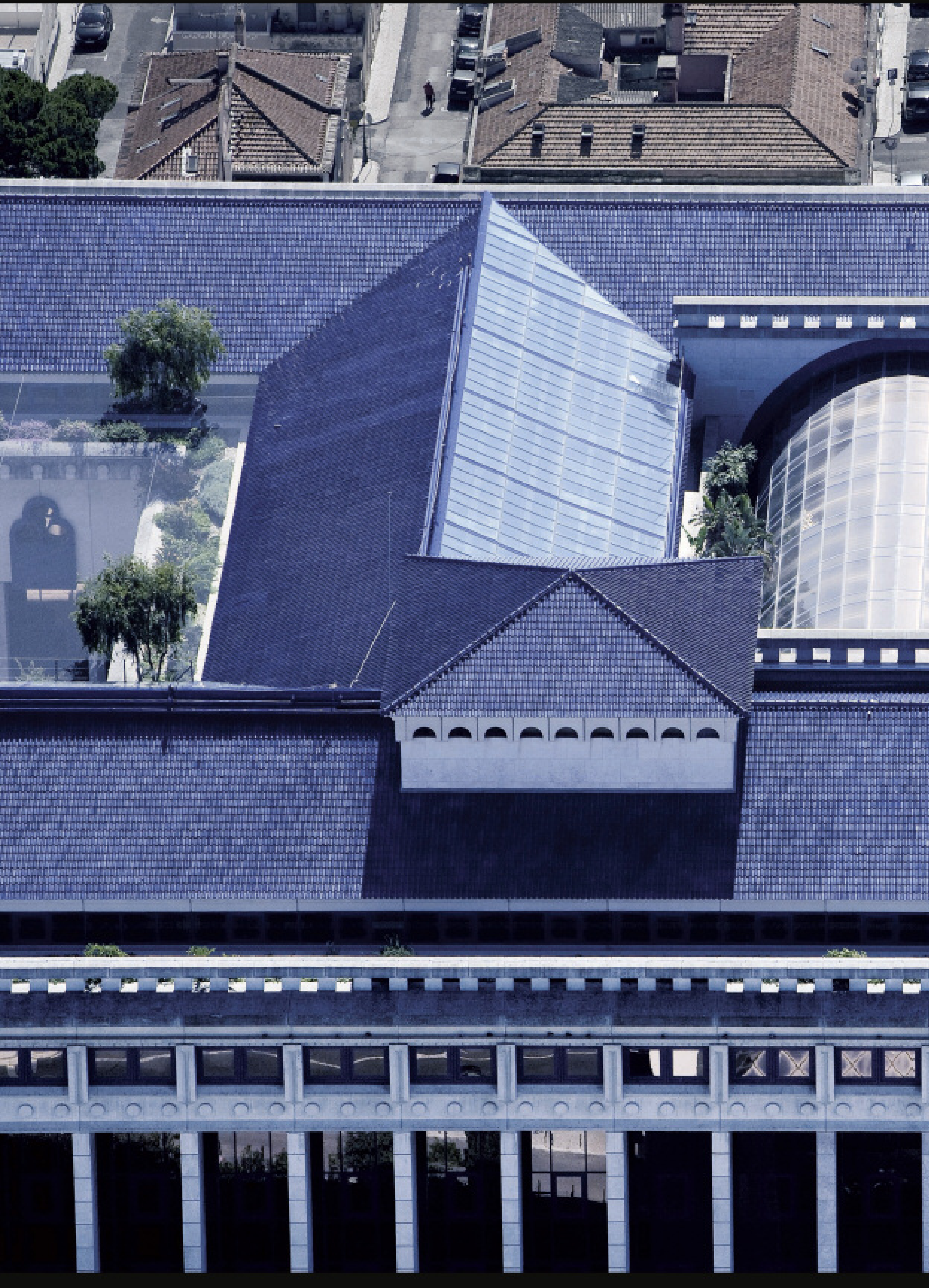
(Article 447 of the Commercial Companies Code)

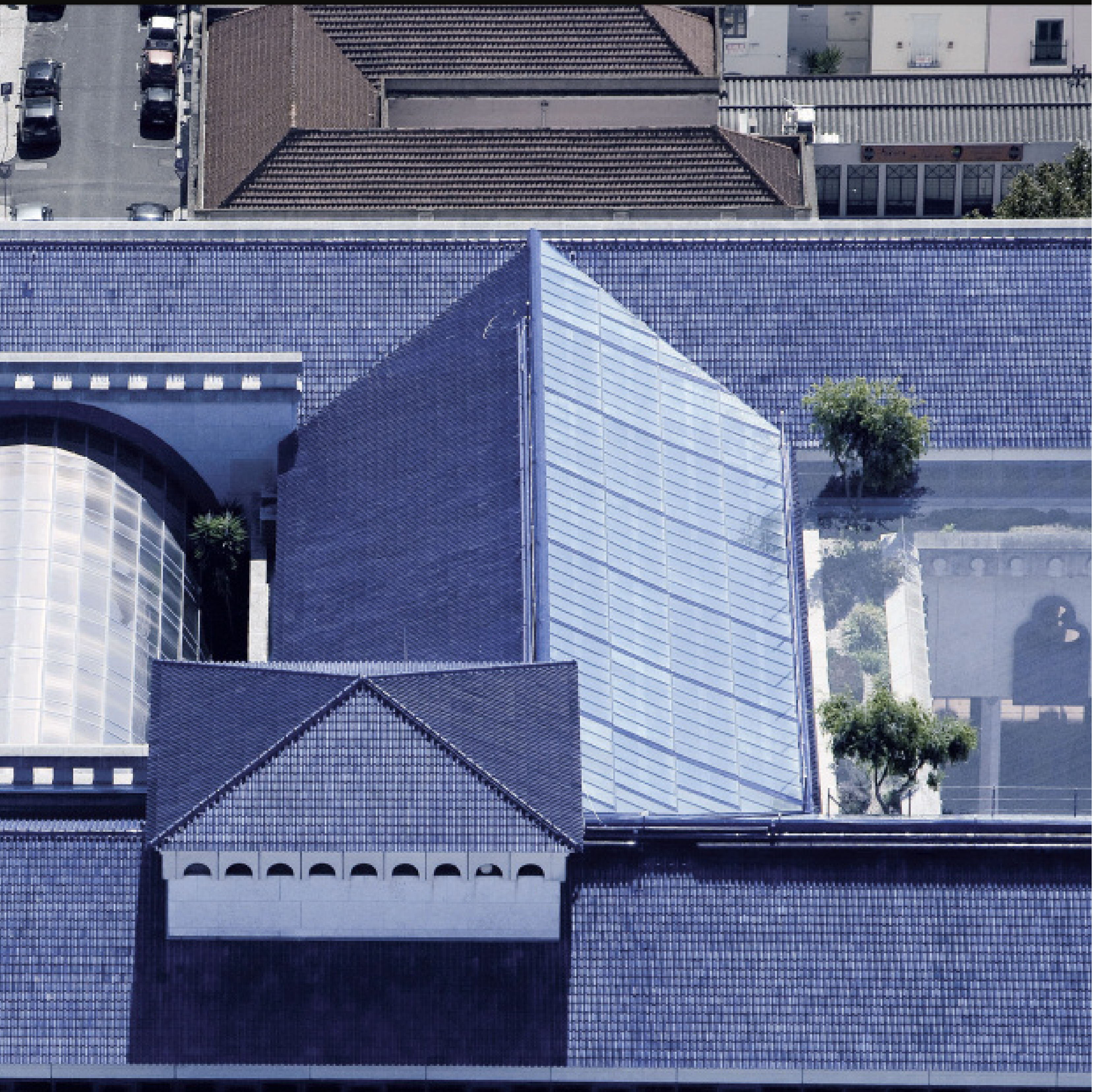
Bondholders	Security	No. securities at 31.12.2010
Members of board of directors		
Fernando Faria Oliveira	Caixa Valor Nacional bonds 2010/2015	50
	Caixa Dia da Poupança bonds 2010/2013	25
Francisco Bandeira	Subordinated cash bonds – CGD 2007/2017 – 1st issue	300
	Subordinated cash bonds – CGD 2007/2017 – 2nd issue	300
	Caixa Taxa Mix Julho bonds 2010/2013	50
Norberto Rosa	Subordinated cash bonds – CGD 2007/2017	200
	Caixa Valor Nacional bonds 2010/2015	40
Rodolfo Lavrador	Subordinated cash bonds – CGD 2008/2018 – 1st issue	300
Jorge Tomé	Subordinated cash bonds – CGD 2007/2017 – 1st issue	1500
	Subordinated cash bonds – CGD 2008/2018 – 1st issue	200
	Subordinated CGD bonds – 2009/2019 – Anniversary	25
	Caixa Valor Nacional bonds 2010/2015	250
	Caixa Taxa Mix Julho bonds 2010/2013	250
José Araújo e Silva	Subordinated CGD bonds – 2009/2019 – Anniversary	20
	Caixa Taxa Mix Julho bonds 2010/2013	95
	Caixa Dia da Poupança bonds 2010/2013	20
Spouse / children (minors)		
Carolina Tomé	Subordinated CGD bonds – 2009/2019 – Anniversary	30
	Caixa Valor Nacional bonds 2010/2015	20

1.10.4. INFORMATION ON CGD'S SHAREHOLDERS

(Article 448 of Commercial Companies Code)

Shareholders	Share capital at 31.12.2010	% equity investment at 31.12.2010
Portuguese State	EUR 5 050 000 000	100%





Caixa Geral de Depositos

1.11. SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS

www.cgd.pt

BALANCE SHEET (SEPARATE) (*)

(Translation of Balance Sheets originally issued in Portuguese – Note 45.)

	2010			2009
	Amounts before impairment, amortisation and depreciation	Provisions impairment and amortisation and depreciation	Net Assets	Net Assets
ASSETS				
Cash and cash equivalents at central banks	919 449 031	-	919 449 031	1 479 260 153
Cash balances at other credit institutions	494 799 108	-	494 799 108	749 658 913
Financial assets held for trading	3 611 863 397	-	3 611 863 397	4 949 541 580
Other financial assets at fair value through profit or loss	675 961 557	-	675 961 557	819 863 784
Available-for-sale financial assets	18 018 109 835	(410 464 065)	17 607 645 770	8 435 484 648
Loans and advances to credit institutions	12 085 220 954	(102 980 392)	11 982 240 562	16 457 682 999
Loans and advances to customers	71 562 135 885	(1 847 217 897)	69 714 917 988	65 596 869 796
Hedging derivatives	113 601 534	-	113 601 534	178 690 037
Non-current assets held for sale	296 835 828	(46 285 579)	250 550 249	205 218 090
Investment property	6 294 730	-	6 294 730	6 294 730
Other tangible assets	1 185 241 127	(687 903 106)	497 338 021	622 442 930
Intangible assets	514 258 285	(387 823 425)	126 434 860	136 693 556
Investments in associates, subsidiaries and joint ventures	3 403 468 094	(123 290 764)	3 280 177 330	3 099 406 176
Current tax assets	56 728 305	-	56 728 305	110 101 853
Deferred tax assets	744 983 279	-	744 983 279	660 797 294
Other assets	2 861 763 741	(41 939 657)	2 819 824 084	2 300 693 784
Total Assets	116 550 714 690	(3 647 904 885)	112 902 809 805	105 808 700 323

(*) Including domestic activity and that of France, London, Spain, Luxembourg, New York, Grand Cayman, East Timor, Zhuhai and Madeira Offshore branches.

...continued

(EUR)

	2010	2009
LIABILITIES		
Resources of central banks	7 572 699 955	2 545 619 655
Financial liabilities held for trading	2 237 458 682	2 275 135 565
Resources of other credit institutions	9 093 770 665	7 127 415 816
Customer resources	54 787 526 101	53 712 685 373
Debt securities	20 364 034 596	26 076 966 883
Financial liabilities associated with transferred assets	5 285 202 014	46 489 713
Hedging derivatives	168 739 503	289 487 498
Provisions	1 124 832 153	1 204 722 119
Current tax liabilities	1 810 392	9 325 009
Deferred tax liabilities	83 056 370	93 316 629
Other subordinated liabilities	3 162 979 039	3 477 279 572
Other liabilities	2 818 276 090	3 104 727 273
Total Liabilities	**106 700 385 560**	**99 963 171 105**
Share capital	5 050 000 000	4 500 000 000
Revaluation reserves	(121 010 231)	(80 403 795)
Other reserves and retained earnings	1 226 178 425	1 184 863 904
Net income for the year	47 256 051	241 069 109
Total Equity	**6 202 424 245**	**5 845 529 218**
Total Liabilities and Equity	112 902 809 805	105 808 700 323

Certified Public Accountant

Joaquim Maria Florêncio

Board of Directors

Chairman: Fernando Manuel Barbosa Faria de Oliveira
Deputy-Chairman: Francisco Manuel Marques Bandeira
Members: Norberto Emílio Sequeira da Rosa
Rodolfo Vasco Castro Gomes Mascarenhas Lavrador
José Fernando Maia de Araújo e Silva
Jorge Humberto Correia Tomé
Pedro Manuel de Oliveira Cardoso

INCOME STATEMENTS (SEPARATE) (*)

(Translation of Balance Sheets originally issued in Portuguese – Note 45.)

(EUR)

	2010	2009
Interest and similar income	4 339 336 705	5 367 347 168
Interest and similar costs	(3 413 770 568)	(4 272 502 963)
NET INTEREST INCOME	**925 566 137**	**1 094 844 205**
Income from equity instruments	284 678 847	225 915 797
Income from services and commissions	499 583 399	453 017 339
Costs of services and commissions	(91 111 500)	(87 385 326)
Net results of assets and liabilities measured at fair value through profit or loss	11 683 710	148 047 511
Net gain on available-for-sale financial assets	87 339 582	45 798 089
Net foreign exchange revaluation gain	6 840 391	(33 866 945)
Net gain on the sale of other assets	103 455 073	418 647
Other operating income	120 414 683	109 490 684
NET OPERATING INCOME	**1 948 450 322**	**1 956 280 001**
Staff costs	(614 218 862)	(632 191 030)
Other administrative costs	(413 691 039)	(415 067 999)
Depreciation and amortisation	(111 305 809)	(119 547 824)
Provisions net of reversals	52 301 260	122 602 409
Correction of the amount of loans and advances to customers		
and receivables from other debtors, net of reversals	(523 470 987)	(459 341 845)
Impairment of other financial assets net of reversals	(258 346 093)	(194 463 081)
Impairment of other assets net of reversals	(63 212 432)	(2 579 108)
INCOME BEFORE TAX	**16 506 360**	**255 691 523**
Income tax		
Current	(50 182 230)	66 640 209
Deferred	80 931 921	(81 262 623)
	30 749 691	**(14 622 414)**
Net income for the year	**47 256 051**	**241 069 109**
Average number of ordinary shares outstanding	900 000 000	819 452 000
Earnings per share (in Euros)	0.05	0.29

(*) Including domestic activity and that of France, London, Spain, Luxembourg, New York, Grand Cayman, East Timor, Zhuhai and Madeira Offshore branches.

Certified Public Accountant

Joaquim Maria Florêncio

Board of Directors

Chairman: Fernando Manuel Barbosa Faria de Oliveira
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Rodolfo Vasco Castro Gomes Mascarenhas Lavrador
José Fernando Maia de Araújo e Silva
Jorge Humberto Correia Tomé
Pedro Manuel de Oliveira Cardoso

STATEMENT OF COMPREHENSIVE INCOME (SEPARATE)

(Translation of Balance Sheets originally issued in Portuguese – Note 45.)

(EUR thousand)

	2010	2009
Adjustments to fair value of available-for-sale financial assets		
Change in period	(190 199)	251 853
Adjustments of fair value reserves reclassification to results	-	-
Recognition of impairment for the year	252 280	176 809
Disposal of available-for-sale financial assets	(109 923)	(43 093)
Tax effect	7 234	(50 245)
Benefits to employees – amortisation of transition impact	-	-
Change in period	(33 457)	(33 457)
Tax effect	9 075	8 748
Currency changes	(3 971)	1 649
Other	(1 245)	1 963
Total comprehensive net income for the year recognised in reserves	(70 205)	314 226
Net income for the year	47 256	241 069
Total comprehensive net income for the year	(22 949)	555 295

CASH FLOW STATEMENTS (SEPARATE)

(Translation of Balance Sheets originally issued in Portuguese – Note 45.)

(EUR thousand)

	2010	2009
OPERATING ACTIVITIES		
Cash flows from operating activities before changes in assets and liabilities		
Interest, commissions and similar income received	4 840 110	6 082 917
Interest, commissions and similar costs paid	(2 701 074)	(3 873 198)
Recovery of principal and interest	29 325	35 689
Results of foreign exchange operations	(980 550)	(957 939)
Payments to employees and suppliers	(90 737)	(129 542)
Payments and contributions to pensions funds, health plan and other benefits	90 449	66 280
	1 187 524	**1 224 207**
(Increases) decreases in operating assets:	(2 697 417)	(5 419 307)
Loans and advances to credit institutions and customers	0	0
Assets held for trade and other assets at fair value through profit or loss	166 719	(1 440 715)
Other assets	(89 977)	56 417
	(2 620 675)	**(6 803 605)**
Increases (decreases) in operating liabilities:		
Resources of central banks and other credit institutions	6 994 298	(822 520)
Customer resources	1 057 172	3 371 044
Other liabilities	(267 867)	418 091
	7 783 604	**2 966 615**
Net cash from operating activities before taxation	**6 350 453**	**(2 612 783)**
Income tax	(1 529)	(150 957)
Net cash from operating activities	**6 348 924**	**(2 763 740)**

...continued

(EUR thousand)

	2010	2009
INVESTING ACTIVITIES		
Capital gains from the disposal of equity instruments	109 021	128 201
Capital gains from available-for-sale financial assets	167 194	97 714
Acquisition of investments in subsidiary and associated companies, net of disposals	(231 754)	(336 793)
Acquisition of available-for-sale financial assets, net of disposals	(665 547)	(2 177 619)
Acquisition of tangible and intangible assets, net of disposals	69 876	(126 098)
Net cash from investing activities	**(551 211)**	**(2 414 595)**
FINANCING ACTIVITIES		
Interest on subordinated liabilities	(86 452)	(141 891)
Interest on debt securities	(630 330)	(608 087)
Issue of subordinated liabilities, net of repayments	(277 948)	109 625
Issue of debt securities	(5 998 207)	5 436 569
Share capital increase	550 000	1 000 000
Dividends paid	(170 157)	(300 000)
Net cash from financing activities	**(6 613 094)**	**5 496 216**
Increase (decrease) in cash and cash equivalents	**(815 381)**	**317 881**
Cash and cash equivalents at beginning of year	2 228 919	1 910 399
Effects of the exchange rate change on cash and cash equivalents	711	638
Net change of cash and cash equivalents	(815 381)	317 881
Cash and cash equivalents at end of year	**1 414 248**	**2 228 919**

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (SEPARATE)

(Translation of Balance Sheets originally issued in Portuguese – Note 45.)

		Revaluation reserves			
	Share capital	Fair value reserves	Reserves for deferred tax	Fixed assets	Total
Balances at 31 December 2008	3 500 000	(778 017)	153 292	208 998	(415 727)
Appropriation of net income for 2008:					
Transfer to reserves and retained earnings	-	-	-	-	-
Dividends paid to the State	-	-	-	-	-
Other entries directly recorded in equity:					
Measurement gain / (losses) on available-for-sale financial assets	-	385 568	(50 245)	-	335 323
Amortisation of the impact of the transition to the IAS relative					
to post-employment benefits	-	-	-	-	-
Currency changes in subsidiaries	-	-	-	-	-
Other	-	-	-	-	-
Total gains and losses for the year recognised in equity	-	385 568	(50 245)	-	335 323
Share capital increase	1 000 000	-	-	-	-
Transfer of revaluation reserves to retained earnings	-	-	-	-	-
Net income for the year	-	-	-	-	-
Balances at 31 December 2009	4 500 000	(392 448)	103 047	208 998	(80 404)
Appropriation of net income for 2009:					
Transfer to reserves and retained earnings	-	-	-	-	-
Dividends paid to the State	-	-	-	-	-
Other entries directly recorded in equity:					
Measurement gain / (losses) on available-for-sale financial assets	-	(47 841)	7 234	-	(40 607)
Amortisation of the impact of the transition to the IAS relative					
to post-employment benefits	-	-	-	-	-
Currency changes in subsidiaries	-	-	-	-	-
Other	-	-	-	-	-
Total gains and losses for the year recognised in equity	-	(47 841)	7 234	-	(40 607)
Share capital increase	550 000	-	-	-	-
Net income for the year	-	-	-	-	-
Balances at 31 December 2010	5 050 000	(440 289)	110 280	208 998	(121 011)

...continued

(EUR thousand)

Other reserves and retained earnings

Legal reserves	Other reserves	Retained earnings	Total	Net income for the year	Total
708 391	321 112	(7 793)	1 021 710	484 251	4 590 234
96 850	79 608	7 793	184 251	(184 251)	-
-	-	-	-	(300 000)	(300 000)
-	-	-	-	-	335 323
-	-	(24 709)	(24 709)	-	(24 709)
-	1 649	-	1 649	-	1 649
-	(48)	2 011	1 963	-	1 963
-	**1 601**	**(22 699)**	**(21 097)**	-	**314 226**
-	-	-	-	-	1 000 000
-	-	-	-	-	-
-	-	-	-	241 069	241 069
805 241	402 321	(22 699)	1 184 864	241 069	5 845 530
48 214	-	22 699	70 912	(70 912)	-
-	-	-	-	(170 157)	(170 157)
-	-	-	-	-	(40 607)
-	-	(24 382)	(24 382)	-	(24 382)
-	(3 971)	-	(3 971)	-	(3 971)
-	(1 245)	-	(1 245)	-	(1 245)
-	**(5 216)**	**(24 382)**	**(29 598)**	-	**(70 205)**
-	-	-	-	-	550 000
-	-	-	-	47 256	47 256
853 455	397 105	(24 382)	1 226 178	47 256	6 202 424

CONSOLIDATED BALANCE SHEET

(Translation of Balance Sheets originally issued in Portuguese – Note 45.)

		2010			2009
	Notes	Amounts before impairment, amortisation and depreciation	Impairment and amortisation and depreciation	Net Assets	Net Assets
ASSETS					
Cash and cash equivalents at central banks	4	1 468 751 616	-	1 468 751 616	1 926 260 193
Cash balances at other credit institutions	5	1 264 973 198	-	1 264 973 198	1 238 202 409
Loans and advances to credit institutions	6	3 513 174 983	(88 933 053)	3 424 241 930	8 353 213 955
		6 246 899 797	**(88 933 053)**	**6 157 966 744**	**11 517 676 557**
Financial assets at fair value through profit or loss	7	5 066 406 778	-	5 066 406 778	6 209 572 540
Available-for-sale financial assets	8	25 227 256 813	(478 706 008)	24 748 550 805	18 851 152 139
Unit-linked investments	9	732 511 643	-	732 511 643	867 966 717
Hedging derivatives	10	114 866 963	-	114 866 963	179 622 760
Held-to-maturity investments		2 836	-	2 836	3 048
		31 141 045 033	**(478 706 008)**	**30 662 339 025**	**26 108 317 204**
Loans and advances to customers	11	84 517 028 479	(2 609 824 368)	81 907 204 111	77 222 008 268
Non-current assets held for sale	12	495 516 631	(72 127 979)	423 388 652	349 677 646
Investment property	13	396 440 513	-	396 440 513	354 257 620
Other Tangible assets	14	2 145 623 902	(995 625 883)	1 149 998 019	1 184 057 646
Intangible assets	15	996 475 742	(577 089 649)	419 386 093	406 067 399
Investments in associates	16	28 463 595	-	28 463 595	26 171 674
Current tax assets	17	90 269 525	-	90 269 525	127 886 055
Deferred tax assets	17	1 088 679 963	-	1 088 679 963	950 600 970
Technical provisions for outwards reinsurance	18	264 564 342	-	264 564 342	258 378 805
Other assets	19	3 429 077 890	(155 803 995)	3 273 273 895	2 479 742 302
Total assets		130 840 085 412	(4 978 110 935)	125 861 974 477	120 984 842 146

...*continued*

(EUR)

	Notes	2010	2009
LIABILITIES AND EQUITY			
Resources of central banks and other credit institutions	20	14 603 669 257	6 478 633 482
Customer resources	21	67 680 044 524	64 255 684 982
Liability of unit-linked products	9	732 511 643	867 966 716
Debt securities	22	19 306 747 511	25 182 312 789
		87 719 303 678	**90 305 964 487**
Financial liabilities at fair value through profit or loss	10	1 712 117 274	1 901 977 385
Hedging derivatives	10	166 047 660	270 773 352
Provisions for employee benefits	23 and 37	530 191 951	556 971 293
Provisions for other risks	23	273 227 156	239 409 251
Technical provisions for insurance contracts	24	5 742 936 344	6 439 224 865
Current tax liabilities	17	57 827 737	58 982 381
Deferred tax liabilities	17	180 917 514	169 803 702
Other subordinated liabilities	25	2 800 164 159	3 201 597 691
Other liabilities	26	4 235 575 941	4 204 653 802
Total liabilities		**118 021 978 671**	**113 827 991 691**
Share capital	27	5 050 000 000	4 500 000 000
Fair value reserves	28	(507 360 163)	(331 153 551)
Other reserves and retained earnings	28	1 516 423 994	1 454 730 693
Net income attributable to the shareholder of CGD	28	250 581 934	278 899 370
Equity attributable to the shareholder of CGD		**6 309 645 765**	**5 902 476 512**
Minority interest	29	1 530 350 041	1 254 373 943
Total equity		**7 839 995 806**	**7 156 850 455**
Total liabilities and equity		**125 861 974 477**	**120 984 842 146**

Certified Public Accountant

Joaquim Maria Florêncio

Board of Directors

Chairman: Fernando Manuel Barbosa Faria de Oliveira
Deputy-Chairman: Francisco Manuel Marques Bandeira
Members: Norberto Emílio Sequeira da Rosa
Rodolfo Vasco Castro Gomes Mascarenhas Lavrador
José Fernando Maia de Araújo e Silva
Jorge Humberto Correia Tomé
Pedro Manuel de Oliveira Cardoso

CAIXA GERAL DE DEPÓSITOS, SA

CONSOLIDATED INCOME STATEMENTS

(Translation of Balance Sheets originally issued in Portuguese – Note 45.)

(EUR)

	Notes	2010	2009
Interest and similar income	30	4 388 088 884	5 317 030 003
Interest and similar costs	30	(2 972 831 017)	(3 784 086 960)
Income from equity instruments	31	197 476 680	108 401 937
NET INTEREST INCOME		**1 612 734 547**	**1 641 344 980**
Income from services rendered and commissions	32	648 628 263	592 462 610
Cost of services and commissions	32	(146 313 001)	(144 694 768)
Results from financial operations	33	124 387 923	199 496 583
Other net operating income	34	350 962 737	219 628 830
NET OPERATING INCOME		**2 590 400 469**	**2 508 238 235**
TECHNICAL MARGIN ON INSURANCE OPERATIONS			
Premiums net of reinsurance	35	1 323 352 472	1 774 167 325
Result of investments relating to insurance contracts	35	206 766 596	250 124 578
Cost of claims net of reinsurance	35	(931 660 148)	(1 425 806 306)
Commissions and other income and cost relating to insurance contracts	35	(89 461 407)	(107 250 308)
		508 997 513	**491 235 289**
NET OPERATING INCOME FROM BANKING AND INSURANCE OPERATIONS		**3 099 397 982**	**2 999 473 524**
Staff costs	36	(1 047 134 334)	(1 040 370 452)
Other administrative costs	38	(721 196 946)	(698 079 988)
Depreciation and amortisation	14 and 15	(198 848 549)	(197 980 611)
Provisions net of reversals	23	(51 130 457)	(8 059 296)
Loan impairment net of reversals and recovery	39	(369 101 806)	(416 846 034)
Other assets impairment net of reversals and recovery	39	(354 660 208)	(259 280 023)
Result of associated companies	-	7 100 309	(4 404 140)
INCOME BEFORE TAX AND MINORITY INTEREST		**364 425 991**	**374 452 980**
Current	17	(129 219 647)	8 562 265
Deferred	17	64 181 122	(78 772 636)
		(65 038 525)	**(70 210 371)**
Consolidated net income for the year, of which:		**299 387 466**	**304 242 609**
Minority interest	29	(48 805 532)	(25 343 239)
NET INCOME ATTRIBUTABLE TO THE SHAREHOLDER OF CGD		**250 581 934**	**278 899 370**
Average number of ordinary shares outstanding	27	900 000 000	819 452 000
Earnings per share (in Euros)		0.28	0.34

Certified Public Accountant

Joaquim Maria Florêncio

Board of Directors

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CAIXA GERAL DE DEPÓSITOS, SA

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Translation of Balance Sheets originally issued in Portuguese – Note 45.)

(EUR thousand)

	2010	2009
Adjustments to fair value of available-for-sale financial assets		
Change in period	(628 390)	495 511
Adjustments of fair value reserves reclassification to results		
Recognition of impairment for the year	344 374	212 889
Disposal of available-for-sale financial assets	49 209	(24 024)
Tax effect	58 048	(137 850)
Currency changes		
Change in period	100 361	42 363
Adjustments of exchange reserves reclassification to results		
Recognition of impairment for the year of available-for-sale financial assets		
Investment units in foreign currency	(18 841)	-
Disposal of available-for-sale financial assets		
Investment units in foreign currency	(35 984)	-
Recognition of foreign exchange gains and losses in connection with the acquisition of control of Partang, SGPS	1 152	-
Tax effect	6 389	(7 061)
Other	(7 318)	(4 004)
Total comprehensive net income for the year recognised in reserves	**(131 002)**	**577 824**
Net income for the year	299 387	304 243
Total comprehensive net income for year, of which:	**168 385**	**882 067**
Minority interest	(57 970)	(7 177)
Total comprehensive net income attributable to the shareholder of CGD	**110 416**	**874 890**

CONSOLIDATED CASH FLOW STATEMENTS

(Translation of Balance Sheets originally issued in Portuguese – Note 45.)

(EUR thousand)

	2010	2009
OPERATING ACTIVITIES		
Cash flows from operating activities before changes in assets and liabilities		
Interest, commissions and similar income received	5 031 194	6 071 483
Interest, commissions and similar costs paid	(2 434 760)	(3 509 845)
Premiums received (insurance)	1 335 228	1 810 993
Cost and claims paid (insurance)	(1 618 727)	(2 182 202)
Recovery of principal and interest	34 984	40 567
Payments to employees and suppliers	(1 704 735)	(1 641 241)
Payments and contributions to pension funds	(98 960)	(150 645)
Other results	792 587	898 201
	1 336 810	**1 337 312**
(Increases) decreases in operating assets		
Loans and advances to credit institutions and customers	(2 685 576)	(5 470 739)
Assets held for trade and other assets at fair value through profit or loss	1 102 347	611 257
Other assets	12 358	168 469
	(1 570 871)	**(4 691 013)**
Increases (decreases) in operating liabilities		
Resources of central banks and other credit institutions	8 123 361	(455 460)
Customer resources	2 209 791	2 914 572
Other liabilities	(772 702)	(588 209)
	9 560 449	**1 870 904**
Net cash from operating activities before taxation	**9 326 388**	**(1 482 797)**
Income tax	(92 788)	(167 860)
Net cash from operating activities	**9 233 600**	**(1 650 657)**

...continued

(EUR thousand)

	2010	2009
INVESTING ACTIVITIES		
Dividends received from equity instruments	197 477	108 402
Acquisition of investments in subsidiary and associated companies, net of disposals	27 696	2 856
Acquisition of available-for-sale financial assets, net of disposals	(2 971 008)	(2 421 072)
Acquisition of tangible and intangible assets and investment property, net of disposals	(177 616)	(429 473)
Net cash from investing activities	(2 923 452)	(2 739 287)
FINANCING ACTIVITIES		
Interest on subordinated liabilities	(81 409)	(133 904)
Interest on debt securities	(525 747)	(594 531)
Dividends paid on preference shares	(9 226)	(14 396)
Issue of subordinated liabilities, net of repayments	(337 450)	80 071
Issue of debt securities, net of repayments	(6 211 604)	5 030 229
Share capital increase	550 000	1 000 000
Dividends paid	(170 157)	(300 000)
Net cash from financing activities	(6 785 594)	5 067 467
Increase (decrease) in cash and cash equivalents	(475 445)	677 523
Cash and cash equivalents at the beginning of the year	3 164 463	2 512 614
Effects of the exchange rate change on cash and cash equivalents	44 708	(25 674)
Net change of cash and cash equivalents	(475 445)	677 523
Cash and cash equivalents at the end of the year	2 733 725	3 164 463

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Translation of Balance Sheets originally issued in Portuguese – Note 45.)

			Other reserves and retained earnings		
	Share capital	Fair value reserve	Other reserves	Retained earnings	Total
Balances at 31 December 2008	3 500 000	(873 304)	1 464 133	(222 265)	1 241 869
Appropriation of net income for 2008:					
Transfer to reserves and retained earnings	-	-	151 230	7 793	159 023
Dividends paid to the State	-	-	-	-	-
Other entries directly recorded in equity:					
Measurement gain / (losses) on available-for-sale financial assets	-	587 135	(29 772)	-	(29 772)
Currency changes	-	-	39 369	-	39 369
Other	-	-	(742)	-	(742)
Total gains and losses for the year recognised in equity	-	587 135	8 855	-	8 855
Share capital increase	1 000 000	-	-	-	-
Reclassification of unrealised gains	-	(44 984)	44 984	-	44 984
Changes in Group perimeter	-	-	-	-	-
Acquisition of preference shares issued by Caixa Geral Finance	-	-	-	-	-
Dividends paid on preference shares	-	-	-	-	-
Reclassification between reserves and retained earnings	-	-	(25 232)	25 232	-
Net income for the year	-	-	-	-	-
Balances at 31 December 2009	4 500 000	(331 154)	1 643 970	(189 240)	1 454 731
Appropriation of net income for 2009:					
Transfer to reserves and retained earnings	-	-	86 044	22 699	108 742
Dividends paid to the State	-	-	-	-	-
Other entries directly recorded in equity:					
Measurement gain / (losses) on available-for-sale financial assets	-	(176 207)	(4 953)	-	(4 953)
Currency changes	-	-	49 406	-	49 406
Other	-	-	(8 412)	-	(8 412)
Total gains and losses for the year recognised in equity	-	(176 207)	36 040	-	36 040
Share capital increase	550 000	-	-	-	-
Changes in Group perimeter	-	-	-	-	-
Written-put over minority interests – BCGTA	-	-	(83 089)	-	(83 089)
Acquisition of preference shares issued by Caixa Geral Finance	-	-	-	-	-
Dividends paid on preference shares and other dividends paid to minority interests	-	-	-	-	-
Reclassification between reserves and retained earnings	-	-	(22 977)	22 977	-
Net income for the year	-	-	-	-	-
Balances at 31 December 2010	5 050 000	(507 360)	1 659 988	(143 564)	1 516 423

...continued

(EUR thousand)

Net income for the year	Subtotal	Minority interest	Total
459 023	4 327 588	1 156 550	5 484 138
(159 023)	-	-	-
(300 000)	(300 000)	-	(300 000)
-	557 362	(10 837)	546 525
-	39 369	(4 067)	35 302
-	(742)	(3 262)	(4 004)
-	**595 990**	**(18 166)**	**577 824**
-	1 000 000	-	1 000 000
-	-	-	-
-	-	132 855	132 855
-	-	(27 812)	(27 812)
-	-	(14 396)	(14 396)
-	-	-	-
278 899	278 899	25 343	304 243
278 899	5 902 478	1 254 374	7 156 852
(108 742)	-	-	-
(170 157)	(170 157)	-	(170 157)
-	(181 160)	4 400	(176 760)
-	49 406	3 670	53 076
-	(8 412)	1 094	(7 318)
-	**(140 166)**	**9 164**	**(131 002)**
-	550 000	-	550 000
-	-	250 043	250 043
-	(83 089)	-	(83 089)
-	-	(14 439)	(14 439)
-	-	(17 597)	(17 597)
-	-	-	-
250 582	250 582	48 806	299 387
250 582	6 309 646	1 530 350	7 839 996

Caixa Geral de Depositos

2. NOTES, REPORTS AND OPINIONS

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2.1. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Translation of Notes originally issued in Portuguese – Note 45.)

(Amounts expressed in thousands of euros – EUR thousand, unless otherwise specified)

1. INTRODUCTORY NOTE

Caixa Geral de Depósitos, SA (hereinafter referred to as Caixa or CGD), founded in 1876, is an exclusively State owned company. Caixa became a State owned company on 1 September 1993 pursuant to the terms of Decree Law no. 287/1993, of 20 August, which also approved its articles of association. On 23 July 2001 Banco Nacional Ultramarino, SA (BNU) was merged into Caixa.

CGD operates as a universal bank. At 31 December 2009 Caixa had a national network of 848 branch offices, a branch in France with 46 branch offices, a branch in East Timor with 8 branch offices, branches in Spain, London, Luxembourg, New York, the Cayman Islands and Zhuhai, and an International Financial Branch in Madeira.

Caixa also has direct and indirect investments in a significant number of domestic and foreign companies, notably in Spain, Cape Verde, Angola, Mozambique, South Africa, Brazil and Macau, in which it is the major shareholder. These companies comprise the Caixa Geral de Depósitos Group (the "Group"). They operate in various financial sub sectors such as banking, insurance, investment banking, brokerage, venture capital, property, asset management, specialised credit, e-commerce and cultural activities. Caixa also has investments in non-financial companies in the Portuguese economy.

On 15 March 2011, the Board of Directors approved the consolidated financial statements as at 31 December 2010.

The financial statements of CGD and some of its subsidiaries and associated companies at 31 December 2010 are still subject to approval by the respective statutory bodies. CGD' Board of Directors, however, expects that the financial statements will be approved without significant changes.

2. ACCOUNTING POLICIES

2.1. PRESENTATION BASIS

The consolidated financial statements at 31 December 2010 have been prepared in accordance with the International Financial Reporting Standards (IFRS), as adopted in the European Union, under European Council and Parliament Regulation (CE) no. 1606/2002 of 19 July and the provisions of Decree Law 35/2005 of 17 February.

The accounting polices described in this note were applied in a consistent way in all periods presented in the financial statements.

2.2. ADOPTION OF (NEW OR REVISED) STANDARDS ISSUED BY THE INTERNATIONAL ACCOUNTING STANDARDS BOARD (IASB) AND INTERPRETATIONS ISSUED BY THE INTERNATIONAL FINANCIAL REPORTING INTERPRETATION COMMITTEE (IFRIC), AS ADOPTED BY THE EUROPEAN UNION

In preparing its financial statements for 2010, CGD Group adopted the standards and interpretations issued by the IASB and IFRIC, respectively, provided that the said standards were endorsed by the European Union, for application in financial years starting on or after 1 January 2009. The following changes were relevant to CGD Group:

- IFRS 3 (Amendment) – "Business combinations" and IAS 27 – "Consolidated and separate financial statements" – The revision to the text of these standards introduced changes to the measurement and recording of goodwill arising from business combinations both at the acquisition date and considering the effect of events subsequent to that date, which affect the fair value of the acquired entity and the accounting procedures of step acquisitions. This standard also defines the accounting treatment to be adopted in recording transactions of subsidiaries' shares whether or not control is maintained. The adoption of the revised standards is mandatory for financial years starting on or after 1 July 2009;

- IAS 39 – "Hedge accounting" (Amendment) – The revised version of this standard intends to clarify certain aspects relating to the use of hedge accounting for the inflation risk component as well as the use of purchased options in fair value hedges. The adoption of this standard is mandatory for the financial years starting on or after 1 July 2009;

• IAS 27 – "Consolidated and separate financial statements – Cost of an investment in a subsidiary, jointly controlled entity or associate" (Amendment) – The revised version of this standard clarifies the measurement criteria of an investment in a subsidiary, jointly controlled entity or associate under the restructuring of a group with changes at the level of the parent company. The adoption of this revised standard is mandatory for the financial years starting on or after 1 July 2009;

• IFRIC 17 – "Distribution of non-cash assets to owners" – This interpretation intends to clarify the accounting treatment relating to the distribution of non-cash assets to owners. The adoption of this standard is mandatory for financial years starting on or after 1 July 2009;

• IFRS 2 (Amendment) – "Share-based Payment" – The revised version of this standard clarifies the procedures to be adopted by a subsidiary in its separate financial statements regarding share-based transactions when payment is made by the parent company or by any other group company. The adoption of the revised standard is mandatory for the financial years starting on or after 1 January 2010.

The following (new and revised) standards and interpretations issued by the IASB and IFRIC, respectively, endorsed by the European Union, were available for early adoption, at 31 December 2010:

• IAS 32 – "Classification of Rights Issues" (Amendment) – As a result of this amendment, derivative instruments issued by an entity with the purpose of acquiring a fixed number of instruments of its own equity in exchange of a fixed amount, irrespective of the currency the operation is agreed upon, should be recognised as equity instruments and not as a liability, provided that they comply with the remaining presentation requirements defined by the standard for this purpose. The adoption of this revised standard is mandatory for financial years starting on or after 1 February 2010;

• IAS 24 (Amendment) – "Related Party Disclosures" – This amendment introduces a partial exemption to the general disclosure requirements related to entities in which the State has control, joint control or significant influence. Accordingly, only balances and transactions made directly with the State or entities related to the State, whose nature or amount (individual or cumulatively) are significant, must be disclosed. The adoption of this standard is mandatory for financial years starting on or after 1 January 2011;

• IFRIC 14 – "The limit on a defined benefit asset, minimum funding requirements and their interaction" (Amendment) – – The review made to the text of this interpretation clarifies composition and accounting treatment of the minimum funding and liability requirements of recording employee benefits associated with future services. The adoption of this standard is mandatory for the financial years starting on or after 1 January 2011;

• IFRIC 19 – "Settlement of liabilities through the issuance of equity instruments " – This interpretation intends to clarify the accounting treatment related to the settlement of liabilities through the issuance of equity instruments as well as the measurement criteria of these instruments. This interpretation is mandatory for the financial years starting on or after 1 July 2010.

In addition, the following standards and interpretations not yet endorsed by the European Union had also been issued up to the date of approval of the financial statements:

• IFRS 9 – "Financial instruments" – This standard represents the first phase of the process in progress to replace IAS 39 – – "Financial instruments: Classification and Measurement" and IFRS 7 – "Financial instruments: Disclosures". The text of the new standard introduces changes to the current classification and measurement criteria of financial assets, including:

a) Debt instruments held to receive contractual flows (therefore not being managed based on the changes in their fair value), the contractual cash flows representing only payments of principal and interest on the initial investment, should be measured at amortised cost. Debt instruments that do not meet the criteria for amortised cost should be measured at their fair value through profit or loss (FVTPL);

b) Equity instruments should be measured at FVTPL. However, at initial recognition, an entity may make an irrevocable election to recorded against "Reserves" subsequent changes in fair value (including gains on the disposal of such assets but excluding dividends received) of an investment in an equity instrument that is not held for trading;

c) Financial assets with embeded derivatives, should be measured and classified considering the total characteristics of the instruments, no longer being possible to separate the embeded derivative from the host contract;

d) There is also an option to measure instruments of the amortised cost category at FVTPL as long as this change significantly reduces the accounting mismatch that would otherwise exist;

e) The standard is required to be applied retrospectively. However, the classification and measurement of financial assets under the terms of the new requirements of IFRS 9 are to be made on the basis of the facts and circumstances that existed at the date of its first application (irrespective of the circumstance and purposes considered at the date of the initial recognition of the assets that remain on the balance sheet at the reference date for the adoption of this standard.

The adoption of this standard is mandatory for the financial years starting on or after 1 January 2013.

- IFRS 7 (Amendment) – "Financial instruments: Disclosures" – The changes made to the standards are intended to clarify and complement the existing disclosure requirements regarding the nature and extent of the risks to which the entities are exposed due to the use of financial instruments. In addition, these amendments are intended to improve the quality of disclosures relating to financial assets transfer operations such as securitisations. The amendments to this standard are mandatory for financial years starting on or after 1 January 2011.

Although an assessment of the effect of adopting the above standards and interpretations on CGD's consolidated financial statements has not yet been made, the Board of Directors believes that their adoption in the future will not have any materially relevant impact.

2.3. CONSOLIDATION PRINCIPLES

The consolidated financial statements include the accounts of CGD and the entities controlled directly and indirectly by the Group (Note 3.), including special purpose entities.

Subsidiary companies are those in which the Group has effective control over their current management with the aim of obtaining economic benefits from their operations. Control is normally considered to exist where more than 50% of the share capital or voting rights are held. In addition, and as a result of applying IAS 27 – "Consolidated and separate financial statements", the Group included special purpose entities in its consolidation perimeter, i.e. vehicles and funds created under securitisation operations, venture capital and investment funds and other similar entities over which it exercises financial and operating control and/or where the Group has the majority of the risks and benefits relating to their operations.

CGD's subsidiaries were consolidated by the full consolidation method. Significant transactions and balances between the consolidated companies were eliminated. In addition, whenever applicable, consolidation adjustments were made to ensure consistency with the Group's accounting principles.

Third party participation in such companies is recognised in the equity heading "Minority interest".

Consolidated net income is the result of aggregating the net results of CGD and its subsidiaries in proportion to the effective participation in them, after consolidation adjustments, namely the elimination of dividends received and capital gains and losses on transactions between Group companies.

At 31 December 2010 and 2009 CGD had participating securities representing approximately 52% of the capital of IHRU–Instituto da Habitação e Reabilitação Urbana (Housing and Urban Rehabilitation Institute). This investment has not been consolidated owing to the fact that the participating securities do not entitle CGD to participate in IHRU's management.

Companies under the joint control of Caixa and other entities, are consolidated by the proportional consolidation method, under which their assets, liabilities, costs and income were incorporated into the consolidated accounts in proportion to CGD's participating interest in them.

2.4. BUSINESS COMBINATIONS AND GOODWILL

Acquisitions of subsidiaries are recorded by the acquisition method of accounting. The acquisition cost comprises the sum of the fair value of assets, equity instruments issued and liabilities incurred or assumed in exchange for control over the entity acquired. In the scope of the acquisition, the incurred costs directly attributable to the operation are recognised as charges on the date of acquisition (in acquisitions ocurred between 1 January 2004 and 31 December 2009 these costs were added to acquisition cost). On the acquisition date, which is the date on which the Group obtains control over the subsidiary, identifiable assets, liabilities and contingent liabilities that meet the recognition requirements of IFRS 3 – "Business combinations" are recognised at their respective fair value.

Goodwill corresponds to the positive difference between the acquisition cost of a subsidiary and the effective participating interest in the fair value of the identifiable assets, liabilities and contingent liabilities acquired by the Group, on the acquisition date. Goodwill is recognised as an asset and is not amortised.

Whenever the fair value of the identifiable assets, liabilities and contingent liabilities exceeds the acquisition cost, the excess is recorded as income in the income statement for the year.

Once control is obtained, all subsequent increases and decreases in ownership interests that do not involve the loss of control are treated as transactions among owners. Goodwill is not remeasured or adjusted. Any difference between the change in minority interests and the respective acquisition cost is recognised directly in reserves. Gains and losses from the sale of minority interests involving loss of control over a subsidiary are recognised by the Group at the date of the operation, by a corresponding entry to the statement of income.

At least annually the Group performs impairment tests of recorded goodwill, in accordance with the requirements of IAS 36 – – "Impairment of assets". For this purpose, goodwill is allocated to cash flow generating units and its recoverable value is determined on the basis of estimated future cash flows, discounted at rates considered appropriate by the Group. Impairment losses on goodwill are recognised in the income statement for the year and cannot be reversed.

Up to 1 January 2004, as permitted by the Bank of Portugal, goodwill was deducted in full from equity in the year of the acquisition of the subsidiaries. As permitted by IFRS 1, the Group did not change this procedure and, consequently, goodwill generated on operations up to 1 January 2004 continues to be recorded as a deduction from reserves.

ACCOUNTING FOR PUT OPTIONS WRITTEN OVER NON-CONTROLLING INTERESTS (WRITTEN PUT OPTIONS)

Liabilities resulting from written put options over non-controling interests are initially recognised by the Group against "Other reserves". Subsequent changes to its fair value being measured on the basis of the contract agreed, are also charged to "Other reserves".

2.5. INVESTMENT IN ASSOCIATES

Associates are those companies over which the Group has significant influence, but does not have effective control over their management. Significant influence is presumed to exist whenever the Group has a direct or indirect participation of between 20% and 50% in their share capital or of voting rights.

Investments in associates are accounted for using the equity method of accounting. In accordance with this method, investments are initially recognised at acquisition cost, which is subsequently adjusted for the Group's share in the changes in the equity of associates (including profit or loss). The equity method of accounting is used up to the moment in which the accumulated losses incurred by the subsidiary and recognised by the Group, exceed the respective investment book value. From this moment on it will be descontinued, except if there is a legal or constructive obligation through the creation of a provision for that purpose.

If there are significant differences between the Group's accounting principles and those of an associate, adjustments are made to the associate's equity, used for applying the equity method, so as to comply with the Group's accounting principles.

Goodwill, corresponding to the positive difference between the acquisition cost of an associate and the fair value of the share of assets, liabilities and contingent liabilities acquired by the Group, is included in the carrying amount of the investment, which is annually tested for impairment.

Unrealised gains or losses on transactions with associates are eliminated to the extent of the Group's effective participating interest in the associates.

2.6. TRANSLATION OF BALANCES AND TRANSACTIONS IN FOREIGN CURRENCY

The non-consolidated accounts of the Group entities included in the consolidation are prepared in their functional currencies. In the consolidated accounts the results and financial position of each entity are expressed in the Group's functional currency, which is the Euro.

Foreign currency transactions are recognised in the separate financial statements of Caixa and its subsidiaries based on the reference foreign exchange rates in force on the transaction dates.

Foreign currency monetary assets and liabilities at each balance sheet date are translated to each entity's functional currency using the closing exchange rate. Non-monetary assets carried at fair value are translated based on the exchange rates in force on the last measurement date. Non-monetary assets carried at historical cost, including tangible and intangible assets, continue to be recognised at their original exchange rates.

Exchange differences arising on translation are recognised in the income statement for the year, except for those arising on non-monetary financial instruments measured at fair value, such as shares classified as available-for-sale financial assets, which are recognised in a separate equity heading until they are sold.

In the consolidated accounts, the assets and liabilities of entities which do not use the Euro as their functional currency are translated at the closing exchange rates, whereas income and expenses items are translated at the average rates for the period. Under this method, the translation differences are recognised in the equity heading "Other reserves", and are transferred to the income statement upon the sale of the subsidiary.

As permitted by IFRS 1, the Group opted not to recalculate and recognise in "Other reserves" the cumulative translation differences relating to financial statements of subsidiaries expressed in foreign currency up to 31 December 2003 and so the balance of this heading only reflects translation differences arising as from 1 January 2004.

2.7. FINANCIAL INSTRUMENTS

A) FINANCIAL ASSETS

Financial assets are recognised at fair value at the trade date. In the case of financial assets measured at fair value through profit or loss, costs directly attributable to the transactions are recognised in the heading "Cost of services and commissions". In the remaining cases, such costs are included in the book value of the asset. Upon initial recognition, these assets are classified in one of the following IAS 39 categories:

I) Financial Assets at Fair Value Through Profit or Loss

This category includes:

- Financial assets held for trading, which comprise essentially securities acquired for the purpose of realising gains from short term market price fluctuations. This category also includes derivatives, excluding those that comply with the requirements for hedge accounting; and,

- Financial assets whose initial recognition is irrevocably classified at fair value through profit or loss ("Fair Value Option"). This designation is limited to situations in which the adoption results in the production of more relevant financial information, namely:

  > If its application eliminates or significantly reduces an otherwise inconsistency in measurement or recognition ("accounting mismatch") that would have occurred as a result of measuring the related assets and liabilities or recognising gains and losses thereon inconsistently;

  > Groups of financial assets, financial liabilities, or both, which are managed and when their performance is assessed on a fair value basis, in accordance with risk management and formally documented investment strategies; and the related information thereon is internally distributed to the management bodies.

- It is also possible to classify financial instruments containing one or more embedded derivatives in this category, unless:

  > The embedded derivatives do not significantly modify the cash flows which would otherwise have been generated under the contract;

  > It is evident, with little or no analysis that the implicit derivatives should not be separated.

Financial assets classified in this category are measured at fair value, with gains and losses arising from subsequent changes in fair value being recorded in the income statement heading "Results from financial operations". Interest is recognised in the appropriate "Interest and similar income" heading.

II) Held-to-Maturity Investments

Fixed-income, low risk securities which the Group intends and is able to hold to maturity are classified in this category.

These financial assets are measured at amortised cost. In accordance with this method, the carrying amount of the financial instruments at each balance sheet date corresponds to their initial cost less repayments of principal and impairment losses of any difference between the initial cost and the repayment amount being amortised based on the effective interest method.

Interest is recognised in accordance with the effective interest method, which enables amortised cost to be calculated and interest to be allocated over the period of the operation. The effective interest rate is that, which being used to discount estimated future cash flows relating to the financial instrument enables its present value to equal the amount of the financial instrument initially recognised.

This heading at 31 December 2010 and 2009 consisted entirely of securities held by Banco Caixa Geral.

III) Loans and Receivables

These are financial assets with fixed or determinable payments that are not quoted in an active market. This category includes loans and advances to Group customers (including securitised loans), amounts receivable from other credit institutions and amounts receivable for services rendered or sales of assets, recognised in "Other assets".

These assets are initially recognised at fair value, less any charges included in the effective interest rate, plus all incremental costs directly attributable to the transaction. The assets are subsequently measured in the balance sheet at amortised cost, less impairment losses. Interest is recognised based on the effective interest method.

IV) Available-for-Sale Financial Assets

This category includes the following financial instruments designated as available-for-sale upon initial recognition:

- Equity securities not classified as financial assets at fair value through profit or loss, including stable equity investments. Therefore it also includes equity instruments held under the Group's venture capital operations, without associated options;

- Bonds and other debt instruments classified under this heading upon initial recognition;

- Participating units in investment funds.

Available-for-sale financial assets are measured at fair value, except for equity instruments not listed on an active market whose fair value cannot be reliably measured, which continue to be recorded at cost. Gains and losses arising from changes in fair value are recognised directly in the equity heading "Fair value reserves". At the time of sale or if impairment is determined, the cumulative gains or losses are transferred to the income statement for the year and recognised in the headings "Results from financial operations" or "Other asset impairment, net of reversals and recovery", respectively.

To determine the results of sale, assets sold are measured at the average cost of acquisition.

Interest on debt instruments classified in this category is calculated using the effective interest method and is recorded in the income statement heading "Interest and similar income".

Dividends on equity instruments classified in this category are recorded as income in the "Income from equity instruments" heading, when the Group's right to receive them has been established.

Reclassification of financial assets

The entry into force on 13 October 2008 of the amendment of IAS 39, enabled the Group to reclassify some financial assets classified as held for trade or available-for-sale to other categories of financial assets. Reclassifications to financial assets at fair value through profit or loss categories remain prohibited. Accordingly, reclassifications made up to 1 November 2008 had 1 July 2008 as reference date. Reclassifications made after this date, had impact on the date of the transfer between the different categories of financial instruments.

Information on reclassifications carried out under the terms of the referred to amendment is presented in Note 8.

Fair value

As mentioned above, financial assets recorded as at fair value through profit or loss and available-for-sale financial assets are measured at fair value.

Fair value corresponds to the amount for which a financial asset can be sold or a financial liability settled between independent, knowledgeable, willing parties in an arm's length transaction.

The fair value of financial assets is determined by a Department of Caixa which is independent of the trading function, based on:

- The closing price at the balance sheet date, for instruments traded on active markets;

- Valuation methods and techniques used to determine the fair value of debt instruments not traded on active markets (including unlisted securities or securities with low liquidity), include:

  > Bid prices published by financial information services such as Bloomberg and Reuters, including market prices available on recent transactions;

> Reference bid prices obtained from financial institutions operating as market-makers;

> Internal valuation models that incorporate market data that would be used in setting the price of the financial instrument, reflecting market interest rates and volatility, as well as the liquidity and credit risk of the instrument.

- Unlisted equity instruments relating to venture capital operations are valued on the following basis:

  > Prices of significant transactions between independent entities over the last six months;

  > Multiples of comparable companies in terms of business sector, size and profitability;

  > Discounted cash flows, using discount rates appropriate to the risk of assets held.

  The calculation of fair value incorporates discount factors to reflect the securities' lack of liquidity. In addition, if there is a right or contractual obligation to sell an asset, it will be valued at an amount between that resulting from the above mentioned valuation methods and the present value of the selling price of the asset, adjusted where applicable to reflect counterparty credit risk.

- Other unlisted equity instruments whose fair value cannot be reliably measured (e.g. no recent transactions) are measured at cost, less any impairment losses.

Amortised cost

Financial instruments at amortised cost are initially recorded at fair value, plus or minus income or costs directly attributable to the transaction. Interest is recognised in accordance with the effective interest rate method.

Whenever the estimated payments or collections relating to financial instruments measured at amortised cost is revised, their book value is adjusted to reflect the revised cash flows. The new amortised cost is calculated based on the present value of future cash flows adjusted to the initial efective interest rate of the financial instrument. The adjustment of the amortized cost is recognised in the income statement.

B) FINANCIAL LIABILITIES

Financial liabilities are recognised on their trade date, at their fair value less the costs directly attributable to the transaction. Financial liabilities are classified in the following categories:

I) Financial Liabilities at Fair Value Through Profit or Loss

These comprise derivative financial instruments with negative fair value, as well as the short trading of fixed and variable income securities. These liabilities are measured at fair value, their gains or losses resulting from their subsequent measurement being recognised in the "Results from financial operations" heading.

II) Other Financial Liabilities

This category includes resources of central banks and other credit institutions, customer resources, debt securities, subordinated liabilities and liabilities incurred for services received or the purchase of assets, recognised in "Other liabilities".

These financial liabilities are valued at amortised cost, interest, where applicable, being recognised in accordance with the effective interest method.

C) DERIVATIVES AND HEDGE ACCOUNTING

The Group carries out derivative transactions as part of its activity, so as to provide for its customers' requirements and reduce its exposure to foreign exchange, interest rate and price fluctuations.

Derivatives are recognised at fair value at the trade date. Their respective notional values are also reflected in off-balance sheet accounts.

Derivatives are subsequently measured at their respective fair values, determined as follows:

- Based on prices obtained on active markets (e.g. futures traded on organised markets);

• Based on models incorporating valuation techniques accepted in the market, including discounted cash flows and option valuation models.

Embedded Derivatives

Financial derivatives embedded in other financial instruments are separated from the host contracts and accounted for separately as derivatives under IAS 39, whenever:

• The economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract as defined in IAS 39; and

• The combined financial instrument is not measured at fair value, with the changes in fair value recognised in profit or loss.

The main impact of this procedure as regards the Group's operations, consists of the need to separate and measure at fair value the derivatives embedded in deposits and debt securities, namely those whose return / remuneration does not comprise interest (such as returns / remuneration indexed to share indices or prices, exchange rates, etc.). At the time of separation, the derivative is recognised at its fair value, the initial amount of the host contract corresponding to the difference between the total value of the combined instrument and the initial fair value of the derivative. Therefore, no profit or loss is recognised upon the initial recognition of the operation.

Hedging Derivatives

These derivatives are contracted to hedge the Group's exposure to specific risks of its operations. The classification as a hedging derivative and the use of hedge accounting, as explained below, are subject to compliance with the IAS 39 requirements.

At 31 December 2010 and 2009, the Group only hedged the exposure to changes in fair value of recognised assets or liabilities, called fair value hedges.

At the inception of a hedge relationship, the Group prepares formal documentation that includes the following minimum aspects:

• Risk management objective and strategy for undertaking the hedge, in accordance with defined hedging policies;

• Description of the hedged risk(s);

• Identification and description of the hedged and hedging financial instruments;

• Method for assessing the hedge's effectiveness and frequency of that assessment.

Assessments of hedge effectiveness are performed and documented periodically, by comparing the changes in fair value of the hedging instrument and of the hedged item (part attributable to the hedged risk). According to IAS 39, the use of hedge accounting is allowed if actual results of the hedge fall within a range of 80% to 125%. Prospective effectiveness tests are also performed to estimate future effectiveness of the hedge.

Hedging derivatives are measured at fair value, with daily changes in fair value being recognised in the income statement for the year. If the hedge is regarded as effective, through the determination of an effectiveness rate of between 80% and 125%, the Group also records in the income statement for the year in the heading "Results from financial operations" the change in the fair value of the hedged item attributable to the hedged risk. In the case of instruments with an interest component (such as interest rate swaps), accrued interest for the period and realized cash flows are recognised in the net interest income headings "Interest and similar income" and "Interest and similar costs".

Whenever a hedging relationship ceases to be effective for the application of hedge accounting defined by the Standard or if Caixa revokes the designation, hedge accounting is discontinued. In these cases, adjustments carrying amount of hedged items up to the date that hedge accounting ceases to be effective or the revoking of that designation is decided, are recognised in profit or loss up to the financial asset or liability's maturity, based on the effective interest rate.

Caixa decided to revoke the hedge designation as from 1 October 2008 and during 2009, of a certain number of swaps which were hedging interest rate risk of liabilities issued. Gains on those swaps as from that date, were recorded in "Results from financial assets and liabilities held for trade – in derivatives – interest rate".

Positive and negative revaluation of hedging derivatives is recognised in specific asset and liability headings, respectively.

Changes in fair value of hedged items are recognised in the balance sheet headings in which such assets and liabilities are recorded.

Trading Derivatives

These include all derivatives that are not effective hedging instruments in accordance with IAS 39, namely:

- Derivatives contracted to hedge risks on assets or liabilities measured at fair value through profit or loss, thus rendering hedge accounting unnecessary;

- Derivatives contracted for hedging purposes that fail to meet the requirements for hedge accounting under IAS 39, due to difficulty in specifically identifying the hedged items, cases other than micro hedges or if the results of the effectiveness tests fall outside the range permitted by IAS 39;

- Derivatives contracted for trading purposes.

Trading derivatives are measured at fair value, with daily changes being recorded in profit or loss for the year in the heading "Results from financial operations", except for the part relating to accrued and settled interest, which is recognised in "Interest and similar income" or "Interest and similar costs". Derivatives with positive and negative fair value are recorded in the headings "Financial assets at fair value through profit or loss" and "Financial liabilities at fair value through profit or loss", respectively.

D) IMPAIRMENT OF FINANCIAL ASSETS

Financial Assets at Amortised Cost

The Group periodically performs impairment tests on its financial assets measured at amortised cost, namely loans and advances to credit institutions, held-to-maturity investments and loans and advances to customers.

Evidence of impairment is assessed individually in the case of financial assets having significant exposure amounts and collectively in the case of homogenous assets, which are not individually significant.

In accordance with IAS 39, the following events are considered signs of impairment of financial assets recorded at amortised cost:

- Failure to comply with contractual clauses, such as arrears of interest and principal;

- A record of defaults in the financial system;

- Existence of loan restructuring operations or respective negotiations, in progress;

- Difficulties in terms of the capacity of the shareholders and management, notably when major shareholders and key staff leave the company or when the shareholders are in dispute;

- Significant financial difficulties of the debtor or debt issuing entity;

- High probability of the debtor or debt issuing entity being declared bankrupt;

- Decrease of the debtor's competitive position;

- Historical record of collections suggesting that the nominal value will not be fully recovered.

Whenever evidence of impairment on individually analysed assets is identified, the possible impairment loss corresponds to the difference between the present value of the estimated future cash flows (i.e. recoverable value), discounted at the effective original interest rate of the asset, and the book value at the time of the analysis.

In the case of loans collateralized by shares, impairment is determined based on the estimated value of those shares in a period compatible with the maturity of the corresponding loans. Additional collateral received as well as the debtors' financial capacity is also considered for determining impairment.

Assets not individually assessed for impairment are included in homogenous groups with similar risk characteristics (on the basis of counterpart and credit type) and are collectively assessed for impairment. Future cash flows are estimated based on historical information on defaults and recoveries on assets with similar characteristics.

Assets individually assessed on which no objective evidence of impairment has been identified are also subject to collective impairment assessments, as described in the preceding paragraph.

Impairment losses calculated on a collective basis include the time effect of discounting estimated cash flows receivable on each operation to the balance sheet date.

The impairment loss is recognised in the heading "Loan impairment net of reversals and recovery" and is recognised separately in the balance sheet as a deduction from the amount of the respective credit.

Write-off of Principal and Interest

The Group periodically writes-off non-recoverable loans using the respective accumulated impairment loss after specific analysis by the bodies responsible for monitoring and recovering loans, and approval of the Boards of Directors of the various entities. Recoveries of credits written off are recognised as deductions from impairment losses in the income statement heading "Loan impairment net of reversals and recovery".

In accordance with current Group policy, interest on overdue loans without real guarantees is reversed three months after the due date of the operation or of the first overdue payment. Interest not recorded on these loans is only recognised in the year in which it is received.

Interest on overdue credit secured by mortgage or other real guarantee is not reversed as long as the accrued amount of outstanding principal and overdue interest is lower than the guarantee.

The recovery of interest written-off is also recognised in the heading "Loan impairment net of reversals and recovery".

Available-for-Sale Financial Assets

As mentioned in Note 2.7. a), available-for-sale financial assets are measured at fair value, with fair value changes being recognised directly in the equity heading "Fair value reserve".

Whenever there is objective evidence of impairment, the accumulated losses recognised in reserves are transferred to the income statement heading "Other asset impairment net of reversals and recovery".

In addition to the above mentioned signs of impairment of assets recognised at amortised cost, IAS 39 provides for the following objective evidence of impairment of equity instruments:

- Information regarding significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuing entity operates, indicating that the cost of the investment may not be fully recovered;

- A significant or prolonged decline in fair value below cost.

The Group performs impairment analysis on available-for-sale financial assets at each balance sheet date taking into consideration the nature and specific and individual characteristics of the referred to assets.

In addition to the abovementioned impairment analysis, the following events were considered as impairment objective evidence in equity instruments:

- Existence of unrealised losses exceeding 50% of the corresponding acquisition cost;

- When the fair value of an equity instrument is bellow the respective acquisition cost for a period over 24 months.

Existence of unrealised losses exceeding 30% of the corresponding acquisition cost, over a period of more than nine months, was also considered as impairment objective evidence.

Impairment losses on equity instruments cannot be reversed. Any unrealised gains arising after the recognition of impairment losses are recognised in the "Fair value reserve". Subsequent additional losses are always considered impairment and therefore reflected in net income for the year.

The Group also performs periodic impairment analysis on financial assets measured at cost, namely unlisted equity instruments whose fair value cannot be reliably measured. The recoverable value in this case corresponds to the best estimate of the future cash flows receivable from the asset, discounted at a rate that reflects the risk of holding the asset.

The amount of the impairment loss determined is recognised directly in profit or loss for the year. Impairment losses on such assets cannot be reversed.

2.8. NON-CURRENT ASSETS HELD FOR SALE AND GROUPS OF ASSETS AND LIABILITIES TO BE SOLD

IFRS 5 – "Non-current assets held for sale and discontinued operations" applies to single assets or groups of assets to be disposed of, by sale or other means together as a group, in a single transaction, and all liabilities directly associated with such assets, to be transferred in the transaction (referred to as "disposal groups").

Non-current assets or disposal groups are classified as held for sale whenever their book value is expected to be recovered by sale and not by continuing use. For an asset (or group of assets and liabilities) to be classified under this heading, the following requirements must be met:

• There must be a high probability of sale;

• The asset must be available for immediate sale in its present condition;

• The sale must be expected to occur within a year of classification of the asset in this heading.

Assets recognised in this heading are not amortised and are measured at the lower of cost or fair value less costs to sell. Fair value of these assets is determined based on appraisals by experts.

If book value exceeds fair value less costs to sell, impairment losses are recognised in the heading "Impairment of other assets, net of reversals and recovery".

Property and other assets received as settlement of defaulting loans are also recorded in this heading at repossessed values.

Periodic appraisals of property received as settlement of defaulting loans are obtained. Impairment losses are recognised when the appraisal amount, deducted from the estimated costs to be incurred on the sale of the property, is lower than book value.

The amount of the sale of repossessed goods will be written off, while the corresponding gains or losses are recognised in the heading "Other operating costs".

2.9. INVESTMENT PROPERTY

Investment property corresponds to property held by the Group with the purpose of obtaining income from rental and/or increase in value.

Investment properties are not depreciated and are measured at fair value, determined annually based on expert appraisals. Fair value changes are recognised in the income statement heading "Other net operating income".

2.10. OTHER TANGIBLE ASSETS

Other tangible assets are recognised at cost, less accumulated depreciation and impairment losses. The cost of repairs and maintenance and other expenses associated with their use are recognised in the income statement heading "Other administrative costs".

Up to 1 January 2004, Caixa and some subsidiaries recorded revaluations of tangible assets under the terms of the applicable legislation. As permitted under IFRS 1, upon transition to IFRS, the book value of the assets, including the revaluations, was considered as deemed cost, as their book value on the revaluation dates corresponded approximately to cost or depreciated cost under IFRS, adjusted to reflect changes in price level indices. In respect of companies based in Portugal, 40% of the increase in depreciation resulting from these revaluations is not tax deductible, the respective deferred tax liability having been recorded.

Property for own use held by the Group's insurance companies is stated at fair value, in accordance with the rules defined by the Chart of Accounts for Insurance Companies. On transition to IFRS, the book value of such property was considered to be its deemed cost, as permitted under IFRS 1.

Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets, which correspond to the periods over which the assets are expected to be available for use, which are:

	Years of useful life
Property for own use	50–100
Equipment:	
Furniture and material	8
Machines and tools	5–8
Computer equiment	3–8
Interior fittings	3–10
Vehicles	4–6
Security equipment	4–10

Land is not depreciated.

The cost of leasehold improvements to property occupied by Group companies is capitalised under this heading and depreciated over an average period of 10 years.

Depreciation is recognised as a cost for the year.

Periodic tests are made to identify evidence of impairment of other tangible assets. Impairment losses are recognised in the income statement heading "Impairment of other assets net of reversals and recovery" whenever the net book value of tangible assets exceeds recoverable value (the highest between the value in use and the fair value). Impairment losses can be reversed with an impact on profit or loss if the recoverable value of an asset subsequently increases.

The Group periodically assesses the adequacy of the useful life of its tangible assets.

2.11. FINANCIAL LEASE

Finance leasing operations are recorded as follows:

AS LESSEE

Assets purchased under finance lease agreements are recorded at fair value in "Other tangible assets" and in liabilities and the corresponding depreciation is recognised.

Lease instalments are divided in accordance with the respective financial plan, under which the liability is reduced by principal repayment component of the instalments and the interest component is recognised in "Interest and similar costs".

AS LESSOR

Leased assets are recognised in the balance sheet as "Loans and advances to customers", and are repaid in accordance with the financial plan of the corresponding contracts. Interest included in the instalments is recognised in the heading "Interest and similar income".

2.12. INTANGIBLE ASSETS

This heading comprises essentially the cost of acquiring, developing and preparing for use the software used in Group's operations. Where the requirements of IAS 38 – "Intangible assets" are met, the internal costs incurred in developing software are capitalised as intangible assets. These costs consist exclusively of staff costs.

Intangible assets are carried at cost less accumulated amortisation and impairment losses.

Intangible assets are amortised to the income statement on a systematic basis over the estimated useful life of the assets, which is normally between 3 and 6 years.

Software maintenance costs are recognised as a cost for the year in which they are incurred.

2.13. INCOME TAX

CURRENT TAX

All Group companies are taxed individually, and those with head offices in Portugal, namely CGD, are subject to the regime set out in article 3 of the Portuguese Corporate Income Tax Code ("Código do IRC" or "IRC Code"). The branches' accounts are included in the head office accounts for tax purposes. In addition to being subject to IRC, the net income of branches is also subject to local taxes in the countries / territories in which they operate. Local taxes are deductible from the head office's tax under article 91 of the Corporate Income Tax Code and Double Taxation Agreements entered into by Portugal.

Under article 33 of the Statute of Tax Benefits, the offshore subsidiaries of CGD and Caixa – Banco de Investimento, SA in the Autonomous Region of Madeira benefit from IRC exemption up to 31 December 2011. For the purposes of applying this exemption, 85% of the taxable income of the entity's global activity is considered to result from operations outside the institutional scope of the Madeira Free Trade Area.

Income tax of foreign subsidiaries is calculated and recorded based on the regulations in force in the respective countries.

Current tax is calculated based on taxable income for the year, which differs from accounting income owing to adjustments to taxable income resulting from costs or income that are not considered for income tax purposes or that will be considered in future accounting periods.

Some of the most significant tax aspects for the Group activity in Portugal are stated bellow in detail.

ADJUSTMENTS TO THE NET INCOME FOR THE

• Income earned by non-resident benefiting from a more favourable tax regime

Under Article 66 of the IRC Code, income earned by non-resident entities benefiting from a clearly more favourable tax regime is imputed to Caixa, in proportion to its participation and independently of its distribution, provided that Caixa has a direct or indirect participating interest of at least 25%, or at least 10% if the non-resident company is directly or indirectly owned in more than 50% by resident shareholders;

A company is considered to benefit from a clearly more favourable regime (i) when it is resident in a territory listed in Ministerial Order 150/2004 of 13 February, or (ii) when it is not locally subject to income taxes identical or similar to IRC, or (iii) when the income tax effectively paid is equal to or less than 60% of the IRC that would have been paid if the company were resident in Portugal. In these cases, the corresponding net income is added to Caixa's taxable income for the year in which non-resident company's tax period ends. Imputed income is deductible from taxable income for the year in which profits are eventually distributed to Caixa.

• Provisions

In the calculation of taxable income for 2010 and 2009, both Caixa and the other Group entities subject to the supervision of the Bank of Portugal considered the following rules:

> Dispositions of article 37 of the IRC Code (regulation approved by the 2007 State Budget Law) according to which provisions for specific credit risk and country risk in what concerns credits collateralized by real rights on property, are not tax deductible;

> Dispositions of no.1 of article 57 of the State Budget Law for 2007, according to which increases in provisions for specific credit risk and country risk up to the limit of the balance at 1 January 2007 should be added to income before income tax, as to credits collateralized by real rights on property. As to CGD, this disposition did not provoke any adjustment to the tax base of 2010, since these provisions accrued balance is fully taxed as at 1 January 2007;

> Dispositions of article 35 of the IRC Code according to which, as from 1 January 2003, provisions for general credit risks calculated under the terms of Notice 3/1995 of the Bank of Portugal ceased to be tax deductible. In addition, in accordance with the terms of the legislation in force, whenever provisions for general credit risk are reversed, income for the year to be considered first is the one related to the provisions that were accepted as tax cost in the year they were recorded.

• Staff costs

CGD has considered as tax deductible up to the limit of 25% of the staff costs, costs recorded as remuneration, except costs with employees subject to the social security general contribution regime (to which the limit of 15% is applicable) and those recorded as contributions for the pensions funds. According to the understanding of the Secretary of State for Tax Affairs of 19 January 2006, on this matter, for the calculation of taxable income, the amount recorded in costs is tax deductible under the terms of the accounting regulations applicable, but with the limit of the contribution effectively paid to the pension fund in that same year or previous years.

The amounts recognised by CGD in 2010 and 2009 as a change to equity in the non-consolidated accounts relating to the recognition of one-eighth and one-fifth, respectively, of the increase in the liabilities from employee benefits resulting from application of the Adjusted Accounting Standards plus other similar costs recognised during the year, do not exceed the limit of 25% of the payroll.

Therefore, considering that CGD's tax deductible costs in the first half 2010 and in 2009, are less than the amounts effectively paid to the pension fund (a condition required under the terms of the understanding of the Secretary of State for Tax Affairs), such amounts are considered to be tax deductible costs.

- Settlement results

  Article 92 of the IRC Code, introduced by the State Budget Law for 2005 and changed by the State Budget Law for 2010, establishes that the taxable income, net of deductions relative to international double taxation and tax benefits, may not be less than 75% of the amount which would be determined if the tax payer did not benefit from:

  > The tax benefits referred to in no. 2 of article 86;

  > The deduction of supplementary contributions to pension funds and similar to cover pension liabilities, as a result of applying international accounting standards, as determined by the Bank of Portugal;

  > Deduction of tax losses transferred under corporate mergers.

  CGD did not make any adjustment to taxable income for the years ended 31 December 2010 and 2009 as a result of applying this article.

DEFERRED TAX

The total income tax cost recognised in the income statement includes current and deferred tax.

Deferred tax consists of the impact on the tax to be recoverable / payable in future periods resulting from temporary deductible or taxable differences between the book value of assets and liabilities and their tax basis, used to determine taxable income.

Deferred tax liabilities are normally recognised for all temporary taxable differences, whereas deferred tax assets are only recognised to the extent that it is probable that sufficient future taxable income will be generated, allowing the use of the corresponding deductible tax differences or tax losses carried forward. In addition, deferred tax assets are not recognised where their recoverability may be questioned due to other situations, including issues regarding the interpretation of the tax legislation in force.

In addition, deferred tax are not recognised in the following situations:

- Temporary differences arising from goodwill;
- Temporary differences arising from the initial recognition of assets and liabilities on transactions which do not affect accounting income or taxable income;
- Taxable tax differences relating to undistributed profits of subsidiaries and associates, to the extent that the Group is able to control their reversal and it is not likely to occur in the foreseeable future.

The main situations originating temporary differences in the CGD Group are provisions temporarily non tax deductible and employee benefits.

Deferred taxes are calculated at the tax rates expected to apply to the period in which the temporary differences reverse, based on tax rules that have been enacted or substantially enacted at the balance sheet date.

Income tax (current or deferred) is recorded in income statement for the year, except where the tax arises from transactions that have been recognised in other equity headings (such as unrealised gains and losses on available-for-sale financial assets). In such cases the corresponding tax is also recognised as a charge to equity and does not affect income for the year.

2.14. PROVISIONS AND CONTINGENT LIABILITIES

A provision is recorded whenever a present obligation (legal or constructive) exists as a result of a past event involving the probable future outflow of resources and this can be reliably determined. The amount of the provision comprises the best estimate of the amount to be paid to settle the liability as at the balance sheet date.

When the outflow of resources is not probable, a contingent liability exists. Contingent liabilities need only be disclosed, unless the probability of their payment is remote.

Provisions for other risks are to cover:

- The liability for guarantees provided and other off-balance sheet commitments determined based on a risk analysis of operations and the respective customers;

- Legal, tax and other contingencies resulting from the Group's activity.

2.15. EMPLOYEE BENEFITS

Liabilities for employee benefits are recognised in accordance with IAS 19 – Employee Benefits. The principal benefits granted by Caixa include retirement and survivor pensions, healthcare and other long term benefits.

LIABILITY FOR PENSIONS AND HEALTHCARE

The CGD Group has several pension plans, including defined benefit plans and, in some cases, defined contribution plans. Caixa, Companhia de Seguros Fidelidade Mundial, SA (Fidelidade Mundial) and Império Bonança, Companhia de Seguros, SA (Império Bonança) are responsible for the payment of retirement, disability and survivor pensions to their employees, under the terms explained in Note 37. Other Group companies also have defined benefit plans, namely Banco Comercial do Atlântico, Banco Caixa Geral and Banco Nacional Ultramarino (Macau).

In addition, healthcare for CGD's (Head Office) current and retired employees is provided by the Caixa Geral de Depósitos Social Services ("Social Services"), which is funded by contributions by CGD's head office and its employees. Caixa also has liabilities for contributions for SAMS (Healthcare) for employees of the former BNU that retired prior to the 23 July 2001 merger of BNU into CGD.

The liability for the defined benefit plans recognised on the balance sheet comprises the difference between the present value of the liability and the fair value of pension funds' assets, adjusted, where applicable, for deferred actuarial gains and losses. The total liability is determined annually, on 31 December, by specialised actuaries, using the Unit Credit Projected method and other actuarial assumptions considered to be appropriate (Note 37.). The discount rate used to discount the liability reflects market interest rates for high-quality corporate bonds denominated in the currencies in which the liabilities are to be paid and with maturities similar to the average settlement period of the liability.

Gains and losses resulting from differences between actuarial and financial assumptions and the effective amounts as regards the liability and expected income of the pension funds, as well as those resulting from changes in the actuarial assumptions, are deferred in an asset or liability heading ("corridor") up to the limit of 10% of the present value of the past service liability or the value of the pension funds (or, if applicable, the provisions recorded), whichever is greater, at the end of the current year. If the actuarial gains and losses exceed the limit of the corridor, the excess is recognised in the income statement over the average period up to the normal retirement age of the employees covered by the plan.

The limits referred to in the preceding paragraph are calculated and applied separately for each defined benefit plan.

The Group does not usually assume any liability for defined contribution plans, other than its annual contribution and so no additional costs are recorded.

The net amount of the cost of retirement pensions and healthcare for the year, including current service cost and interest cost, less expected income, as well as amortisation of actuarial gains and losses, is recognised in the appropriate "Staff costs" heading.

The impact of the retirement of employees prior to their normal retirement age defined in the actuarial study is recognised directly in "Staff costs". In addition, Caixa has recorded a specific liability for the impact of the change to non-active status of employees with whom it has entered into suspension of labour agreements. This provision is also recorded as a charge to the income statement heading "Staff costs".

OTHER LONG TERM BENEFITS

The Group also has other long term benefit liabilities in respect of its employees, including a liability for the payment of long service bonuses and death grants prior to normal retirement age. The death grants after the normal retirement age is covered by the Pensions Fund.

The liability for such benefits is also determined based on actuarial calculations. However, in accordance with IAS 19 actuarial gains and losses cannot be deferred, and so they are fully recognised in profit or loss for the period.

SHORT TERM BENEFITS

Short term benefits, including productivity bonuses paid to employees are recognised on an accruals basis in "Staff costs" for the respective period.

2.16. INSURANCE

A) INSURANCE CONTRACTS

Transactions relating to insurance contracts written and reinsurance contracts held by the Group are recorded in accordance with IFRS 4 – "Insurance contracts". This standard allows issuers of insurance contracts to maintain the accounting policies used prior to the adoption of IFRS, provided that certain minimum requirements, established by that standard, are complied with. These include the requirement of a test of the adequacy of recognised insurance liabilities, with reference to each balance sheet date. Consequently, insurance contracts written and reinsurance contracts held by the Group were recorded in accordance with the accounting policies established in the Chart of Accounts for Insurance Companies ("Plano de Contas para as Empresas de Seguros"– PCES), approved by Instituto de Seguros de Portugal (Portuguese Institute of Insurance – ISP) and other ISP standards, complemented by the changes arising from the introduction of IFRS 4. Contracts with a significant insurance risk are classified as insurance contracts and recorded in accordance with IFRS 4. Contracts not having a significant insurance risk are classified as investment contracts and recorded in accordance with IAS 39.

In addition, as permitted by IFRS 4, the Group did not change its accounting policies for investment contracts with profit sharing that include a discretionary participation feature and therefore continues to recognise premiums written as income and corresponding increases in liabilities as a cost.

An insurance or investment contract is considered to have a profit sharing that includes a discretionary participation feature when the respective contractual terms foresee, as a complement of the contract guarantees, the grant to the insurer of some additional benefits characterised by the following:

- The probability of comprising a significant part of the total benefits to be attributed under the contract; and
- When the amount or time of distribution are contractually contingent upon the issuer's discretion;
- When they are dependent upon the performance of a determined group of contracts, realised or unrealised income on determined assets held by the issuer of the contract or result achieved by the entity responsible for the issue of the contract.

Potential capital gains, net of capital losses, resulting from the revaluation of assets allocated to insurance with profit sharing and which are expected to be attributed to the insured are recognised in the profit sharing provision.

Liabilities originated on insurance and investment contracts with profit sharing with a discretionary component are included in the liability adequacy tests performed by the group.

B) RECOGNITION OF INCOME AND COSTS

Premiums on non-life insurance, life insurance and investment contracts with discretionary profit sharing, are recognised as income when written, in the "Premiums, net of reinsurance" heading, in the income statement.

Premiums written on non-life insurance contracts and associated acquisition costs are recognised as income and cost on a *pro rata* basis over the term of the related risk periods, through changes in the provision for unearned premiums.

Insurance liabilities related to life insurance contracts and investment contracts with discretionary profit sharing are recorded in the "Life insurance mathematical provision" heading. This provision and the respective cost are recognised simultaneously with the income associated with premiums written.

Income from the sale of debt and equity instruments related to insurance contracts classified as "Avalable-for-sale financial assets" are recorded as a charge to "Results of investments relating to insurance contracts", in the income statement.

C) PROVISION FOR UNEARNED PREMIUMS AND DEFERRED ACQUISITION COSTS

The provision for unearned premiums reflects the portion of non-life insurance premiums written attributable to future years, namely the portion corresponding to the period between the balance sheet date and the end of the period to which the premium refers. It is calculated, for each contract in force, by the application of the *pro rata temporis* method to the respective gross premiums written.

Expenses incurred on the acquisition of insurance contracts, including commission paid to agents and others, and other expenses allocated to the acquisition function, are deferred and recorded in the income statement over the respective period and recognised as a deduction from the technical provisions for insurance contracts, in the "Provisions for unearned premiums" heading.

In accordance with ISP rules, deferred acquisition costs on each technical insurance business may not exceed 20% of the respective deferred premiums.

D) PROVISION FOR CLAIMS

This provision reflects the estimated amounts payable for claims, including claims that have been incurred but not reported (IBNR) and future administrative costs to be incurred on the settlement of claims under management and IBNR claims. With the exception of labour accident insurance, mathematical provisions and provisions for lifelong assistance, the provisions for claims recorded by the Group are not discounted.

Provision for Workman's Compensation Insurance Claims

The provision for workman's compensation insurance claims includes the mathematical provision, provision for temporary assistance expenses and provision for lifelong assistance expenses.

The mathematical provision for workman's compensation insurance reflects the liability for:

- Pensions payable on claims whose amounts have already been ratified by the Labour Court;
- Estimated pension liabilities regarding claims already incurred but awaiting a final settlement agreement or ruling, referred to as "defined pensions";
- Estimated pension liabilities regarding claims already incurred but where the respective clinical procedures have not been completed at the balance sheet date or pensions payable in respect of claims incurred but not reported, referred to as "presumed pensions".

The assumptions and technical bases used for calculating mathematical provisions for workman's compensation insurance, relating to ratified or defined pensions are set out below:

	Compulsory Redeemable	Non Redeemable
Mortality table	TD 88/90	TD 88/90 (Men)
		TV 88/90 (Women)
Discount rate	5.25%	4%
Management charges	2.40%	4%

The estimated mathematical provision for presumed pensions on workman's compensation insurance is based on the development triangles of historical variables that are relevant in the calculation of mathematical provisions.

In accordance with current legislation, the liability resulting from the annual increase in pensions is covered by FAT ("Fundo de Acidentes de Trabalho" – Workman's Compensation Fund). Insurance companies pay the pensions in full and are subsequently reimbursed for the share corresponding to FAT's liability. FAT is managed by the Portuguese Insurance Institute, the income of the fund consisting of contributions made by the insurance companies and workman's compensation insurance policyholders. A liability is recorded for future contributions to FAT in respect of pension liabilities existing at the balance sheet date.

The provision for temporary assistance expenses recognises the liability for expenses on workman's compensation insurance claims, other than lifelong expenses. The calculation is based on actuarial models applied to run-off matrices on such expenses.

The provision for lifelong assistance expenses is calculated using the following technical bases:

Mortality table	35%*TV 88/90 + 65%*TD 88/90
Discount rate	4%
Inflation rate	2%
Management charges	2%

In-house information databases are used to calculate workman's compensation provisions.

Provision for Motor Insurance Claims

The opening of a motor insurance claim automatically generates the recording of an initial average provision for each sub-claim, that affects the unit at risk and the relevant insurance coverage. The automatic provision is also dependent on the seriousness of bodily harm, if any. This provision may be revised, whenever the claims manager verifies its inadequacy. Adjustments are made as a result of information received (specialised technical reports) during the claim settlement period, i.e. the available provision becomes a result of a specific analysis.

Provision for Claims on Other Types of Insurance

The provision for claims on other types of insurance is calculated on a case by case basis by the claims manager and revised whenever updated information is obtained from specialised technical reports.

The analysis of the adequacy of provisions for all types of insurance is assessed / validated, throughout the year by the responsible actuary, who produces a specific report at year-end.

This analysis is performed for the principal types of insurance business, representing more than 90% of the provision for claims, namely motor, workman's compensation, personal accidents and health.

These estimates include direct liabilities to claimants (whether claims are reported or not) as well as future payments, notably contributions to FAT.

These estimates are based on payment triangles using deterministic chain ladder or average link-ratio models.

E) PROVISION FOR PREMIUM INSUFFICIENCY

This is calculated for all non-life insurance and provides for situations in which premium income recognisable in future years, on contracts in force at the balance sheet date is less than the amount of claims payable and expenses allocated to the respective insurance business. This provision is calculated on the basis of claims, expenses, reinsurance coverage and income ratios in accordance with ISP rules.

F) MATHEMATICAL PROVISION ON LIFE INSURANCE

It reflects the actuarial value of future payments to life insurance beneficiaries including profit sharing attributed and after deduction of the actuarial value of future premiums, calculated for each contract using actuarial methods in accordance with the respective technical bases.

As to life insurance contracts in which the investment risk is supported by the policyholder, this heading only comprises additional technical provisions eventually created to cover mortality risks, administrative costs or other costs (i.e. guaranteed instalments at maturity or redemption amounts).

The results of the liability adequacy test are compared with recorded mathematical provisions, plus a shadow reserve. If the result of the liability adequacy test is higher, the difference is recorded in the mathematical provisions in order to obtain the final amount of the liability. The liability adequacy test is described in Note 2.16. i).

G) PROFIT SHARING PROVISION

The profit sharing provision includes amounts payable to policyholders or contract beneficiaries, in the form of a profit sharing scheme, to be or already attributed, provided that such amounts have not already been distributed.

The profit sharing provision to be attributed comprises the net amount of the fair value adjustments relating to investments allocated to life insurance with profit sharing, for the policyholder's or contract beneficiary's estimated part share. The estimated amounts to be attributed to the insured in the form of profit sharing for each modality or collection thereof is calculated on the basis of a consistently applied adequate plan, taking into consideration the profit sharing plan, maturity of the commitments, the allocated assets and other specific variables of the modality or modalities in question. In cases in which the profit sharing plan does not unequivocally define the percentage to be attributed, the historical percentages attributed over a period of not less than 3 years and the most recent information available to the company are taken into account.

This provision is set up as a charge to net income for the year or, alternatively, the applicable part being directly recognised as a charge to the revaluation reserves for fair value adjustments on investments in subsidiary and associated companies and joint enterprises, available for sale financial assets and land and buildings for own use allocated to life insurance contracts with profit sharing.

During the course of the period of the duration of the contracts for each modality or collection of modalities, the balance on the provision for the corresponding profit sharing plan is fully offset against the negative fair value adjustments on investments and transfer to the profit sharing provision.

The profit sharing provision to be attributed includes the amounts payable to policyholders or contract beneficiaries, in the form of profit sharing, which have not, yet, been distributed but which have already been attributed to them.

For the products in general this provision is calculated considering assets assigned, including realised gains or losses and impairment losses recorded in the period and deducted from the negative balances from previous years whereas this deduction is contractually foreseen.

H) PORTFOLIO STABILISATION PROVISION

The portfolio stabilisation provision is set up for annually renewable group insurance contracts, with death risk as the principal guaranteed cover, designed to provide for the heightened risk inherent to the increase of the average age of the insured group, whenever the tariff is based on a single rate, which, owing to contractual commitments is to be maintained over a certain period.

I) LIABILITY ADEQUACY TESTS

In accordance with IFRS 4, at the balance sheet date the Group performs adequacy tests of liabilities relating to contracts in force. These tests include estimates of the present value of future cash flows under its insurance contracts, including claim handling costs and cash flows resulting from embedded options and guarantees.

If the present value of the liabilities estimated in these tests exceeds the liabilities recorded in the financial statements, net of deferred acquisition costs and any related intangible assets, the entire deficiency is added to the liability and recorded as a loss in the income statement.

The methodology and main assumptions used in the liability adequacy tests are described below:

Life Insurance

The liability adequacy test is performed by discounting, at the Portuguese debt interest rate, future cash flows on claims, redemptions, fees and management charges, less future cash flows from premiums.

These future cash flows are estimated for each contract using the companies' secondary technical bases, which are calculated based on an analysis of its historical data, as follows:

- Mortality:

  The distribution by age of insured persons at the beginning and end of the period and claims during the year is obtained from files extracted from the companies' databases. These data are used to calculate the number of persons exposed to risk at each age. From the collection of these data over a eight year period, a mortality table is graduated, based on the Gompertz-Makeham law, which is subsequently used to estimate future mortality.

- Redemption:

  The distributions by products of the mathematical provisions at the beginning and end of the year and of amounts redeemed are obtained from the companies' databases.

For Fidelidade Mundial, the referred to data is used to calibrate a generalised linear model based on the time elapsed since the beginning of the contract, on the type of product and on the difference between market interest rate and technical rate, with explanatory variable. This results in a model used to estimate future redemptions.

For Império Bonança, the average mathematical provisions for each product, is calculated and a division of the number of redemptions by that amount gives the annual redemption rate. An analysis of the amounts for the last five years enables the redemption assumption for each product to be determined.

- Expenses:

  Expenses are split into investment, administrative and claims-related expenses. To obtain unit costs, investment expenses are divided by the average amount of the mathematical provisions, administrative expenses by the average number of insured persons and claims expenses by the total number of claims for the year.

- Yield:

  Future yields of each product are determined based on the Portuguese debt interest rate with a maturity equal to the duration of the respective liability plus the attributable profit sharing provision and the fair value reserve.

  These yields are used to project future profit sharing, for subsequent incorporation into mathematical provisions and then projected upon maturities, claims and future redemptions.

Non-life Insurance

The responsible actuaries regularly assess the adequacy of the reserves using the analysis of the liabilities of the companies in terms of uncertainty, contract duration, type of claim and expenses incurred on claim settlements. A collection of micro or macroeconomic scenarios to verify the adequacy thereof is also applied.

J) TECHNICAL PROVISIONS FOR OUTWARDS REINSURANCE

These provisions are determined by applying the above described criteria for direct insurance, taking into account the percentages ceded, in addition to other clauses existing in the treaties in force.

K) LIABILITY TO SUBSCRIBERS OF UNIT-LINKED PRODUCTS

Liabilities associated with unit-linked investment contracts issued by the Group are measured at fair value, determined based on the fair value of the assets in the investment portfolio allocated to each of the products, deducted from the corresponding management costs.

Investment portfolios allocated to unit-linked products comprise financial assets, including fixed-income securities, variable--income securities, derivatives and deposits in credit institutions, which are measured at fair value, the resulting unrealised gains and losses being recognised in profit or loss for the year.

L) LIABILITIES TO SUBSCRIBERS OF INVESTMENT CONTRACTS

Liabilities to subscribers of regulated products, classified as investment contracts under IFRS 4, but which do not include profit sharing with a discretionary component are valued in accordance with the requirements of IAS 39 and recognised in the "Customer resources" heading.

M) IMPAIRMENT OF RECEIVABLE BALANCES RELATING TO INSURANCE AND REINSURANCE CONTRACTS

At each balance sheet date, the Group assesses the existence of evidence of impairment on assets originated by insurance or reinsurance contracts, namely accounts receivable from policyholders, agents, inwards and outwards reinsurers, and technical provisions for outwards reinsurance.

If impairment losses are determined, the carrying amount of the respective assets is reduced with a corresponding charge to the income statement heading "Impairment of other assets, net of reversals and recovery".

N) INTANGIBLE ASSETS ARISING FROM THE ACQUISITION OF INSURANCE CONTRACTS

The difference between the fair value of insurance contracts acquired under business combinations and their respective book value calculated in accordance with Group accounting policies that corresponds to the value in force of the insurance portfolio acquired, is detached from goodwill at the acquisition date and recognised separately as an intangible asset.

Value in force is amortised over the term of the contracts acquired and is subject to impairment tests on an annual basis.

O) EMBEDDED DERIVATIVES IN INSURANCE CONTRACTS

In accordance with IFRS 4, options held by the contract beneficiaries for the early redemption of the contracts in force with a fixed amount or a fixed amount plus interest, are not separated from the host contract.

2.17. COMMISSIONS

As mentioned in Note 2.7., commissions on credit operations and other financial instruments, namely amounts charged or paid for originating such operations, are included in amortised cost or recognised over the course of the operation, using the effective interest method, in the heading "Interest and similar income".

Commissions and fees for services rendered are usually recognised as income during the period the service is rendered or in a single amount if resulting from single acts.

2.18. ISSUANCE OF EQUITY INSTRUMENTS

Equity instruments issued are initially recognised at the fair value of the benefit received, net of the direct costs of issuance.

Preference shares issued by the Group are classified in accordance with IAS 32. Accordingly, where the payment of dividends and/or repayment of capital are at the exclusive discretion of the Group, the securities issued are considered equity instruments. Preference shares issued by subsidiaries complying with these requirements are recognised in the consolidated balance sheet heading "Minority interest".

2.19. SECURITIES AND OTHER ITEMS HELD UNDER CUSTODY

Securities and other items held under custody, namely customers' securities, are recognised in off-balance sheet headings, at their nominal value.

2.20. CASH AND CASH EQUIVALENTS

In preparing the cash flow statements, the Group included in the heading "Cash and cash equivalents", the amounts in the balance sheet headings "Cash and cash equivalents at central banks" and "Cash balances at other credit institutions".

2.21. CRITICAL ACCOUNTING ESTIMATES AND KEY JUDGEMENTAL MATTERS IN APPLYING ACCOUNTING POLICIES

In applying the abovementioned accounting policies, the Boards of Directors of Caixa and Group companies must make estimates. The estimates with the greatest impact on the Group's consolidated financial statements include those set out below.

DETERMINATION OF IMPAIRMENT LOSS ON FINANCIAL ASSETS

Impairment losses on loans are determined in accordance with the methodology defined in Note 2.7. d). Impairment of assets analysed individually is therefore determined based on a specific assessment by Caixa, considering its knowledge of the customer's situation and the guarantees securing the operations.

Impairment of assets assessed on a collective basis is determined based on historical parameters for types of comparable operations, considering default and recovery estimates.

Caixa considers that the impairment determined using this methodology enables the risks on its loan portfolio to be adequately recognised, taking into account the requirements of IAS 39.

DETERMINATION OF IMPAIRMENT LOSS ON AVAILABLE-FOR-SALE FINANCIAL ASSETS

As defined in Note 2.7. a) iv) unrealised losses resulting from the measurement of these assets are recognised against "Fair value reserves". Whenever there is objective evidence of impairment, accumulated capital losses recognised in "Fair value reserves", must be transferred to cost for the period.

In the case of equity instruments determination of impairment losses it involves some subjectivity. Impairment on those assets is determined, by the Group through a specific analysis at each balance date, considering the objective evidence defined in IAS 39 (Note 2.7. d)). As a general criterion, impairment should be determined whenever the amount invested by Caixa is unlikely to be fully recovered in view of the dimension of the unrealised loss.

In the case of debt instruments classified in this category, the capital losses are transferred from the "Fair value reserve" heading to the income statement, whenever there is evidence that contractual cash flows may not be collected, namely for financial difficulties of the issuer, impairment of other financial liabilities, or a significant downgrade of the issuer's rating.

MEASUREMENT OF FINANCIAL INSTRUMENTS NOT TRADED ON ACTIVE MARKETS

As required by IAS 39, Caixa measures all financial instruments at fair value except for those carried at amortised cost. The valuation models and techniques described in Note 2.7. are used to value financial instruments not traded on liquid markets. The valuations obtained correspond to the best estimate of the fair value of the instruments at the balance sheet date. As mentioned in Note 2.7., in order to ensure adequate segregation of functions, these financial instruments are valued by a department that is independent of the trading function.

EMPLOYEE BENEFITS

As explained in Note 2.15. above, the Group's liability for post-employment benefits and other long term benefits granted to its employees is determined on an actuarial basis. The actuarial calculations are based on financial and actuarial assumptions including, among others, mortality, disability, salary and pension growth, return on assets and discount rate. The assumptions used are the best estimates of the Group and its actuaries of the future evolution of the respective variables.

IMPAIRMENT OF GOODWILL

As mentioned in Note 2.4. above, the Group performs impairment tests of goodwill at least annually. These tests are performed based on estimates of future cash flows to be generated by each unit tested, discounted at appropriate rates.

The projections include a broad range of assumptions on the evolution of the future operations of the units, which may or not occur. Such assumptions, however, reflect the Group's best estimate as at the balance sheet date.

DETERMINATION OF LIABILITIES FOR INSURANCE CONTRACTS

The Group's liability for insurance contracts is determined using the methodologies and assumptions described in Note 2.16. above. The liability reflects an estimate of the impact of future events on the accounts of the Group's insurance companies, based on actuarial assumptions, past claims experience and other methods accepted in the sector.

Given the nature of the insurance operations, determination of provisions for claims and other liabilities under insurance contracts is highly subjective and the actual amounts to be paid in the future may be significantly different from the estimates.

However, the Group considers that the liability for insurance contracts recorded in the consolidated financial statements reflects, on an adequate and conservative basis, the best estimate at that date of the amounts to be paid by the Group.

DETERMINATION OF INCOME TAX

Income tax (current and deferred) is determined for group companies based on the rules established in the tax legislation in force in the countries in which they operate. In several cases, however, tax legislation is not sufficiently clear and objective and may give rise to different interpretations. Although the amounts recorded in such cases represent the best understanding of the responsible bodies of Caixa and CGD Group companies, regarding the appropriate tax treatment for their operations, they may be questioned by the tax authorities.

3. GROUP COMPANIES AND TRANSACTIONS DURING THE PERIOD

The Group's structure in terms of its principal subsidiaries, by operating sector, and the financial data taken from their statutory non-consolidated financial statements, except when expressly indicated, are summarised below:

Activity / Entity	Head Office	31.12.2010 % Effective Participating Interest	31.12.2010 Equity (a)	31.12.2010 Net income	31.12.2009 Equity (a)	31.12.2009 Net income
Holding Companies						
Bandeirantes, SGPS, SA	Madeira	100.00%	8	(3)	11	(4)
Caixa – Gestão de Activos, SGPS, SA	Lisbon	100.00%	29 202	14 036	24 695	10 587
Caixa – Participações, SGPS, SA	Lisbon	100.00%	50 806	2 268	39 387	8 890
Caixa Desenvolvimento, SGPS, SA	Lisbon	100.00%	6 596	661	25 835	(1 722)
Caixa Seguros e Saúde, SGPS, SA	Lisbon	100.00%	1 001 150	52 208	988 942	23 885
Caixaweb, SGPS, SA (em liquidação)	Lisbon	100.00%	7 482	99	5 976	713
Gerbanca, SGPS, SA	Lisbon	100.00%	84 407	21 012	10 598	20 998
Parbanca, SGPS, SA	Madeira	100.00%	19 613	8 120	1 312	148
Parcaixa SGPS, SA	Lisbon	51.00%	1 010 917	5 849	1 015 636	14 088
Partang, SGPS	Lisbon	51.00%	92 433	4 950	87 483	(2)
Banking						
Banco Caixa Geral, SA (b)	Vigo	99.75%	435 534	1 180	417 565	(1 548)
Banco Comercial do Atlântico, SARL	Praia	59.33%	24 972	5 563	29 150	3 530
Banco Comercial e de Investimentos, SARL	Maputo	51.00%	74 430	21 337	55 434	18 365
Banco Nacional de Investimentos, SA	Maputo	50.01%	1 629	-	-	-
Banco Caixa Geral Brasil, SA	São Paulo	100.00%	186 619	5	50 117	13
Banco Interatlântico, SARL	Praia	70.00%	13 576	1 180	10 070	1 239
Banco Nacional Ultramarino, SA (Macau)	Macau	100.00%	226 367	35 156	199 445	27 203
Caixa – Banco de Investimento, SA (b)	Lisbon	99.71%	275 520	40 153	258 573	45 607
Caixa Geral de Depósitos – Subsidiária Offshore de Macau	Macau	100.00%	24 480	1 451	20 899	(332)
CGD – North America	Delaware	100.00%	1	-	1	-
CGD – Participações em Instituições Financeiras, Ltda.	São Paulo	99.86%	15	(38)	479	-
Mercantile Lisbon Bank Holdings, Ltd. (b)	Johannesburg	91.75%	162 177	16 698	134 755	13 880
Banco Caixa Geral Totta de Angola, SA	Luanda	26.01%	187 110	30 961	172 211	36 429
Insurance						
Cares – Companhia de Seguros, SA	Lisbon	100.00%	16 909	5 306	14 295	3 248
Companhia de Seguros Fidelidade Mundial, SA	Lisbon	100.00%	782 282	65 763	954 033	25 498
Companhia Portuguesa de Resseguros, SA	Lisbon	100.00%	19 395	5 326	18 487	635
Garantia – Companhia de Seguros de Cabo Verde, SARL	Praia	65.36%	7 267	917	6 057	873
Império Bonança – Companhia de Seguros, SA	Lisbon	100.00%	229 293	19 421	210 177	(6 364)
Multicare – Seguros de Saúde, SA	Lisbon	100.00%	26 980	604	26 994	470
Via Directa – Companhia de Seguros, SA	Lisbon	100.00%	26 897	(2 981)	30 084	156
Specialised Credit						
Caixa Leasing e Factoring – Instituição Financeira de Crédito, SA	Lisbon	51.00%	140 219	9 009	131 210	4 807
CREDIP – Instituição Financeira de Crédito, SA	Lisbon	80.00%	11 703	659	11 044	425
Promoleasing – Sociedade de Locação Financeira, SA	Praia	60.25%	23 731	(6 269)	-	-

...continued

Activity / Entity	Head Office	31.12.2010 % Effective Participating Interest	31.12.2010 Equity (a)	31.12.2010 Net income	31.12.2009 Equity (a)	31.12.2009 Net income
Asset Management						
Caixagest – Técnicas de Gestão de Fundos, SA	Lisbon	100.00%	27 106	1 053	32 688	1 595
CGD Pensões – Sociedade Gestora de Fundos de Pensões, SA	Lisbon	100.00%	4 827	1 017	6 141	879
Fundimo – Sociedade Gestora de Fundos de Investimento Imobiliário, SA	Lisbon	100.00%	5 557	3 408	7 252	3 604
Venture Capital						
A Promotora, Sociedade de Capital de Risco, SARL	Praia	52.72%	3 381	51	3 312	52
Caixa Capital – Sociedade de Capital de Risco, SA	Lisbon	100.00%	32 955	4 863	28 092	3 346
Property						
Imocaixa – Gestão Imobiliária, SA	Lisbon	100.00%	1 329	7	967	388
Caixa Imobiiário, SA	Lisbon	100.00%	(187)	(233)	49	(1)
Fidelidade Mundial, SGII, SA	Lisbon	100.00%	42 304	381	21 361	1 363
Inmobiliaria Caixa Geral SL	Madrid	99.75%	(12 898)	(4 389)	(6 141)	(6 147)
Other Financial Entities						
CGD Finance	Cayman	100.00%	6 366	1 485	5 065	4 844
Caixa Geral Finance (c)	Cayman	0.00%	600 043	9 268	614 447	14 446
Other Companies						
Caixanet – Telemática e Comunicações, SA	Lisbon	80.00%	1 778	12	1 765	9
Caixatec, Tecnologias de Comunicação, SA	Lisbon	100.00%	16	(48)	(506)	(170)
Culturgest – Gestão de Espaços Culturais, SA	Lisbon	-	-	-	(4 171)	2
Cares RH – Companhia de Assistência e Representação de Seguros, SA	Lisbon	100.00%	647	207	1 130	24
Cares Multiassistance, SA	Lisbon	51.00%	1 349	771	928	591
EAPS – Empresa de Análise, Prevenção e Segurança, SA	Lisbon	100.00%	104	37	97	33
EPS – Gestão de Sistemas de Saúde, SA	Lisbon	100.00%	621	20	682	(15)
LCS – Linha de Cuidados de Saúde, SA	Lisbon	100.00%	2 450	329	2 121	1 435
Cetra – Centro Técnico de Reparação Automóvel, SA	Lisbon	100.00%	4 247	209	4 039	130
GEP – Gestão de Peritagens Automóveis, SA	Lisbon	100.00%	188	78	131	32
HPP – Hospitais Privados de Portugal, SGPS, SA (b)	Lisbon	100.00%	15 418	(23 872)	26 321	(2 954)
HPP International Ireland, Ltd.	Dublin	100.00%	30 933	(18)	30 951	(19)
HPP International – Luxembourg, SARL	Luxembourg	100.00%	(15 412)	(16)	(15 396)	(21 105)
Wolfpart, SGPS, SA	Lisbon	100.00%	8 286	380	7 909	6 242
Mesquita ETVIA, Construção de Vias de Comunicação, SA	Lisbon	99.98%	18 394	(687)	-	-
Complementary Corporate Groupings						
Groupment d'Intérêt Économique	Paris	100.00%	-	-	-	-
Sogrupo – Serviços Administrativos, ACE	Lisbon	100.00%	-	-	-	-
Sogrupo – Sistemas de Informação, ACE	Lisbon	100.00%	-	-	-	-
Sogrupo IV – Gestão de Imóveis, ACE	Lisbon	100.00%	-	-	-	-

...continued

Activity / Entity	Head Office	31.12.2010 % Effective Participating Interest	31.12.2010 Equity (a)	31.12.2010 Net income	31.12.2009 Equity (a)	31.12.2009 Net income
Special Purpose Entities and Investment Funds						
Fundo Nostrum Consumer Finance, FTC	Lisbon	100.00%	-	-	51 293	4 397
Fundo Nostrum Mortgage 2003-1	Lisbon	100.00%	478 833	308	529 968	46
Nostrum Mortgages PLC	Dublin	100.00%	3 435	963	2 472	(5 691)
Nostrum Consumer Finance PLC	Dublin	100.00%	-	-	623	(793)
Intermoney Banking Caixa Geral RMBS	Madrid	99.75%	-	-	-	-
Fundo de Capital de Risco – Grupo CGD – Caixa Capital	Lisbon	99.98%	327 115	9 794	335 784	5 342
Fundo de Capital de Risco – Energias Renováveis – Caixa Capital	Lisbon	91.00%	31 075	(3 018)	52 993	4 554
Fundo de Capital de Risco Empreender Mais	Lisbon	100.00%	7 186	(170)	24 856	(144)
Fundo de Capital de Risco Caixa Mezzanine – Caixa Capital	Lisbon	100.00%	29 356	(371)	99 727	(273)
Fundo de investimento Imobiliário Fechado para Arrendamento Habitacional – Caixa Arrendamento	Lisbon	99.36%	40 697	762	30 159	201
Fundo Invest. Imobil. Fechado Imocentro	Lisbon	100.00%	4 992	(232)	5 224	316
Caixagest Estratégia Dinâmica	Lisbon	56.09%	63 203	(413)	66 808	(1 329)
Fundo Esp. Inv. Aberto Estrat. Alternat.	Lisbon	74.23%	29 672	(451)	31 445	(2 355)
Fundo Esp. Inv. Aberto Caixa Fundo Capitalização	Lisbon	-	-	-	16 655	562
Caixagest Renda Mensal – Fundo Investimento Mobiliário Aberto Obrigações Taxa Variável	Lisbon	51.63%	120 600	3 242	260 169	(14 306)
Caixa Imobiliário – Fundo de Investimento Fechado de Arrendamento Habitacional	Lisbon	100.00%	50 453	492	-	-
Caixagest Private Equity – Fundo Especial de Investimento	Lisbon	69.95%	93 192	12 683	-	-
Caixagest Imobiliário Internacional – Fundo Especial de Investimento	Lisbon	70.36%	242 861	10 205	-	-
Caixagest Infra-Estruturas – Fundo Especial de Investimento	Lisbon	67.95%	82 793	102	-	-
Caixagest Moeda – Fundo de Investimento Mobiliário de Tesouraria	Lisbon	80.34%	131 611	3 169	-	-
Caixagest Oportunidades – Fundo Especial de Investimento	Lisbon	98.08%	18 737	(1 896)	-	-
Fundo de Investimento Imobiliário Fechado Saudeinvest	Lisbon	99.09%	95 212	7 412	85 338	2 150
Fundo de Investimento Imobiliário Fechado Bonança 1	Lisbon	100.00%	15 114	33	15 081	(122)
Companies Recorded by the Proportional Method						
Esegur – Empresa de Segurança, SA	Lisbon	50.00%	9 750	510	11 040	1 541
Locarent	Lisbon	50.00%	4 972	1 570	3 559	1 337

(a) Equity includes net income for the year.
(b) Data taken from consolidated financial statements.
(c) Share capital comprises 1 000 ordinary shares of EUR 1 and 600 000 non-voting preference shares of EUR 1 000 each.

Financial data on 31 December 2010 was taken from the provisional financial statements subject to changes before the respective approval by the Shareholder's General Meeting.

The main changes in the group's subsidiaries, in 2010 and 2009, were as follows:

BANCO CAIXA GERAL, SA

The shareholders general meeting of May 2010 decided to increase Banco Caixa Geral's share capital from EUR 442 792 thousand to EUR 462 792 thousand through the issuance of 3 327 787 new shares of EUR 6.01 per share, of which 3 327 751 shares are fully subscribed for by CGD.

In the general meeting of August 2010, it was decided a new share capital increase for Banco Caixa Geral from EUR 462 792 thousand to EUR 488 792 thousand, through the issuance of 4 326 146 new shares of EUR 6.01 per share, of which 4 326 034 shares subscribed by CGD.

On 31 December 2010 the amounts relative to the share capital increases subscribed by Caixa Geral de Depósitos were fully paid up.

BANCO CAIXA GERAL BRASIL

The shareholders general meeting of January 2010 decided to increase the share capital from BRL 123 000 million (Brazilian reais) to BRL 400 000 million, through the issuance of 743 170 new shares with a nominal value of BRL 372.73 per share, fully subscribed for by Caixa. This share capital increase was carried out in two phases of BRL 138 500 million each in January and July 2010.

BANCO INTERATLÂNTICO, SARL

In April 2010, Banco Interatlântico increased its share capital by CVE 400 000 million through the issuance of 40 000 new shares of CVE 10 thousand each. CGD subscribed 28 000 new shares, becoming the holder of 70 000 shares and maintaining its 70% participation interest in Banco Interatlântico.

BANCO NACIONAL DE INVESTIMENTO, SA

O Banco Nacional de Investimento, SA was incorporated on 14 June 2010, by public deed signed between the Republic of Mozambique, through Direcção Nacional de Tesouro (State Treasury) Caixa Geral de Depósitos, SA and Banco Comercial e de Investimentos, SARL for the purpose of carrying out investment banking operations. The estimated initial capital at that date was MZN 17 145 000 thousand of which MZN 70 000 thousand have been paid up.

In December 2010, the subcribed and paid up capital of Banco Nacional de Investimento, SA was fixed in MZN 70 000 thousand, held by Direcção Nacional de Tesouro (49.5%), CGD (49.5%) and Banco Comercial de Investimentos, SARL (1%).

HPP – HOSPITAIS PRIVADOS DE PORTUGAL, SGPS, SA

Caixa Geral de Depósitos acquired in 2007, through Caixa Seguros e Saúde, a 10% participating interest in the largest private health agent in the Iberian peninsula – USP Hospitales Group. The investment of Caixa Seguros e Saúde in the USP Hospitales Group was made through the companies HPP International – LUX, SARL and HPP International Ireland Limited. In the joint venture agreement, USP Hospitales Group received a 25% participating interest in HPP – Hospitais Privados de Portugal, SGPS, SA, the holding indirectly held by Caixa Seguros for the health area.

Under the terms of the agreement, on 5 June 2007, HPP – Hospitais de Portugal, SGPS, SA made a share capital increase of EUR 1 833 thousand fully subscribed by USP Hospitales, through the issue of 1 833 333 new shares with the nominal value of EUR 1 each, representing 25% of HPP's share capital and an issue premium of EUR 8.27 per share in the total amount of EUR 15 168 thousand.

In the first half 2009, Caixa Seguros e Saúde and USP Hospitales Group agreed to review the existing contractual terms of the Joint Venture.

As a result, Caixa Seguros e Saúde re-acquired 25% of the share capital of HPP – Hospitais Privados de Portugal, SGPS, SA, becoming the sole shareholder of the company. It also sold its 10% equity participation in USP Hospitales, ceasing any participation in that group. As a result of this operation, Caixa Group recorded a loss of EUR 23 100 thousand recognised in "Interest and similar costs" heading.

PARTANG, SGPS, SA (PARTANG) AND BANCO CAIXA GERAL TOTTA DE ANGOLA, SA (BCGTA)

Under the terms of an agreement entered into between Caixa Geral de Depósitos and Banco Santander Totta (BST) in a view to realising a joint venture investment in the Angolan market through a participation in Banco Totta de Angola, SA (BTA), and after obtaining the necessary authorisations from the competent Angolan and Portuguese authorities, Partang, SGPS, SA was incorporated on 4 June 2009 with a share capital of EUR 10 942 thousand, fully paid up in kind by BST and Madeisisa (a fully owned subsidiary of BST) through the delivery of 40 474 059 shares of BTA, representing 51% of the share capital and voting rights of that bank.

The following developments regarding this operation also took place during 2009:

- On 2 July 2009 the shareholders general meeting of Partang, SGPS, SA decided to increase the company's share capital by EUR 10 942 thousand through the issuance of 1 094 233 040 shares of EUR 0.01 per share, to be paid up in cash;

- At the same date, Caixa, BST and Madeisisa entered into an agreement under which the two latter entities ceded to Caixa the subscription rights, which they owned, in the share capital increase of Partang, SGPS, SA. The ceding of the subscription rights corresponding to 50% participation in the share capital of Partang was made by the global amount of EUR 15 280 thousand;

- As a result of the agreement, Caixa subscribed for the full amount of the new shares resulting from the capital increase of Partang, SGPS, SA, at a total cost of EUR 36 083 thousand, of which EUR 10 942 thousand corresponds to the shares nominal value and EUR 25 141 thousand to the issuance premium;

- Also on 2 July 2009, BTA increased its capital by Angolan kwanzas (AON) 7 781 391 000, through the issuance of 778 139 100 shares of AON 10 each. The capital increase was paid up in cash of AON 7 780 600 000 (corresponding to USD 100 000 000) and through the incorporation of free reserves of AON 791 000. The amount of capital paid up by Partang in this operation was AON 3 968 106 000 (corresponding to USD 51 000 000). In addition, BTA changed the nominal value of the shares from AON 10 to AON 500, and changed its corporate name to the present one.

At 31 December 2009 and as a result of these operations, Caixa held 50% of Partang's share capital. The total cost of the operation was EUR 51 363 thousand. Also under the terms of the agreement entered into between Caixa and BST:

- Caixa has a call option over 1% of capital and voting rights of Partang to be exercised with BST, during a period of five working days as from the first anniversary of Partang's share capital increase held on 2 July 2009;

- BST has a put option over the total participation held in Partang, to be exercised with Caixa during the four year period and as from two years after the subscription date of the share capital increase made by Partang on 2 July 2009;

- In addition, Caixa has a second call option over the shares held by BST, up to a maximum of 80% of the capital and voting rights of Partang, to be exercised on the first month of the fifth anniversary of the subscription of Partang's share capital increase held on 2 July 2009.

The exercise price of the referred to options varies based on the evolution of BCGTA´s equity.

On 2 July 2010, Caixa exercised the call option over 1% of the capital and voting rights of Partang, at the total price of USD 2 381 597 (EUR 1 885 thousand at the exchange rate of that date). As a result of this operation, the participating interest held by Caixa in Partang increased to 51%.

CGD – PARTICIPAÇÕES EM INSTITUIÇÕES FINANCEIRAS, LDA.

In June 2010, Caixa sold 601 751 shares and 12 929 shares of CGD – Representação de Bancos, to Banco Caixa Geral Brasil, SA and Caixa – Banco de Investimento, SA, respectively for their nominal value of 1 Brazilian Real each. As a result of these transactions Caixa ceased to have any direct interest CGD – Representação de Bancos.

In addition, Caixa – Banco de Investimento, SA acquired 588 821 shares of CGD – Representação de Bancos to Caixa Participações, SGPS, SA.

At that date the two new shareholders of CGD – Representação de Bancos changed its name to CGD – Participações em Instituições Financeiras, Lda.

BANCO COMERCIAL DO ATLÂNTICO, SARL (BCA)

In the first half of 2009 BCA had a share capital increase of CVE (Cape Verde Escudos) 324 765 000, through the issue of 324 765 shares at CVE 1000 each, of which 156 099 shares were subscribed by Caixa Geral de Depósitos, 41 058 shares by Garantia and 16 347 shares by Banco Interatlântico, SARL.

The Group's participating interest in BCA increased to 59.33%, as a result of this operation.

GERBANCA, SGPS, SA

The shareholders general meeting of Gerbanca held in June 2010 decided to increase the company's share capital by EUR 12 140 thousand through the issuance of 2 428 shares of EUR 5 each with an issue premium of EUR 26 063.7431 each, paid up in kind by Companhia de Seguros Fidelidade Mundial, SA, through the transfer of 12 658 640 shares of Caixa Banco de Investimento, SA, at their market value (EUR 5 per share) and EUR 1 708.25, corresponding to a total amount of aproximately EUR 63 295 thousand.

In September 2010 Companhia de Seguros Fidelidade Mundial, SA sold to CGD, its participation in Gerbanca for EUR 63 295 thousand.

SOCIMMOBIL

In the first half 2009, CGD granted to the company Establishment for International Properties, Commerce and Market Research, its total participation in Socimmobil for the agreed price of 1 Euro.

LOCARENT – COMPANHIA PORTUGUESA DE ALUGUER DE VIATURAS, SA (LOCARENT)

In October 2009, CGD acquired 52 500 shares of Locarent representing 5% of its share capital. The total price agreed for the transaction was EUR 450 thousand, corresponding to EUR 8.5714 per share. As a result of this operation, Caixa increased its participation interest in Locarent to 50%.

FUNDO DE CAPITAL DE RISCO PARA INVESTIDORES QUALIFICADOS GRUPO CGD – – CAIXA CAPITAL

The participants general meeting of the Fund held on 30 April 2009, decided to increase the share capital by EUR 164 713 thousand through the issue of 3 240 new trust fund units at EUR 50.837 each, of which 2 822 units were subscribed by Caixa Geral de Depósitos. At 31 December 2010 and 2009, of the total amount of subscribed capital EUR 125 000 thousand and EUR 84 000, respectively, were paid up.

As a result of this operation, Caixa's equity participation in the fund is 99.99%.

FUNDO DE CAPITAL DE RISCO CAIXA MEZZANINE – CAIXA CAPITAL

Fundo de Capital de Risco Mezzanine – Caixa Capital (Fundo Caixa Mezzanine) was incorporated on 1 June 2009, with a share capital of EUR 100 000 thousand, represented by 2 000 trust fund units at EUR 50 000 each, fully subscribed by Caixa Geral de Depósitos.

The fund's objective is to operate in the venture capital area through investments related to the development, strategic reorientation and reorganization of equity capital in medium sized companies.

At 31 December 2010 and 2009, only EUR 30 000 thousand of Fundo Caixa Mezzanine's share capital has been paid up, the remaining capital being expected to be paid up in accordance with the financial needs resulting from the investments to be made by the fund.

FUNDO DE CAPITAL DE RISCO EMPREENDER MAIS – CAIXA CAPITAL

Fundo de Capital de Risco Empreender Mais – Caixa Capital (Fundo Caixa Empreender Mais) was incorporated on 10 March 2009, with a share capital of EUR 25 000 thousand, represented by 500 trust fund units at EUR 50 000 each fully subscribed for by Caixa Geral de Depósitos.

The fund's objective is to operate in the venture capital area through investments in corporate projects associated with entrepreneurial dynamics, innovation and sustainability.

At 31 December 2010 and 2009, only EUR 7 500 thousand of Fundo Caixa Empreender Mais's share capital was paid up, the remaining capital being expected to be paid up according to the financial needs resulting from the investments to be made by the fund.

FUNDO DE INVESTIMENTO IMOBILIÁRIO FECHADO PARA ARRENDAMENTO HABITACIONAL – CAIXA ARRENDAMENTO

Fundo de Investimento Imobiliário Fechado para Arrendamento Habitacional – Caixa Arrendamento starts its activity on 19 January 2009 with a EUR 30 000 thousand initial share capital represented by 30% trust fund units of EUR 1 000 each. At the inception of the fund, CGD subscribed 16 245 trust fund units and Caixa Seguros subscribed 13 500 trust fund units which represented 54.15% and 45%, respectively, of the fund's share capital. Therefore, CGD Group has a 99.15% participation in the fund's share capital.

According to the applicable legislation, the fund's assets must, at all times correspond to not less than 75%, of real estate for permanent housing in Portugal.

In December 2010, Fundo de Investimento Imobiliário Fechado para Arrendamento Habitacional – Caixa Arrendamento increased its share capital by EUR 9 999 thousand corresponding to 9 774 new trust fund units of EUR 1 023 each, fully subscribed for by CGD.

CAIXA IMOBILIÁRIO, SA

Caixa Imobiliário, SA, was incorporated on 18 November 2009, with a share capital of EUR 50 000 fully subscribed for by Wolpart, SGPS, SA Its purpose is to acquire property for resale, property promotion and lease.

INTERMONEY BANKING CAIXA GERAL RMBS1 FONDO DE TITULIZACIÓN DE ACTIVOS

Intermoney Banking Caixa Geral RMBS1 Fondo de Titulización de Activos was incorporated on 30 October 2009, through the issue of bonds totalling EUR 400.000 thousand fully subscribed by Caixa Geral de Depósitos. The fund's management is made by InterMoney, a company outside CGD Group.

CULTURGEST – GESTÃO DE ESPAÇOS CULTURAIS, SA

This company was liquidated in November 2010 since it was emptied of functions and activities which were transferred to Fundação Caixa Geral de Depósitos – CULTURGEST.

OTHER EVENTS

BANIF CORRETORA DE VALORES E CÂMBIO, SA

In 2010, Caixa Group entered into a partnership agreement with Banif Group under which it was established that 70% of Banif Corretora de Valores e Câmbio, SA would be acquired from the latter. This transaction is subject to prior authorisation of the competent supervisory authorities of Portugal and Brazil.

4. CASH AND CASH EQUIVALENTS AT CENTRAL BANKS

This heading comprises the following:

	31.12.2010	31.12.2009
Cash	588 476	644 408
Demand deposits in central banks		
Principal	879 616	1 281 209
Accrued interest	659	644
	1 468 752	1 926 260

The demand deposits at the Bank of Portugal are to comply with the legal requirements for minimum cash reserves of the European Central Banks System (ECBS). These deposits earn interest, and correspond to 2% of the deposits and debt securities with terms of up to two years, except for deposits and debt securities of entities subject to the minimum cash reserve requirements of the ECBS.

The funds deposited at central banks by Caixa and the Group banks at 31 December 2010 and 2009, complied with the minimum limits defined by the regulations in force in the countries in which they operate.

5. CASH BALANCES AT OTHER CREDIT INSTITUTIONS

This heading comprises the following:

	31.12.2010	31.12.2009
Cheques for collection		
Portugal	146 057	429 482
Abroad	15 183	13 825
	161 240	443 307
Demand deposits		
Portugal	571 771	369 804
Abroad	528 705	421 943
	1 100 477	791 747
Accrued interest	3 257	3 148
	1 264 973	1 238 202

"Cheques for collection" correspond to cheques of customers of other banks sent for settlement. These amounts are collected on the first days of the subsequent period.

6. LOANS AND ADVANCES TO CREDIT INSTITUTIONS

This heading comprises the following:

	31.12.2010	31.12.2009
Interbank Money Market	731 685	1 472 041
Term deposits		
Portugal	109 613	353 816
Abroad	288 919	1 590 351
Loans		
Portugal	649 948	3 606 487
Abroad	819 594	742 406
Other applications		
Portugal	242 683	64 032
Abroad	457 299	546 263
Purchase operations with repurchase agreement	98 618	-
Overdue Loans and interest	104 469	120 421
	3 502 828	8 495 817
Adjustments to assets under hedging operations	2 257	35
Accrued interest	8 296	18 687
Deferred income	(205)	(1 763)
	3 513 175	8 512 777
Impairment (Note 39.)	(88 933)	(159 563)
	3 424 242	8 353 214

On 31 December 2009, loans and advances to credit institutions in Portugal include EUR 3 000 000 thousand of five commercial paper issues made by Banco Português de Negócios, SA (BPN), which were guaranteed by the Portuguese State.

In December 2010, under the reorganization process of BPN liquidity assistence operations, Caixa subscribed for a series of bonds issued by Parvalorem, SA, Parups, SA and Parparticipadas, SA (whose share capital is fully owned by BPN), in the amount of EUR 3 100 000 thousand. These issues are guaranteed by the Portuguese State and are recognised in the "Available-for-sale financial assets" heading. (Note 8.).

Loans in the amount of aproximately EUR 795 112 thousand have also been granted to these special purpose vehicles. These loans are recorded in the "Loans and advances to customers" heading, and are collaterised by pledges and mortgages of the assets of the vehicles referred to above (Note 11.).

The application of funds obtained by these vehicles in BPN, enabled this bank to partially liquidate the liabilities assumed with Caixa under the commercial paper programme which at that time amounted to EUR 4 000 000 thousand.

As a result of these operations, at 31 December 2010 loans granted by Caixa to BPN through the subscription of commercial paper secured by the Portuguese State amounted to EUR 400 000 thousand. In addition, at 31 December 2010 and 2009 the heading "Interbank Money Market" included EUR 745 852 thousand and EUR 1 195 000 thousand, respectively, relating to applications made in BPN.

Although the liquidity assistance operations through the interbank money market do not have a warranty statement issued by the General Directorate of Treasury and Finance ("Direcção Geral do Tesouro e Finanças"), Caixa Geral de Depósitos believes that those operations benefit from personal guarantee of the Portuguese State under the terms of paragraph 9 of article 2 of Law 62–A/2008 of 11 November, which nationalised BPN.

In accordance with paragraph 9 of article 2 of Law 62–A/2008, "loans or liquidity support operations made by Caixa Geral de Depósitos, SA to BPN in terms of nationalisation and in substitution of the state up to the date of the approval of management objectives foreseen in paragraph 7, benefit from the personal guarantee of the State as a result of this law". In accordance with paragraph 10 of the same article "the provisions of the preceding paragraph do not affect the observance of maximum legaly established limit for the provision of the personal State guarantees, the minister responsible for the finance area being responsible for ensuring the respective compliance".

Caixa considers that the referred to article applies to this particular situation since they are liquidity support operations carried out by Caixa in favour of BPN in the context of the nationalisation in substitution of the State, that the management objectives foreseen in paragraph 7 of article 2 of the said Decree Law have not been approved, and that the compliance with the maximum limit legally established for the State to provide personal guarantees is ensured by the minister of finance.

At 15 March 2011, date of the financial statements approval, applications in BPN through interbank money market amounted to EUR 1 000 million.

Caixa recorded impairment losses for applications in banks in Iceland at 31 December 2010 and 2009, which amounted to EUR 49 125 thousand and EUR 53 819 thousand, respectively.

On 31 December 2009 CGD had also recorded an impairment loss on applications in a North-American bank of EUR 62 474 thousand. In 2010 Caixa sold its position held as creditor of this assets and, as a result, impairment amounting to EUR 6 125 thousand, was reversed. At 31 December 2010 and 2009, there were other balances receivable from that entity, for which an impairment of EUR 39 557 thousand was recorded.

The changes in impairment of loans and advances to credit institutions in 2010 and 2009 are presented in Note 39.

7. FINANCIAL ASSETS HELD FOR TRADING AND OTHER ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

These headings comprise the following:

	31.12.2010			31.12.2009		
	Held for trading	At fair value through profit or loss	Total	Held for trading	At fair value through profit or loss	Total
Debt instruments						
Public issuers:						
Public debt securities	132 704	-	132 704	113 179	-	113 179
Treasury bills	281 695	11 590	293 285	561 137	-	561 137
Bonds of other public issuers:						
Domestic	-	-	-	2 624	6 998	9 622
Foreign	691 254	164 348	855 601	694 197	18 524	712 721
Issued by international financial organisations	-	-	-	20 895	-	20 895
Other issuers:						
Bonds and other securities:						
Issued by residents	94 609	133 471	228 079	331 347	62 290	393 637
Issued by non-residents	130 569	99 247	229 816	976 331	103 874	1 080 205
	1 330 831	**408 655**	**1 739 486**	**2 699 710**	**191 686**	**2 891 396**
Equity instruments						
Residents	9 233	479 011	488 244	54 800	546 685	601 485
Non-residents	15 781	-	15 781	24 929	-	24 929
	25 014	**479 011**	**504 026**	**79 729**	**546 685**	**626 414**
Other financial instruments						
Trust fund units						
Issued by residents	64 900	723 200	788 100	45 176	401 940	447 116
Issued by non-residents	134 060	3 881	137 941	42 988	-	42 988
Other						
Issued by non-residents	-	8 068	8 068	-	-	-
	198 960	**735 149**	**934 109**	**88 164**	**401 940**	**490 104**
Loans and receivables	-	**2 686**	**2 686**	-	**7 008**	**7 008**
Derivatives with positive fair value (Note 10.)						
Swaps	1 297 804	-	1 297 804	1 582 816	-	1 582 816
Futures and other forward operations	12 521	-	12 521	25 664	-	25 664
Options	458 129	-	458 129	472 946	-	472 946
Caps and floors	115 734	-	115 734	108 624	-	108 624
Other	1 913	-	1 913	4 601	-	4 601
	1 886 101	-	**1 886 101**	**2 194 651**	-	**2 194 651**
	3 440 906	**1 625 501**	**5 066 407**	**5 062 253**	**1 147 319**	**6 209 573**

At 31 December 2010, financial assets held for trading and other financial assets at fair value through profit or loss include participating units in unit trust and property funds managed by Group entities, in the amounts of EUR 162 099 thousand and EUR 65 380 thousand, respectively (EUR 191 684 thousand and EUR 78 958 thousand, respectively on 31 December 2009).

On 31 December 2010 and 2009 the heading "Financial assets held for trading – Debt instruments" includes securities allocated to the covered bonds cover pool in the amount of EUR 45 317 thousand and EUR 600 514 thousand, respectively (Note 22.).

On 31 December 2010 and 2009, the heading "Financial assets at fair value through profit or loss – equity instruments", includes EUR 326 538 thousand and EUR 414 066 thousand respectively, relative to an equity participation held in Cimpor, within the scope of an acquisition of 64 406 000 shares by Caixa, representing 9.584% of the share capital of this company. These shares were purchased in February 2009 for EUR 317 844 thousand. The seller has an option to purchase the equity participation to Caixa, at acquisition cost, capitalised at a Euribor indexed rate. The option's negative valuation at 31 December 2010 and 2009 was recorded in the "Options – Shares and indexes" (Note 10.).

On 31 December 2010 and 2009, the "Financial assets at fair value through profit or loss – Equity instruments" heading, includes EUR 59 633 thousand and EUR 57 309 thousand, respectively relative to and equity participation of 19.4% in Sumol + Compal, SA (Note 16.).

During the first half 2010 Caixa transferred to the available-for-sale financial assets portfolio a group of securities recorded as financial assets held for trading under the terms of IAS 39. Detail concerning the securities included in the referred to transfer are presented in Note 8.

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

This heading comprises the following:

	31.12.2010	31.12.2009
Debt instruments		
Public debt	4 718 376	211 555
Other public issuers	2 561 233	2 500 874
International financial organisations	253 531	182 979
Other issuers	14 556 515	11 441 964
	22 089 655	14 337 371
Equity instruments		
Measured at fair value	1 908 891	2 713 959
Measured at historical cost	197 100	201 809
	2 105 991	2 915 767
Other instruments	1 031 611	2 033 046
	25 227 257	19 286 185
Impairment (Note 39.)		
Equity instruments	(332 398)	(318 040)
Debt instruments	(45 441)	(62 064)
Other instruments	(100 867)	(54 929)
	(478 706)	(435 033)
	24 748 551	18 851 152

At 31 December 2010 the book value net of impairment of participating units in unit trust and property funds managed by Group entities recorded in the available-for-sale assets portfolio amounted to EUR 246 765 thousand and EUR 101 743 thousand, respectively (EUR 1 099 810 thousand and EUR 159 361 thousand, respectively at 31 December 2009).

The "Debt instruments" heading at 31 December 2010, includes securities relative to the issue of covered bonds in the amount EUR 408 803 (EUR 342 934 thousand at 31 December 2009) (Note 22.).

At 31 December 2010 the "Debt instruments – other issuers" heading, includes bonds issued by Parvalorem, SA, Parups, SA and Parparticipadas, SA under the re-organisation process of the liquidity support operations to BPN (Note 6.) with a nominal value of EUR 3 100 000 thousand. These bonds are secured by a Portuguese State guarantee and will be amortised in increasing instalments of principal over a 10 year period.

At 31 December 2010 and 2009, impairment of debt instruments includes EUR 15 016 thousand and EUR 26 706 thousand respectively, relative to bonds issued by banks based in the Republic of Iceland. It also includes impairment of EUR 7 687 thousand and EUR 8 516 thousand, respectively, to cover estimated losses in debt instruments issued by a North-American bank.

At 31 December 2010 and 2009, impairment of "Other instruments" includes EUR 13 562 thousand and EUR 39 056 thousand respectively, relative to participating units in unit trust funds, managed by Group companies, which presented a long decline in fair value, below cost.

The equity instruments heading include the following investments:

31.12.2010

	Banking	Insurance	Investment banking and venture capital	Value before impairment	Accumulated impairment	Net	Fair value reserve	Effective participating interest (%)
Measured at fair value								
Portugal Telecom, SA	458 987	5 616	-	464 604		464 604	(25 490)	6.26
Galp Energia, SGPS, SA	199 805	5	-	199 810	-	199 810	27 525	1.39
ZON – Serviços de Telecomunicações e Multimédia, SGPS, SA	314 580	1 825	-	316 406	(203 102)	113 304	15 461	10.93
Banco Comercial Português, SA	85 516	26 188	-	111 703	(40 367)	71 337	-	2.68
Instituto da Habitação e da Reabilitação Urbana, IP	54 332	-	-	54 332	-	54 332	(32 621)	52.49
EDP – Energias de Portugal, SA	52 616	5 342	-	57 958	(5 667)	52 291	(9 731)	0.41
Brisa – Auto-Estradas de Portugal, SA	46 971	1 936	-	48 907	-	48 907	(16 689)	1.64
SICAR NovEnergia II	-	-	46 127	46 127	-	46 127	11 127	14.90
Finpro, SGPS, SA	-	-	42 156	42 156	-	42 156	18 339	17.16
La Seda Barcelona, SA	32 539	-	2	32 540	(2)	32 539	(18 655)	14.77
A. Silva & Silva – Imobiliário e Serviços, SA	-	-	23 030	23 030	-	23 030	1 730	23.90
Redes Energéticas Nacionais, SGPS, SA	17 544	-	-	17 544	-	17 544	6 349	1.17
EDP Renováveis, SA	7	1 961	21 182	23 150	(9 922)	13 228	668	0.38
Foreign entities' shares	2 888	359 837	7 765	370 490	(36 504)	333 986	(2 626)	
Other instruments with characteristics of equity	43 729	-	-	43 729	-	43 729	(487)	
Other	4 456	15 328	36 622	56 406	(27 497)	28 909	748	
	1 313 968	**418 038**	**176 884**	**1 908 891**	**(323 060)**	**1 585 830**	**(24 354)**	
Measured at historical cost								
Águas de Portugal, SA	153 004	-	-	153 004	-	153 004	-	9.69
VAA – Vista Alegre Atlantis, SA	4 058	-	691	4 749	(1 178)	3 571	-	4.48
Other	27 774	33	11 541	39 347	(8 159)	31 188	-	
	184 835	**33**	**12 232**	**197 100**	**(9 337)**	**187 762**	**-**	
	1 498 803	**418 071**	**189 116**	**2 105 990**	**(332 398)**	**1 773 593**	**(24 354)**	

31.12.2009

	Banking	Insurance	Investment banking and venture capital	Value before impairment	Accumulated impairment	Net	Fair value reserve	Effective participating interest (%)
Measured at fair value								
EDP – Energias de Portugal, SA	629 492	9 309	-	638 801	-	638 801	(74 119)	5.44
Portugal Telecom, SA	469 211	81 882	-	551 093	-	551 093	15 235	7.30
ZON – Serviços de Telecomunicações e Multimédia, SGPS, SA	408 758	20 367	-	429 125	(240 504)	188 621	25 094	14.07
Banco Comercial Português, SA	85 516	18 870	-	104 385	(778)	103 607	(7 517)	2.72
Galp Energia, SGPS, SA	184 098	-	-	184 098	-	184 098	(4 902)	1.57
Redes Energéticas Nacionais, SGPS, SA	17 606	11	-	17 617	-	17 617	8 814	1.14
Instituto da Habitação e da Reabilitação Urbana, IP	82 941	-	-	82 941	-	82 941	(4 012)	52.49
Brisa – Auto-Estradas de Portugal, SA	64 620	2 655	-	67 275	-	67 275	1 678	1.65
La Seda Barcelona, SA	45 304	-	-	45 304	(40 774)	4 530	-	7.23
SICAR NovEnergia II	-	-	42 790	42 790	-	42 790	7 790	14.70
Finpro, SGPS, SA	-	-	38 733	38 733	-	38 733	14 916	17.16
EDP Renováveis, SA	9	4 058	14 612	18 679	-	18 679	(3 509)	0.35
A. Silva & Silva – Imobiliário e Serviços, SA	-	-	21 300	21 300	-	21 300	-	23.90
Martifer, SGPS, SA	-	-	6 296	6 296	(3 701)	2 596	-	0.76

...continued

	31.12.2009							
	Banking	Insurance	Investment banking and venture capital	Value before impairment	Accumulated impairment	Net	Fair value reserve	Effective participating interest (%)
Foreign entities' shares	3 418	357 226	4 621	365 265	(5 610)	359 655	(38 008)	
Other instruments with characteristics of equity	47 537	-	-	47 537	(5 252)	42 285	(3)	
Other	4 458	15 795	32 464	52 717	(14 459)	38 258	9 037	
	2 042 969	510 173	160 817	2 713 959	(311 077)	2 402 881	(49 506)	
Measured at historical cost								
Águas de Portugal, SA	153 003	-	-	153 003	-	153 003	-	9.69
VAA – Vista Alegre Atlantis, SA	1 178	-	-	1 178	(1 178)	-	-	5.02
Other	39 875	244	7 508	47 627	(5 785)	41 842	-	
	194 056	244	7 508	201 809	(6 963)	194 845	-	
	2 237 025	510 417	168 325	2 915 767	(318 040)	2 597 727	(49 506)	

The following criteria were used to prepare the above tables:

- The "Insurance" column includes securities held by Caixa Seguros e Saúde and Garantia;
- The "Investment banking and venture capital" column includes the securities held by Caixa – Banco de Investimento and the Group's venture capital area, including venture capital funds (Note 3);
- Securities held by the remaining entities were allocated to "Banking" activity.

Impairment of equity instruments recorded by the Group as a charge to net income for the years 2010 and 2009 comprises the following (Note 39.):

	2010	2009
EDP – Energias de Portugal	97 485	-
Banco Comercial Português, SA	39 589	31 082
ZON – Serviços de Comunicações e Multimédia, SGPS, SA	30 721	-
La Seda Barcelona, SA	-	8 608
Equity instruments – Insurance activity	66 986	96 366
Other	26 349	209
	261 130	136 265

On 31 December 2010 and 2009, the fair value reserve of available-for-sale financial assets comprises the following:

	2010	2009
Fair value reserve		
(gross amount before minority interest)		
Debt instruments	(685 097)	(221 313)
Equity instruments		
Positive fair value	104 672	90 110
Negative fair value		
Unrealised loss lower than 20% of acquisition cost	(49 112)	(102 433)
Unrealised loss between 20% and 30% of acquisition cost	(27 942)	(29,869)
Unrealised loss between 30% and 40% of acquisition cost	(50 977)	(3 014)
Unrealised loss between 40% and 50% of acquisition cost	(995)	(4 300)
	(24 354)	(49 506)

...continued

	2010	2009
Other instruments	43 739	(184 818)
	(665 712)	(455 638)
Balance attributable to minority interest	(12 390)	10 107
	(678 102)	(445 531)
Deferred tax reserve	170 742	114 377
	(507 360)	(331 154)

On 31 December 2010, the heading "Fair value reserve – debt instruments" includes an accumulated devaluation of EUR 289 071 thousand, directly associated with the Group's exposure to public debt issuances of Eurozone peripheral countries particularly affected in 2010 by the sovereign debt market turmoil as a result of the increase of its credit risk, and comprises the following:

	Fair value reserves 31.12.2010
Sovereign Debt	
Portugal	(202 990)
Greece	(70 736)
Spain	(7 869)
Ireland	(7 477)
	(289 071)

Also as of that date, the negative fair value reserve relating to the debt of Greek financial institutions classified in the available--for-sale financial assets portfolio amounted to EUR 5 597 thousand.

The changes in the main equity instruments recorded as "Available-for-sale financial assets" in 2010 and 2009 were as follows:

PORTUGAL TELECOM, SGPS, SA (PORTUGAL TELECOM)

During 2010, CGD acquired 77 779 069 shares of Portugal Telecom for EUR 681 668 thousand. Also in that period Caixa sold 78 079 069 shares for EUR 684 496 thousand. As a result of these operations, the Group recorded a capital gain of EUR 31 727 thousand (Note 33.).

Still in the course of the year, Caixa Seguros e Saúde sold 8 933 238 shares of Portugal Telecom by the global amount of EUR 88 818 thousand and recorded net capital gains of EUR 31 457 thousand (Note 33.). The referred to transactions do not include securities affected to insurance portfolios whose results in the sale are recognised as a charge to "Results from investments related to insurance contracts" (Note 2.16. b)).

UNICRE – INSTITUIÇÃO FINANCEIRA DE CRÉDITO, SA

During the first half 2010, Caixa sold to Banco Comercial Português 352 023 shares of Unicre – Instituição Financeira de Crédito, SA, representing 17.6% of the company's share capital, for the global amount of EUR 22 881 thousand. As a result of this operation Caixa recorded a capital gain of EUR 21 816 thousand (Note 33.).

ZON – SERVIÇOS DE TELECOMUNICAÇÕES E MULTIMÉDIA, SGPS, SA (ZON)

During 2009, CGD acquired 3 656 619 shares of ZON for EUR 15 793 thousand. Also in that period Caixa sold 3 507 249 for EUR 15 120 thousand. As a result, the Group recorded a capital gain of EUR 2 030 thousand.

In December 2009, Caixa Geral de Depósitos signed up an agreement with Kento Holding Limited for the sale of 7 727 420 shares of ZON Multimédia – Serviços de Telecomunicações e Multimédia, SGPS, SA (ZON), corresponding to 2.5% of the respective share capital, for EUR 5.3 per share. The completion of that operation depended on the approval, of the sale of 14 006 437 shares to Kento Holding Limited, which took place in the shareholders general meeting of Zon at 29 January 2010. Since it is a conditional sale CGD only recorded in the financial statements for 2009 the commitment resulting from the sale's obligation of the referred to shares, under the terms of the agreement.

In February 2010, after occurrence of suspensive condition established in the agreement signed in December 2009, Caixa completed the sale of 7 727 420 shares of ZON to Kento Holding Limited. A capital gain of EUR 11 881 thousand was recorded, as a result of this operation (Note 33.).

In addition and also in 2010, Caixa acquired 1 481 007 shares of ZON for EUR 5 233 thousand and sold 1 532 744 shares for EUR 5 388 thousand, having recognised a net capital gain of EUR 914 thousand.

Caixa Seguros e Saúde's contribution was a gain of EUR 26 thousand resulting from the sale of 1 619 714 shares of ZON for EUR 6 414 thousand (Note 33.). The referred to operations do not include securities allocated to insurance portfolios, the results of the sales of which are recognised by a corresponding entry to the "Result of investments relating to insurance contracts" (Note 2.16. b)).

EDP – ENERGIAS DE PORTUGAL, SA (EDP)

On 30 September 2010, Caixa sold to Parpública 91 413 443 shares of EDP for EUR 292 523 thousand, having at the time received EUR 58 505 thousand as agreed under the terms of the share transfer contract. As a result of this operation, Caixa recognised a capital loss of EUR 28 827 thousand (Note 33.). In the same date, Caixa recognised, as a charge to net income, an impairment loss of EUR 93 075 thousand on the shares that remained in the portfolio.

At 31 December 2010, Caixa sold a second lot of 91 413 443 shares of EDP for EUR 283 382 thousand, of which EUR 56 676 thousand were paid on the date of the transaction. As a result, the Group recorded a capital gain of EUR 53 568 thousand (Note 33.).

In 2009, CGD acquired 1 830 000 shares of EDP for EUR 4 789 thousand. Also in that year Caixa sold 1 830 000 shares for EUR 4 792 thousand. As a result of these operations, the Group recorded a capital loss of EUR 1 607 thousand (Note 33).

BANCO COMERCIAL PORTUGUÊS, SA (BCP)

During 2009, CGD acquired 101 440 535 shares for EUR 100 539 thousand. Also in that period Caixa sold 154 989 329 shares for EUR 140 635 thousand, those transactions having resulted in a gain of EUR 30 545 thousand (Note 33.).

GALP ENERGIA, SGPS, SA (GALP)

In 2010, CGD sold 1 401 489 shares for EUR 20 273 thousand and recorded a capital gain of EUR 2 414 thousand (Note 33.).

In 2009, CGD acquired 490 514 shares for EUR 4 330 thousand. Also in that year Caixa sold 580 000 shares for EUR 5 120 thousand recording a total capital loss of EUR 2 305 thousand as a result of these operations (Note 33.).

EDP RENOVÁVEIS, SA (EDP RENOVÁVEIS)

In 2009, CGD acquired 12 433 shares of EDP Renováveis for EUR 66 thousand. Also in 2009, Caixa sold 3 005 508 shares for EUR 17 454 thousand, recording a capital gain of EUR 1 492 thousand as a result of these operations (Note 33.).

VAA – VISTA ALEGRE ATLANTIS, SGPS, SA (VAA)

Caixa subscribed 35 997 328 new shares of EUR 0.08 each in the scope of the share capital increase made by Vista Alegre Atlantis SGPS, SA in July 2010.

On 6 March 2009, Caixa signed with Cerutil – Cerâmicas Utilitárias, SA, a company of the Visabeira Group, in a share purchase and sales contracts and settlement of credits under which Caixa sold to Cerutil 14 503 999 shares representing 10% of VAA's capital, having also ceded the right of return over credit granted to VAA as supplementary capital contributions for EUR 11 784 thousand. This operation resulted in a capital gain of EUR 1 279 thousand, corresponding to the total price agreed for the transfer of shares and credits (Note 33.).

REN – REDES ENERGÉTICAS NACIONAIS, SA (REN)

In December 2009, CGD sold to Parpública – Participações Públicas, SGPS, SA 20 826 000 shares of REN, representing 3.9% of its share capital. The operation price agreed was EUR 64 561 thousand, corresponding to EUR 3.1 per share. Caixa recorded a capital gain of EUR 24 833 thousand as a result of this operation (Note 33).

MARTIFER, SGPS, SA (MARTIFER)

In the first half 2010, Fundo de Capital de Risco Energias Renováveis – Caixa Capital sold its total participation in Martifer for EUR 1 418 thousand having recorded a loss of EUR 1 178 thousand as a result of this operation.

LA SEDA BARCELONA (LA SEDA)

In 2010 and as a result of the general shareholders' meeting deliberation, La Seda increased its share capital by EUR 300 million through the issue of 3 000 million shares at EUR 0.1 each. As result of that capital increase Caixa Group increased its participation in La Seda through subscribing 490 450 377 shares, of which 422 394 839 were paid in cash and 68 055 538 through the conversion of loans as follows:

	Subscribed shares
Caixa Geral de Depósitos (Head office)	
Cash	250 000 000
Conversion of loans	68 055 538
Caixa Geral de Depósitos – Spain Branch	153 125 142
Caixa – Banco de Investimento	19 269 697
	490 450 377

As a result of these operations at 31 December 2010, the Group had a participation of 14.77% in this company.

RECLASSIFICATION OF SECURITIES

During 2008 and in the first half 2010, in accordance with the October 2008 amendments to IAS 39, as explained in greater detail in Note 2.4., and considering the special circumstances noted in the financial markets in those periods, Caixa transferred a group of securities from the financial assets held for trade category to the avalable-for-sale financial assets category.

The reclassifications made by Caixa resulting from the instability and volatility of the financial markets, particularly during 2010 as regards the credit markets, strongly affected by the destabilisation of the sovereign debt funding of the Eurozone countries, determined the change in Caixa's perspectives as to the sale of these assets, no longer being expected that this would occur in the short term. The transfer of securities during the first half 2010, included essentially debt instruments issued by sovereign governments, securities issued by government agencies and other debt instruments issued by financial institutions directly affected by the turmoil of Eurozone public debt markets.

Also in the first half 2010, Caixa reclassified securities from the "Available-for-sale financial assets" category to the "Loans and advances to customers" category.

The impact of the reclassification of those securities on net income for the year and on fair value reserves is as follows:

Securities reclassified in 2008	Available-for-sale financial assets	Loans and advance to customers
Book value of securities reclassified	1 001 797	n.a.
Book value on 31.12.2008	873 101	n.a.
Book value on 31.12.2009	560 350	n.a.
Book value on 31.12.2010	336 275	n.a.
Fair value of securities reclassified on 31.12.2010	336 275	n.a.
Fair value reserve of securities reclassified on 31.12.2010	(11 104)	n.a.
Capital gains / (losses)) associated with the change in the securities' fair value between 31.12.2008 and 31.12.2009		
Unrealised net capital gains recorded as a charge to fair value reserve	6 315	n.a.
Impairment losses recorded in period	(6 673)	n.a.
Capital gains / (losses) recorded in net income for the year	(60 758)	n.a.
Capital gains / (losses)) associated with the change in the securities' fair value between 31.12.2009 and 31.12.2010		
Unrealised net capital gains recorded as a charge to fair value reserve	57 186	n.a.
Impairment losses recorded in period	(52 234)	n.a.
Capital gains / (losses) recorded in net income for the year	(2 247)	n.a.

n.a. – Not available.

Securities reclassified in 2010	Available-for-sale financial assets	Loans and advance to customers
Book value at the date of reclassification	1 414 007	503 466
Book value on 31.12.2010	1 039 972	504 393
Fair value of securities reclassified on 31.12.2010	1 039 972	511 412
Fair value reserve of securities reclassified on 31.12.2010	(36 589)	n.a.

n.a. – Not available.

The values presented above do not reflect tax effect.

"Capital gains / (losses) recorded in net income for the year" comprise results of the disposal of securities after the date of reclassification and foreign exchange valuation.

9. UNIT-LINKED PRODUCTS

The unit-linked investments correspond to assets managed by the Group's insurance companies whose risk is borne by the policyholders. Therefore these assets are stated at fair value, the liability to the policyholders being reflected in the heading "Liability to subscribers of unit-linked products". Investments recorded in this heading at 31 December 2010 and 2009 comprise the following:

	31.12.2010	31.12.2009
Unit-linked investments:		
Debt instruments	620 488	748 651
Equity instruments	26 740	28 461
Other	22	28
Derivatives		
Positive fair value	5 182	4 335
Loans and advances to credit institutions	80 080	86 492
	732 512	**867 967**
Liability to subscribers of unit-linked products	**732 512**	**867 967**

10. DERIVATIVES

Caixa carries out derivative operations in the normal course of its business to meet the specific needs of its customers and in order to hedge its exposure to foreign exchange, interest rate and stock market fluctuations.

Caixa controls the risk of its derivatives operations through operation approval procedures, definition of exposure limits by product and counterparty and by monitoring the daily evolution of the respective results.

At 31 December 2010 and 2009 these operations were valued in accordance with the criteria explained in Note 2.7. c). The notional and book values of these operations on the above mentioned dates were as follows:

	2010							
	Notional value			Book value				
						Hedging derivatives		
	Trading derivatives	Heading derivatives	Total	Assets held for trading (Note 7.)	Liabilities held for trading	Assets	Liabilities	Total
Forward foreign exchange transactions								
Foreign exchange				8 296	(7 135)	-	-	1 161
Purchase	465 109	-	465 109					
Sale	452 879	-	452 879					
NDFs (no deliverable forward)				3 345	(437)	-	-	2 908
Purchase	21 980	-	21 980					
Sale	21 996	-	21 996					
FRA (forward rate agreements)	20 000	-	20 000	328	-	-	-	328
Swaps								
Currency swaps				2 521	(3 302)	-	-	(781)
Purchase	547 985	-	547 985					
Sale	550 132	-	550 132					
Interest rate swaps and cross currency interest rate swaps				1 289 168	(1 064 663)	114 867	(166 048)	173 324
Purchase	67 322 603	2 002 823	69 325 426					
Sale	67 275 634	1 905 047	69 180 681					
Loan swaps				6 115	(30 708)	-	-	(24 593)
Purchase	800 970	-	800 970					
Sale	800 970	-	800 970					
Futures								
Currency				-	-	-	-	-
Long positions	145 542	-	145 542					
Short positions	-	-	-					
Interest rate				33	-	-	-	33
Long positions	-	-	-					
Short positions	2 969 484	-	2 969 484					
Shares and indexes				516	-	-	-	516
Long positions	22 165	-	22 165					
Short positions	6 068	-	6 068					
Other				4	-	-	-	4
Traded on behalf of customers								
Long positions	309 343	-	309 343					
Short positions	279 605	-	279 605					
Options								
Currency				5 229	(5 353)	-	-	(123)
Purchase	8 888	-	8 888					
Sale	8 888	-	8 888					
Shares and indexes				452 900	(480 386)	-	-	(27 486)
Purchase	-	-	-					
Sale	-	-	-					
Interest rates (Caps & Floors)				115 734	(114 407)	-	-	1 327
Purchase	1 029 113	-	1 029 113					
Sale	1 072 439	-	1 072 439					
Other				1 913	(5 727)	-	-	(3 814)
Purchase	-	-	-					
Sale	-	-	-					
	144 131 792	3 907 870	148 039 662	1 886 101	(1 712 117)	114 867	(166 048)	122 803

	2009							
	Notional value			Book value				
						Hedging derivatives		
	Trading derivatives	Heading derivatives	Total	Assets held for trading (Note 7.)	Liabilities held for trading	Assets	Liabilities	Total
Forward foreign exchange transactions								
Foreign exchange				18 388	(3 549)	-	-	14 839
Purchase	1 189 447	-	1 189 447					
Sale	1 179 578	-	1 179 578					
NDFs (no deliverable forward)				5 253	(4 122)	-	-	1 131
Purchase	122 860	-	122 860					
Sale	122 349	-	122 349					
FRA (forward rate agreements)	152 500	-	152 500	1 587	(16)	-	-	1 570
Swaps								
Currency swaps				74 297	(8 475)	-	-	65 821
Purchase	3 500 964	-	3 500 964					
Sale	3 433 518	-	3 433 518					
Interest rate swaps and cross currency interest rate swaps				1 476 415	(1 154 683)	179 623	(270 773)	230 581
Purchase	74 248 865	4 450 178	78 699 043					
Sale	74 224 268	4 494 946	78 719 214					
Loan swaps				1 576	(49 060)	-	-	(47 484)
Purchase	1 014 670	-	1 014 670					
Sale	1 014 670	-	1 014 670					
Shares and indexes				30 528	-	-	-	30 528
Purchase	79 892	-	79 892					
Sale	79 892	-	79 892					
Futures								
Currency			-	-	-	-	-	
Long positions	309 647	-	309 647					
Short positions	(62 782)	-	(62 782)					
Interest rate				-	-	-	-	-
Long positions	(12 262)		(12 262)					
Short positions	1 414 119		1 414 119					
Shares and indexes				19	-	-	-	19
Long positions	9 280	18	9 298					
Short positions	-	-	-					
Other				417	-	-	-	417
Traded on behalf of customers								
Long positions	157 425	-	157 425					
Short positions	(98 182)	-	(98 182)					
Options								
Currency				7 818	(7 031)	-	-	788
Purchase	10 958	-	10 958					
Sale	10 958	-	10 958					
Shares and indexes				465 128	(558 824)	-	-	(93 696)
Purchase	-	-	-					
Sale	-	-	-					
Interest rates (Caps & Floors)				108 624	(105 040)	-	-	3 584
Purchase	1 020 148	-	1 020 148					
Sale	1 044 112	-	1 044 112					
Other				3 025	(188)	-	-	2 837
Purchase	1 054	-	1 054					
Sale	1 379	-	1 379					
Other				1 576	(10 989)	-	-	(9 413)
	164 169 327	8 945 142	173 114 468	2 194 651	(1 901 977)	179 623	(270 773)	201 523

The Group's derivative transactions at 31 December 2010 and 2009, by residual terms to maturity, are as follows:

	2010					
	<= 3 months	> 3 months <= 6 months	> 6 months <= 1 year	> 1 year <= 5 years	> 5 years	Total
Forward foreign exchange transactions						
Foreign exchange						
Purchase	348 066	30 925	21 691	64 427	-	465 109
Sale	372 532	12 985	17 001	50 360	-	452 879
NDFs (no deliverable forward)						
Purchase	21 980	-	-	-	-	21 980
Sale	21 996	-	-	-	-	21 996
FRA (forward rate agreements)	-	-	10 000	10 000	-	20 000
Swaps						
Currency swaps						
Purchase	403 672	144 313	-	-	-	547 985
Sale	403 563	146 568	-	-	-	550 132
Interest rate swaps and cross currency interest rate swaps						
Purchase	5 378 318	4 611 302	7 517 845	37 358 773	14 459 188	69 325 426
Sale	5 369 008	4 610 440	7 521 912	37 296 572	14 382 750	69 180 681
Loan swaps						
Purchase	-	-	314 968	360 162	125 840	800 970
Sale	-	-	314 968	360 162	125 840	800 970
Futures						
Currency						
Long positions	142 368	2 944	230	-	-	145 542
Short positions	-	-	-	-	-	-
Interest rate						
Long positions	-	-	-	-	-	-
Short positions	2 540 016	429 468	-	-	-	2 969 484
Shares and indexes						
Long positions	12 687	3 618	-	5 860	-	22 165
Short positions	6 068	-	-	-	-	6 068
Other						
Traded on behalf of customers						
Long positions	125 565	100 193	45 689	37 896	-	309 343
Short positions	111 062	96 505	44 970	27 068	-	279 605
Options (Currency and shares and indexes)						
Purchase	8 888	-	-	-	-	8 888
Sale	8 888	-	-	-	-	8 888
Interest rates (Caps & Floors)						
Purchase	-	28 575	218 526	220 000	562 012	1 029 113
Sale	-	28 575	215 750	242 857	585 257	1 072 439
	15 274 676	10 246 411	16 243 550	76 034 137	30 240 888	148 039 662

	2009					
	<= 3 months	> 3 months <= 6 months	> 6 months <= 1 year	> 1 year <= 5 years	> 5 years	Total
Forward foreign exchange transactions						
Foreign exchange						
Purchase	939 153	166 880	30 845	52 568	-	1 189 447
Sale	929 717	167 071	32 430	50 360	-	1 179 578
NDFs (no deliverable forward)						
Purchase	118 037	2 125	2 365	332	-	122 860
Sale	116 870	2 415	2 687	377	-	122 349
FRA (forward rate agreements)	140 000	12 500	-	-	-	152 500
Swaps						
Currency swaps						
Purchase	3 177 727	317 608	5 630	-	-	3 500 964
Sale	3 116 692	311 265	5 562	-	-	3 433 518
Interest rate swaps and cross currency interest rate swaps						
Purchase	7 131 643	7 077 245	9 605 060	45 340 489	9 544 606	78 699 043
Sale	7 111 953	7 079 857	9 615 979	45 354 445	9 556 979	78 719 214
Loan swaps						
Purchase	-	27 766	74 003	609 948	302 952	1 014 670
Sale	-	27 766	74 003	609 948	302 952	1 014 670
Shares and indexes						
Purchase	-	79 892	-	-	-	79 892
Sale	-	79 892	-	-	-	79 892
Futures						
Currency						
Long positions	194 169	50 044	37 640	27 793	-	309 647
Short positions	(59 093)	(3 654)	(35)	-	-	(62 782)
Interest rate						
Long positions	(12 262)	-	-	-	-	(12 262)
Short positions	900 898	311 875	201 345	-	-	1 414 119
Shares and indexes						
Long positions	572	1 750	-	6 976	-	9 298
Short positions	-	-	-	-	-	-
Other						
Traded on behalf of customers						
Long positions	58 015	91 175	-	8 234	-	157 425
Short positions	(32 527)	(55 774)	-	(9 881)	-	(98 182)
Options (Currency and shares and indexes)						
Purchase	1 650	2 998	5 501	810	-	10 958
Sale	1 650	2 998	5 501	810	-	10 958
Interest rates (Caps & Floors)						
Purchase	15 000	0	13 127	429 392	562 630	1 020 148
Sale	15 000	2000	13 127	414 050	599 935	1 044 112
Other						
Purchase	690	364	-	-	-	1 054
Sale	1 379	-	-	-	-	1 379
	23 866 934	15 756 061	19 724 770	92 896 649	20 870 055	173 114 468

The Group's derivative transactions at 31 December 2010 and 2009, by type of counterparty, are as follows:

	2010		2009	
	Notional value	Book value	Notional value	Book value
Foreign forward exchange transactions				
Foreign exchange				
Financial institutions	538 450	(735)	1 632 554	10 829
Customers	379 538	1 896	736 471	4 010
	917 987	**1 161**	**2 369 025**	**14 839**
NDFs (non deliverable forward)				
Financial institutions	21 619	276	102 573	(2 674)
Customers	22 357	2 632	142 636	3 806
	43 976	**2 908**	**245 209**	**1 131**
FRA (forward rate agreements)				
Financial institutions	20 000	328	152 500	1 570
Swaps				
Currency swaps				
Financial institutions	1 098 117	(781)	6 934 483	65 821
Interest rate swaps and cross currency interest rate swaps				
Financial institutions	115 864 448	(140 683)	148 327 227	13 584
Customers	22 641 659	314 007	9 091 030	216 997
	138 506 107	**173 324**	**157 418 257**	**230 581**
Loan swaps				
Financial institutions	1 601 941	(24 593)	2 029 340	(47 484)
Shares and indexes				
Customers	-	-	119 784	17 208
Financial institutions	-	-	40 000	13 321
	-	-	**159 784**	**30 528**
Futures				
Currency				
Customers	-	-	99 984	-
Stock exchange	145 542	-	146 880	-
	145 542	-	**246 864**	-
Interest rate				
Financial institutions	9 871	-	114 685	-
Customers	-	-	4 825	-
Stock exchange	2 959 613	33	1 282 347	-
	2 969 484	**33**	**1 401 857**	-
Shares and indexes				
Financial institutions	3 618	-	1 750	-
Customers	12 687	-	-	-
Stock exchange	11 928	516	7 548	19
	28 233	**516**	**9 298**	**19**
Other				
Financial institutions	587 527	-	-	417
Stock exchange	1 422	4	59 243	-
	588 949	**4**	**59 243**	**417**

...continued

	2010		2009	
	Notional value	Book value	Notional value	Book value
Options (Shares and indexes)				
Financial institutions	-	33 106	-	46 359
Customers	17 776	(60 716)	21 916	(139 268)
	17 776	(27 609)	21 916	(92 909)
Caps & Floors				
Financial institutions	450 000	(30 081)	450 000	(40 793)
Customers	1 651 552	31 408	1 614 260	44 376
	2 101 552	1 327	2 064 260	3 584
Other options				
Financial institutions	-	(509)	-	-
Customers	-	(3 305)	2 433	2 837
	-	(3 814)	2 433	2 837
Other				
Financial institutions	-	-	-	(6 233)
Customers	-	-	-	(3 180)
	-	-	-	(9 413)
	148 039 662	122 803	173 114 468	201 523

11. LOANS AND ADVANCES TO CUSTOMERS

This heading comprises the following:

	31.12.2010	31.12.2009
Domestic and foreign loans		
Loans	53 297 575	55 139 878
Current account loans	4 917 873	4 420 718
Other	13 432 304	8 421 546
Other loans and amounts receivable - securitised		
Commercial Paper	3 609 136	2 780 203
Other	1 518 840	1 272 089
Property leasing operations	1 752 760	1 665 652
Discounts and other loans secured by bills	749 723	683 709
Purchase operations with repurchased agreement	116 769	5 948
Equipment leasing operations	1 330 923	1 309 278
Loans taken – factoring	591 624	660 233
Overdrafts	413 915	694 467
	81 731 440	77 053 721
Adjustment to assets under hedging operations	1 492	1 579
Accrued interest	319 773	304 481
Deferred income commissions and other cost and income associated with amortised cost	(13 491)	(15 786)
	82 039 214	77 343 994
Overdue loans and interest	2 477 814	2 283 239
	84 517 028	79 627 233
Impairment (Note 39.)	(2 609 824)	(2 405 224)
	81 907 204	77 222 008

The “Domestic and foreign – other loans” heading at 31 December 2010 and 2009 includes EUR 86 924 thousand and EUR 79 685 thousand, respectively, relating to mortgage and personal loans granted by CGD to its employees.

The “Loans” heading at 31 December 2010, includes EUR 795 112 thousand relating to loans granted by Caixa to Parvalorem, SA, Parups, SA and Parparticipadas, SA under the re-organisation process of the liquidity support operations to BPN (Notes 6. and 8.). These loans are not covered by the guarantee issued by the Portuguese State and are collaterised by pledges and mortgages of the assets of the referred to vehicles.

The “Loans” heading at 31 December 2010 and 2009 includes mortgage loans and consumer finance ceded by Caixa in securitisation operations. The changes in these loans in 2010 and 2009 were as follows:

	Nostrum Mortgages no. 1	Nostrum Consumer	Nostrum Mortgages no. 2	Total
Balances at 31.12.2008	581 204	105 043	-	686 247
Payments	(52 484)	(55 064)	-	(107 548)
Write-offs	-	(2 751)	-	(2 751)
Other	(197)	(104)	-	(301)
Balances at 31.12.2009	528 523	47 124	-	575 647
Sale of new loans	-	-	5 345 504	5 345 504
Payments	(51 484)	(17 656)	(41 466)	(110 606)
Write-offs	-	(1 233)	-	(1 233)
Repurchase operations	(1 672)	(26 593)	(23 002)	(51 267)
Other	1 217	(1 642)	(311)	(736)
Balances at 31.12.2010	476 584	-	5 280 725	5 757 309

These loans serve as collateral for the securities issued by the SPEs in these operations, which amounted to EUR 475 046 thousand and EUR 580 742 thousand at 31 December 2010 and 2009, respectively, (Note 22.). At 31 December 2010, these balances do not include liabilities relating to the Nostrum Mortgages no. 2 operation which are fully held by the Group, and so were elliminated in preparing the consolidated financial statements.

At 24 August 2010, CGD repurchased securitised loans relative to the Nostrum Consumer operation at their market value on 31 July 2010. The market value at that date in the amount of EUR 26 593 thousand was calculated in compliance with the fair value principles defined by IAS 39. The amount received by the Fund relating in the repurchase of the credits was used by this company in the early amortisation of the nominal value of the credit securitisation units subscribed by Nostrum Consumer PLC, this vehicle, in turn, having used the funds received to repay the bonds issued to finance the acquisition of the referred to securitisation units. As a result of these operations, in compliance with the terms of the Fund Management Regulation, the Fund was liquidated on the date of the retransmission of the securitised loans to CGD.

The heading “Loans” at 31 December 2010 and 2009 includes mortgage loans included in the cover pool of covered bonds issued by CGD with a book value of EUR 8 988 548 thousand and EUR 6 542 786 thousand, respectively (Note 22.). At 31 December 2010, the covered bonds cover pool also includes loans related to the commercial paper issue programmes of EUR 48 150 thousand. In addition, at 31 December 2010 and 2009 the cover pool of the covered bonds programme also included debt securities with a book value of EUR 454 120 thousand and EUR 943 448 thousand, respectively.

Also at 31 December 2010, the heading “Loans” included EUR 1 308 423 thousand of loans allocated to the cover pool of the public sector covered bonds programme (EUR 1 485 274 thousand, at 31 December 2009) (Note 22.).

At 31 December 2010 and 2009, the aging of “Overdue loans and interest” was as follows:

	31.12.2010	31.12.2009
Up to three months	254 912	318 086
Three to six months	155 978	92 351
Six months to one year	211 950	297 705
One to three years	889 925	761 833
Over three years	965 049	813 264
	2 477 814	2 283 239

Loans and advances to customers at 31 December 2010 and 2010, except adjustments to the value of assets under hedging operations, by business sector are made up as follows:

	31.12.2010								
	Central and local government and State companies			Companies and individuals			Total		
	Loans not due	Overdue loans	Total	Loans not due	Overdue loans	Total	Loans not due	Overdue loans	Total
Companies									
Agriculture, cattle breeding, hunting and forestry	70		70	483 274	30 542	513 816	483 344	30 542	513 887
Mining industries	-		-	523 534	2 746	526 280	523 534	2 746	526 280
Manufacturing industries			-						
Food, beverages and tobacco	50	-	50	1 028 191	60 318	1 088 509	1 028 241	60 318	1 088 559
Textiles	-	-	-	400 812	28 977	429 789	400 812	28 977	429 789
Leather and by-products	-	-	-	57 431	2 543	59 974	57 431	2 543	59 974
Wood and cork	-	-	-	211 898	19 734	231 631	211 898	19 734	231 631
Pulp, paper, printing and publishing	25	-	25	152 332	6 371	158 703	152 357	6 371	158 727
Coal, oil products and nuclear fuel	-	-	-	223 878	8	223 885	223 878	8	223 885
Chemical products and synthetic or artificial fibres	-	-	-	330 928	3 276	334 204	330 928	3 276	334 204
Rubber and plastic goods	-	-	-	150 486	7 557	158 042	150 486	7 557	158 042
Non-metallic mineral products	-	-	-	307 941	20 295	328 236	307 941	20 295	328 236
Basic metallurgy industries and metallic products	3 673	-	3 673	616 851	22 427	639 278	620 524	22 427	642 951
Machinery and equipment	-	-	-	124 396	6 148	130 545	124 396	6 148	130 545
Electrical and optical equipment	266	-	266	147 984	965	148 949	148 250	965	149 215
Transport equipment	440	-	440	107 931	5 624	113 555	108 370	5 624	113 994
Miscellaneous manufacturing industries	356	-	356	277 864	33 115	310 978	278 220	33 115	311 334
Electricity, water and gas	2 546	-	2 546	1 960 141	2 112	1 962 253	1 962 687	2 112	1 964 799
Building	27 728	-	27 728	5 718 065	431 829	6 149 894	5 745 793	431 829	6 177 623
Wholesale / retail trade and repair of cars, motorcycles and personal and domestic goods	288	-	288	3 901 142	165 892	4 067 034	3 901 430	165 892	4 067 322
Restaurants and hotels	561	-	561	1 176 447	43 303	1 219 749	1 177 008	43 303	1 220 311
Transports, warehousing and communications	486	-	486	2 662 197	25 986	2 688 184	2 662 683	25 986	2 688 670
Financial activities	-	-	-	8 824 759	51 554	8 876 313	8 824 759	51 554	8 876 313
Real estate activities	1 508	-	1 508	4 094 638	150 443	4 245 081	4 096 146	150 443	4 246 589
Other activities	6 061	-	6 061	1 713 538	33 789	1 747 326	1 719 599	33 789	1 753 388
Public administration, defence and mandatory social security contributions	3 461 490	78 223	3 539 713	578 390	1 033	579 423	4 039 880	79 256	4 119 136
Education	6 532	0	6 532	248 099	1 938	250 037	254 631	1 938	256 569
Healthcare and welfare	6 727	8 817	15 544	564 080	96 657	660 737	570 808	105 473	676 281
Other activities and social and personal services	55 320	1 719	57 039	2 148 797	97 536	2 246 334	2 204 117	99 255	2 303 372
Families with domestic employees	-	-	-	3 385	80	3 465	3 385	80	3 465
International entities and other institutions	3	-	3	95	246	341	98	246	343
	3 574 129	88 759	3 662 888	38 739 503	1 353 041	40 092 544	42 313 633	1 441 800	43 755 432
Individuals									
Housing	-	-	-	37 232 527	911 391	38 143 917	37 232 527	911 391	38 143 917
Other	-	-	-	2 491 604	124 623	2 616 227	2 491 604	124 623	2 616 227
	-	-	-	39 724 130	1 036 014	40 760 144	39 724 130	1 036 014	40 760 144
	3 574 129	88 759	3 662 888	78 463 633	2 389 055	80 852 689	82 037 763	2 477 814	84 515 576

31.12.2009

	Central and local government and State companies			Companies and individuals			Total		
	Loans not due	Overdue loans	Total	Loans not due	Overdue loans	Total	Loans not due	Overdue loans	Total
Companies									
Agriculture, cattle breeding, hunting and forestry	-	3	3	496 415	32 626	529 041	496 415	32 629	529 044
Mining industries	-	-	-	556 452	2 516	558 968	556 452	2 516	558 968
Manufacturing industries									
Food, beverages and tobacco	25	-	25	908 735	51 236	959 972	908 761	51 236	959 997
Textiles	-	-	-	393 157	23 525	416 683	393 157	23 525	416 683
Leather and by-products	-	-	-	51 636	3 045	54 681	51 636	3 045	54 681
Wood and cork	-	-	-	235 753	19 165	254 918	235 753	19 165	254 918
Pulp, paper, printing and publishing	-	-	-	178 887	7 687	186 574	178 887	7 687	186 574
Coal, oil products and nuclear fuel	-	-	-	134 010	12	134 021	134 010	12	134 021
Chemical products and synthetic or artificial fibres	-	-	-	282 449	7 426	289 875	282 449	7 426	289 875
Rubber and plastic goods	-	-	-	163 089	3 071	166 159	163 089	3 071	166 159
Non-metallic mineral products	-	-	-	301 158	14 306	315 464	301 158	14 306	315 464
Basic metallurgy industries and metallic products	8	-	8	594 901	23 648	618 548	594 909	23 648	618 556
Machinery and equipment	-	-	-	85 426	6 836	92 262	85 426	6 836	92 262
Electrical and optical equipment	-	-	-	146 476	678	147 155	146 476	678	147 155
Transport equipment	-	-	-	206 210	9 400	215 610	206 210	9 400	215 610
Miscellaneous manufacturing industries	-	-	-	176 490	25 303	201 793	176 490	25 303	201 793
Electricity, water and gas	405	-	405	1 756 735	7 052	1 763 788	1 757 141	7 052	1 764 193
Building	10 544	-	10 544	6 471 931	313 141	6 785 071	6 482 475	313 141	6 795 616
Wholesale / retail trade and repair of cars, motorcycles and personal and domestic goods	89	-	89	3 866 892	154 284	4 021 176	3 866 981	154 284	4 021 265
Restaurants and hotels	-	-	-	1 265 066	40 750	1 305 815	1 265 066	40 750	1 305 815
Transports, warehousing and communications	-	-	-	2 263 821	19 740	2 283 561	2 263 821	19 740	2 283 561
Insurance and financial activities	-	-	-	7 259 666	27 388	7 287 054	7 259 666	27 388	7 287 054
Real estate activities, rental and services provided to companies									
Real estate activities	-	-	-	3 508 862	174 156	3 683 018	3 508 862	174 156	3 683 018
Other activities	100	-	100	1 715 746	79 078	1 794 825	1 715 847	79 078	1 794 925
Public administration, defence and mandatory social security contributions	2 908 348	97 872	3 006 219	378 211	717	378 928	3 286 559	98 588	3 385 147
Education	294	0	294	195 938	1 926	197 864	196 232	1 926	198 158
Healthcare and welfare	10 423	28	10 451	516 177	26 734	542 911	526 600	26 762	553 362
Other activities and social and personal services	35 853	-	35 853	1 616 286	66 849	1 683 135	1 652 139	66 849	1 718 988
Families with domestic employees	-	-	-	4 488	1 221	5 708	4 488	1 221	5 708
International entities and other institutions	3	-	3	1 767	-	1 767	1 770	-	1 770
	2 966 094	97 903	3 063 996	35 732 831	1 143 515	36 876 346	38 698 924	1 241 418	39 940 342
Individuals									
Housing	-	-	-	36 211 992	894 092	37 106 084	36 211 992	894 092	37 106 084
Other	-	-	-	2 431 499	147 729	2 579 228	2 431 499	147 729	2 579 228
	-	-	-	38 643 491	1 041 821	39 685 312	38 643 491	1 041 821	39 685 312
	2 966 094	97 903	3 063 996	74 376 322	2 185 336	76 561 658	77 342 415	2 283 239	79 625 654

12. NON-CURRENT ASSETS HELD FOR SALE

At 31 December 2010 and 2009, this heading comprised the following:

	31.12.2010	31.12.2009
Property and equipment	495 517	409 502
Impairment (Note 39.)	(72 128)	(59 825)
	423 389	349 678

As explained in Note 2.8., the Group records in this heading, property and other assets obtained in the recovery of credit.

Entries in assets during 2010 and 2009 were as follows:

2010

	Balances at 31.12.2009							Balances at 31.12.2010	
	Gross value	Accumulated impairment	Adjustments	Sales and write-offs	Transfers of tangible assets (Note 14.)	Impairment (Note 39.)	Other entries	Gross value	Accumulated impairment
Non-current assets held for sale									
Property	406 148	(56 951)	177 928	(74 858)	(9 372)	(17 013)	(7 943)	491 904	(70 425)
Other	3 354	(2 874)	3 868	(3 337)	-	-	(273)	3 612	(1 703)
	409 502	(59 825)	181 797	(78 195)	(9 372)	(17 013)	(8 215)	495 517	(72 128)

2009

	Balances at 31.12.2008							Balances at 31.12.2009	
	Gross value	Accumulated impairment	Adjustments	Sales and write-offs	Transfers of tangible assets (Note 14.)	Impairment (Note 39.)	Other entries	Gross value	Accumulated impairment
Non-current assets held for sale									
Property	293 940	(36 063)	152 291	(61 972)	23 188	(20 888)	(1 300)	406 148	(56 951)
Other	2 717	(1 714)	-	-	-	(1 160)	637	3 354	(2 874)
	296 657	(37 777)	152 291	(61 972)	23 188	(22 048)	(663)	409 502	(59 825)

In 2010 and 2009, net gains on the disposal of non-current assets held for sale were EUR 4 228 thousand and EUR 5 857 thousand, respectively (Note 34.).

13. INVESTMENT PROPERTY

The changes in the heading "Investment property" in 2010 and 2009 were as follows:

Balances at 31.12.2008	321 362
Acquisitions	35 822
Revaluations	12 368
Sales	(21 440)
Entries in consolidation perimeter	6 271
Transfers to tangible assets	12
Other	(137)
Balances at 31.12.2009	354 258
Acquisitions	23 347
Revaluations	1 343
Sales	(2 900)
Transfers to tangible assets and non-corrent assets held for sale	8 589
Other	11 805
Balances at 31.12.2010	396 441

As referred to in Note 2.9. investment properties are recorded at fair value and mainly correspond to property held in the scope of the insurance business. Gains and losses arising from the revaluation of this property are recognised in the "Other income and operating charges" heading.

VALUATION METHODS

INSURANCE ACTIVITY

Valuations of investment properties relating to Caixa Seguros e Saúde's operations are made with the objective of obtaining their "presumable transaction price", which is normally their market value, namely the price at the valuation date at which the land or building could be sold under a private agreement between an independent, interested vendor and purchaser, the property being put up for sale on the open market, under standard sales conditions with a normal period for negotiating the sale, taking the type of property into account. If there are any rental agreements, determination of the "presumable transaction price" takes the rental value into consideration.

The most commonly used valuation methods are:

a) Comparative market method: consisting of the valuation of the land or building by comparison, i.e. based on transactions and/or effective proposals for the acquisition of land or buildings with similar physical and functional characteristics, located in the same property market area;

b) Cost method: consisting of the determination of the value of the building based on the sum of the market value of the land and all of the costs necessary for the construction of a building with the same physical and functional characteristics, depreciated on the basis of its age, state of repair and estimated useful life, plus the required profit margin;

c) Income method: consisting of the assessment of the value of the land or building based on the annual effective rent discounted at and an adequate capitalisation rate;

d) Residual value method: consisting of a variation of the cost method in which the current value of a property is obtained by subtracting all associated costs and margins not yet incurred from the value of property after the works have been completed.

PROPERTY INVESTMENT FUNDS

The valuation of investment properties owned by Property Investment Funds is determined by individual expert appraisers registered with the CMVM and comply with the requirements and technical standards defined by that entity.

Property is valued with the objective of determining the best price to be obtained from its sale under normal market conditions. To determine the amount of the revaluation of the property, the expert appraisers must use at least two of the following valuation methods: (a) comparative method; (b) income method; and (c) cost method.

14. OTHER TANGIBLE ASSETS

In 2010 and 2009, the changes in "Other tangible assets" (net) were as follows:

2010

	Balance at 31.12.2009 Gross value	Balance at 31.12.2009 Accumulated depreciation and impairment losses	Canges in consolidation perimeter	Additions	Exchange differences	Transfers
Premises for own use						
Land	189 633	-		392	211	673
Buildings	817 323	(281 358)	6 203	30 064	2 296	1 483
Leasehold improvements	112 430	(68 080)	73	2 879	148	9 586
Other premises	80	-	-	-	-	-
Equipment						
Fittings and office equipment	108 988	(90 112)	226	6 654	103	(1 229)
Machinery and tools	31 394	(25 841)	105	2 290	61	1 813
Computer equipment	135 102	(107 471)	333	11 190	510	1 696
Indoor facilities	339 997	(276 802)	128	10 019	86	10 413
Transport material	7 787	(4 901)	277	2 071	22	5
Safety / security equipment	30 361	(22 954)	-	4 397	49	1 556
Other equipment	230 481	(77 714)	154	41 892	139	7 880
Assets under finance lease	115 690	(58 043)	-	41 871	(4)	2 990
Other tangible assets	13 088	(5 425)	-	1 951	3	7
Tangible assets in progress	70 405	-	7 839	87 637	224	(36 872)
	2 202 758	**(1 018 700)**	**15 338**	**243 308**	**3 848**	**-**

2009

	Balance at 31.12.2008 Gross value	Balance at 31.12.2008 Accumulated depreciation and impairment losses	Canges in consolidation perimeter	Additions	Exchange differences	Transfers
Premises for own use						
Land	154 000	-	-	-	(177)	46 244
Buildings	787 771	(280 178)	2 191	4 216	(3 110)	56 786
Leasehold improvements	113 155	(61 941)	49	1 968	770	126
Other premises	80	-	-	-	-	-
Equipment	-					
Fittings and office equipment	104 698	(85 070)	172	6 497	(299)	(1 102)
Machinery and tools	31 320	(24 520)	43	1 416	(101)	(28)
Computer equipment	153 436	(129 899)	162	11 871	398	1 646
Indoor facilities	320 562	(261 831)	50	7 728	(142)	13 016
Transport material	8 166	(4 241)	156	1 244	(911)	5
Safety / security equipment	27 211	(20 648)	-	3 463	(229)	(1)
Other equipment	28 416	(22 275)	139 412	58 947	130	-
Assets under finance lease	97 342	(40 022)	-	20 081	1	(590)
Other tangible assets	20 961	(13 161)	-	2 018	1	-
Tangible assets in progress	138 617	-	2 683	53 430	(1 193)	(116 102)
	1 985 735	**(943 786)**	**144 918**	**172 879**	**(4 862)**	**-**

...continued

				Balance at 31.12.2010	
Other tranfers and adjustments	Depreciation for the year	Impairment losses reversed in the year (Note 39.)	Sales and write-offs	Gross value	Accumulated depreciation and impairment losses
5 870	-	-	(22 043)	174 736	-
9 430	(15 629)	(55)	(120 408)	704 985	(255 637)
5 306	(8 162)	-	(536)	129 492	(75 850)
(5)	-	-	-	80	(5)
1 245	(5 825)	-	(654)	115 051	(95 654)
150	(2 361)	-	(3)	35 410	(27 803)
(1 389)	(14 211)	-	(36)	153 991	(128 268)
(21)	(15 112)	179	(10 283)	289 575	(230 972)
337	(1 283)	-	(171)	9 882	(5 738)
(40)	(3 057)	-	(3)	36 500	(26 190)
(1 956)	(24 868)	(34)	(36 894)	207 633	(68 553)
9 936	(26 547)	-	(340)	159 003	(73 451)
(1 087)	(1 000)	-	-	15 045	(7 507)
(14 775)	-	-	(219)	114 239	-
13 002	**(118 055)**	**90**	**(191 591)**	**2 145 624**	**(995 626)**

				Balance at 31.12.2009	
Other tranfers and adjustments	Depreciation for the year	Impairment losses reversed in the year (Note 39.)	Sales and write-offs	Gross value	Accumulated depreciation and impairment losses
(8 861)	-	-	(1 573)	189 633	-
(9 162)	(18 215)	(135)	(4 200)	817 323	(281 358)
(1 176)	(7 521)	-	(1 081)	112 430	(68 080)
-	-	-	-	80	-
41	(5 645)	-	(416)	108 988	(90 112)
(92)	(2 368)	-	(117)	31 394	(25 841)
1 720	(11 524)	-	(180)	135 102	(107 471)
759	(16 597)	79	(429)	339 997	(276 802)
499	(1 447)	-	(585)	7 787	(4 901)
36	(2 265)	-	(159)	30 361	(22 954)
(1 369)	(27 130)	(20)	(23 344)	230 481	(77 714)
45	(18 946)	-	(264)	115 690	(58 043)
(845)	(1 193)	-	(117)	13 088	(5 425)
(7 029)	-	-	-	70 405	-
(25 434)	**(112 851)**	**(77)**	**(32 465)**	**2 202 758**	**(1 018 700)**

In 2010 Caixa sold its headoffice property to Fundo de Pensões da Caixa Geral de Depósitos, SA (Fundo de Pensões) for EUR 251 751 thousand and recognised a capital gain of EUR 103 865 thousand (Note 34.). The sale was made at the market value at the transaction date, determined by independent experts.

This operation also included the lease by Caixa of this property for an initial period of 20 years, renewable for equal successive periods of 5 years. Under the terms of the contract, Caixa has a call option on the property that can be exercised at the end of each leasing period at its market value at that date, maintaining under any circumstances preferential right to its acquisition.

At 31 December 2009, "Changes in the consolidation perimeter" include EUR 139 451 thousand relative to balances originated in the scope of Locarent's business activity.

Accumulated impairment of other tangible assets at 31 December 2010 and 2009 amounted EUR 15 741 thousand and EUR 18 760 thousand, respectively (Note 39.).

15. INTANGIBLE ASSETS

The changes in this heading in 2010 and 2009 were as follows:

2010

	Balance at 31.12.2009				
	Gross book value	Accumulated amortisation	Acquisition/ (sale) of subsidiaries	Additions	Net disposals
Goodwill					
Império Bonança	146 707	-	-	-	-
Banco Caixa Geral Totta de Angola	8 786	-	-	24 531	(8 786)
Value-in-force – Império Bonança (Note 2.16. n))	46 386	(19 328)	-	-	-
Computer software	605 173	(471 524)	103	36 405	(53)
Other intangible assets	34 669	(5 159)	-	4 727	(7)
Intangible assets in progress	60 357	-	189	45 752	-
	902 078	(496 010)	292	111 415	(8 846)

2009

	Balance at 31.12.2008				
	Gross book value	Accumulated amortisation	Acquisition/ (sale) of subsidiaries	Additions	Net disposals
Goodwill					
Império Bonança	146 707	-	-	-	-
Banco Caixa Geral Totta de Angola	-	-	-	8 786	-
Value-in-force – Império Bonança (Note 2.16. n))	46 386	(15 462)	-	-	-
Computer software	529 618	(390 840)	157	17 781	(88)
Other intangible assets	15 474	(2 754)	70	28 160	(1 170)
Intangible assets in progress	66 686	-	-	50 015	(1 007)
	804 871	(409 056)	227	104 742	(2 265)

...continued

			Balance at 31.12.2010	
Transfers and adjustments	Exchange differences	Amortisation for the year	Gross book value	Accumulated amortisation
-	-	-	146 707	-
-	-	-	24 531	-
-	-	(5 412)	46 386	(24 739)
38 773	315	(73 268)	683 131	(547 095)
890	0	(2 114)	38 489	(5 255)
(52 104)	3 084	-	57 232	-
(12 441)	3 400	(80 794)	996 476	(577 090)

			Balance at 31.12.2009	
Transfers and adjustments	Exchange differences	Amortisation for the year	Gross book value	Accumulated amortisation
-	-	-	146 707	-
-	-	-	8 786	-
-	-	(3 866)	46 386	(19 328)
56 827	(64)	(79 743)	605 173	(471 524)
(8 705)	(43)	(1 521)	34 669	(5 159)
(56 490)	1 153	-	60 357	-
(8 368)	1 046	(85 129)	902 078	(496 010)

Intangible assets in progress at 31 December 2010 and 2009 refer essentially to costs incurred with the development of computer software, which had not yet started operating on those dates.

At 31 December 2010 and 2009, accumulated impairment of intangible assets amounted to EUR 958 thousand and EUR 957 thousand, respectively (Note 39.).

GOODWILL – BCGTA

As referred to in Note 3., in 2009 Caixa acquired, through the subscription of 50% of the share capital of Partang, SGPS, SA, an equity participation in Banco Caixa Geral Totta de Angola (BCGTA). A goodwill of EUR 8 786 thousand was recognised as a result of this operation.

In 2010, Caixa exercised its call option over 1% of the share capital and voting rights of Partang as agreed between this company's shareholders. As a result of this transaction, the Group's effective participation in the share capital of Banco Caixa Geral Totta de Angola, in which Partang has a direct participating interest of 51%, increased from 25.5% to 26.01%.

The acquisition of control over Partang determined the recognition of a capital gain of EUR 22 896 thousand against net income for the year, in accordance with accounting requirements for business combinations under the terms of the revised text of IFRS 3, adopted by the Group in 2010 (see item 2.2. "Adoption of (new and revised) standards issued by IASB and interpretations issued by IFRIC, as adopted by the EU"), as a result of the derecognition of the share held in the share capital of this company in the moment immediately before the transaction. This amount was calculated based on the difference between the fair value attributed to the participating interest held at that date (50% of Partang's share capital) and the respective book value, as of 30 June 2010.

In addition the Group recorded new goodwill from the acquisition of control as follows:

	Book value	Fair value adjustments (*)	Book value after adjustments
Cash and cash equivalents at other credit institutions	283 813	-	283 813
Loans and advances to customers	155 637	-	155 637
Investments in securities	166 464	-	166 464
Property for own service	22 914	9 225	32 140
Customer resources	(443 972)	-	(443 972)
Other assets and liabilities (net)	3 799	-	3 799
Net assets – BCGTA (1)	**188 656**	**9 225**	**197 881**
Faire value of equity participation			
(26.01% of BCGTA's share capital)			82 825
Book value of minority interest at acquisition date			139 586
Cost allocated to net assets of BCGTA (2)			**222 412**
Goodwill (2-1)			**24 531**

(*) Deferred tax net adjustments.
Implicit tax rate of 35%.

Adjustments made to the shareholders' equity of BCGTA comprise the revaluation of the BCGTA's head office in accordance with its fair value at the control acquisition date and the recording of the corresponding deferred tax liabilities as a charge to a reserve heading in the amount of EUR 4 967 thousand.

On that date, the Group also recorded the liability inherent to the put option over the minority interest contracted with Santander Group as a charge to the "Other reserves" heading, the conditions and exercise price of which are contractually expressed in the terms of the framework agreement underlying the operation (Note 3.).

GOODWILL – IMPÉRIO BONANÇA

Goodwill of Império Bonança – Companhia de Seguros, SA arose in 2005 upon to the acquisition of all Império Bonança, SGPS, SA's share capital, which owned the following companies:

• Império Bonança – Companhia de Seguros, SA;

• Seguro Directo Gere – Companhia de Seguros, SA;

• Impergesto – Assistência e Serviços, SA; and

• Servicomercial – Consultoria e Informática, Lda.

In authorising this operation, the Competition Authority required the equity participation of Caixa Seguros in Seguro Directo Gere – Companhia de Seguros, SA to be sold, which occurred in 2005.

The insurance area also liquidated companies Impergesto – Assistência e Serviços, SA in 2006 and Servicomercial – Consultoria e Informática, Lda. in 2008. It also merged Império Bonança, SGPS, SA into Caixa Seguros e Saúde, in 2008 and so Império Bonança – Companhia de Seguros, SA is now a wholly owned subsidiary.

At 31 December 2010, goodwill of Império Bonança was subject to impairment testing.

The valuation included the information available at the time it was carried out, notably, macroeconomic conditions and the situation of financial markets *inter alia*. The valuation established that the recoverable value of the asset exceeded its book value and that there was therefore no need to recognise any impairment losses.

The following is a description of the methodology and main assumptions used to perform the valuation:

VALUATION METHODOLOGY

In order to determine the value of use of the insurance company, the method normally applied for the valuation of companies in the sector was used, resulting in the determination of the following values:

- Net asset value – consists of the total equity value, comprising shareholders' net assets. This value takes into account: shareholder capital and retained earnings; share premiums; revaluation reserves; shadow reserves (reflecting the valuation of property and investment at market prices); other reserves;

- Intrinsic value of the business portfolio – considered as the present value of future cash flows resulting from the volume of business currently in the company's portfolio;

- Embedded value = net asset value + intrinsic value of the business portfolio;

- Goodwill of future business - present value of future business cash flows;

- Total appraisal value = embedded value + goodwill of future business.

The life insurance portfolio is generally valued based on studies made by actuaries, based on valuation of the non-life portfolio being valued through of income assessments.

VALUATION BASED ON AN INCOME ASSESSMENT

This methodology relies on the assumption that the financial valuation of a company must be based on the discounted value of its expected future income (discounted cash flows). In accordance with this valuation methodology, a company's value is estimated by discounting its expected future income – cash flows – resulting from its operations, at an adequate discount rate considering the risk of the company.

In the case of financial valuation of insurance companies considering the specific nature of their operations in which insurance companies must comply with regulatory own funds ratios, it is standard practice to value companies on an income perspective, based on cash flows available to the shareholder.

PROJECTION PERIOD

Acquisition of Império Bonança by CGD Group resulted from a strategic decision to consolidate the Group's leadership of the Portuguese insurance market while simultaneously achieving a dimension that enables the implementation of synergies to improve operational efficiency resulting from a junction between the structure of Império Bonança with other Group insurance companies, particularly Fidelidade Mundial.

Being a structural concentration it is reasonable to consider a valuation period of up to 2018 plus a residual value.

RESIDUAL VALUE

The residual value was calculated by the formula VR = CFt / (KCPt – g), in which:

VR = Residual value
CFt = Cash flow in year t (cruise speed)
g = Nominal perpetuity growth
KCPt = Required return on equity.

MACROECONOMIC ASSUMPTIONS

The main macroeconomic assumptions considered in the projections were the inflation rate and real GDP growth. An IRC rate (corporate tax rate) of 29% was considered.

DISCOUNT RATE

The cash flow discount rate corresponds to the cost of shareholder's capital, determined based on Capital Asset Pricing Model (CAPM) model. A discount rate of approximately 12.2%, had been used, remaining unchanged during the period of the projection.

VALUE OF SHAREHOLDERS' EQUITY

On the basis of the economic-financial projections for the next few years, the expected future income levels (cash flows) were calculated and discounted as of the valuation reporting date.

GROSS PREMIUMS

In historical terms there is a strong correlation between the evolution of the non-life insurance market and the evolution of economy. Evolution of gross premiums written was therefore, indexed to nominal GDP growth for the projection period, although a discount in respect of that growth was assumed.

As regards provisions for unearned premiums, percentage values of gross premiums written were assumed in line with the averages observed over the last few years.

CLAIMS COSTS

Claims costs for each of the insurance areas were assumed to be in line with the average of the last few years.

ACQUISITION COSTS AND ADMINISTRATIVE COSTS

A percentage of gross premiums earned was considered for acquisition costs relating to premium sales (i.e. commissions), in line with the last few years, inflation indexed growth having been assumed for the remaining acquisition costs.

As regards administrative costs, the company considered the indexing of administrative costs directly related with premium sales (i.e. remunerations of brokers) to the projected growth of gross premiums. Other administrative costs were indexed to the projected rate of inflation.

RESEARCH AND DEVELOPMENT EXPENSES

Caixa spent EUR 7 400 thousand and EUR 8 733 thousand, on research, development and innovation projects in 2010 and 2009, respectively.

16. INVESTMENTS IN ASSOCIATES

This heading includes the following:

	2010		2009	
	Effective participating interest (%)	Book value	Effective participating interest (%)	Book value
SIBS – Sociedade Interbancária de Serviços, SA	21.60	14 837	21.60	13 384
Prado – Cartolinas da Lousã, SA	38.14	4 361	38.14	4 157
Banco Internacional de São Tomé e Príncipe, SA	27.00	2 752	27.00	2 732
Torre Ocidente Imobiliária, SA	25.00	1 531	25.00	197
Companhia de Papel do Prado, SA	38.14	1 303	38.14	1 301
Other		3 680		4 401
		28 464		26 172

Financial provisional data of the principal associated companies at 31 December 2010 and 2009 is as follows:

2010

Business sector / Entity	Registered office	Assets	Liabilities	Equity (a)	Net income	Total income
Banking						
Banco Internacional de São Tomé e Príncipe	São Tomé	54 082	43 900	10 182	1 080	6 309
Property						
Torre Ocidente, Imobiliária, SA	Lisbon	42 697	36 574	6 123	1 742	2 509
Vale do Lobo, Resort Turístico de Luxo, SA	Lisbon	385 453	423 399	(37 946)	(16 187)	44 813
Other						
Companhia de Papel do Prado, SA	Tomar	4 327	911	3 416	6	24
Prado – Cartolinas da Lousã, SA	Lousã	20 490	9 059	11 431	1 699	24 727
SIBS – Sociedade Interbancária de Serviços, SA	Lisbon	142 997	74 302	68 695	12 799	133 269

(a) Equity includes net income for the year and excludes minority interest.

2009

Business sector / Entity	Registered office	Assets	Liabilities	Equity (a)	Net income	Total income
Banking						
Banco Internacional de São Tomé e Príncipe	São Tomé	47 905	37 788	10 117	1 182	7 037
Property						
Torre Ocidente, Imobiliária, SA	Lisbon	11 876	11 089	787	149	265
Vale do Lobo, Resort Turístico de Luxo, SA	Lisbon	399 458	410 218	(10 760)	(13 072)	47 619
Other						
Companhia de Papel do Prado, SA	Tomar	4 326	916	3 410	(4)	1
Prado – Cartolinas da Lousã, SA	Lousã	20 556	9 658	10 898	2 764	21 106
SIBS – Sociedade Interbancária de Serviços, SA	Lisbon	136 488	74 522	61 966	12 551	142 120

(a) Equity includes net income for the year and excludes minority interest.

The main changes in the "Investments in associates" heading were as follows:

TORRE ORIENTE, IMOBILIÁRIA, SA

In December 2009, Wolfpart sold its 25% equity participation in Torre Oriente, Imobiliária, SA for EUR 8 147 thousand. As a result of this operation, the Group recorded a capital gain of EUR 5 406 thousand in the heading "Other operating income".

PRADO KARTON – COMPANHIA DE CARTÃO, SA (PRADO KARTON) E COMPANHIA DE PAPEL DO PRADO, SA

Within the reorganisation process of Prado Group, CGD agreed to sell to Prado – Cartolinas da Lousã 187 000 shares of Prado Karton representing 37.4% of its share capital. As a result of this transaction formalised in September 2009, Caixa recognised a capital gain of EUR 1 604 thousand.

Also in September 2009, Caixa entered into an agreement with Companhia de Papel do Prado for realizing additional instalments of EUR 1 067 thousand.

SUMOL+COMPAL, SA, EX-COMPAL – COMPANHIA PRODUTORA DE CONSERVAS ALIMENTARES, SA (COMPAL)

In December 2009 the Fundo Capital de Risco Grupo CGD – Caixa Capital sold 1 200 000 shares for EUR 3 532 thousand, representing 1.2% of the share capital of Sumol+Compal, SA. As a result of this operation the Group had a capital gain of EUR 6 724 thousand recorded in the heading "Result of other financial assets at fair value trough profit or loss" (Note 33.). At 31 December 2009 the Group had shares representing 19.4% of the share capital of Sumol+Compal, SA, which were recorded in the heading "Financial assets at fair value through profit or loss" (Note 7.).

17. INCOME TAX

Income tax assets and liabilities at 31 December 2010 and 2009 were as follows:

	31.12.2010	31.12.2009
Current tax assets		
Income tax recoverable	68 312	116 134
Other	21 957	11 752
	90 270	**127 886**
Current tax liabilities		
Income tax payable	(20 428)	(37 593)
Other	(37 400)	(21 390)
	(57 828)	**(58 982)**
Deferred tax assets		
Temporary differences	1 006 417	929 946
Reported tax losses	82 263	20 655
Deferred tax liabilities	(180 918)	(169 804)
	907 762	**780 797**

Changes in deferred tax in 2010 and 2009 were as follows:

	2010					
		Change in				
	Balance at 31.12.2009	Equity	Profit or loss	Transfer to current tax	Other	Balance at 31.12.2010
Impairment and adjustments to property and tangible and intangible assets	48 340	(5 570)	8 884	-	(38)	51 616
Provisions and impairment temporarily not tax deductible	437 586	-	22 477	(2 863)	3 629	460 828
Valuation of derivatives	739	-	(103)	-	(32)	603
Valuation of available-for-sale financial assets	107 736	66 505	-	-	(2 041)	172 200
Valuation of other securities	26 477	-	(11 362)	-	(1 267)	13 848
Reported tax losses	20 655	-	61 989	-	(381)	82 263
Employee benefits	116 497	-	(386)	-	97	116 208
Commissions	45 062	-	(22 554)	-	(107)	22 401
Legal revaluation of other tangible assets	(6 669)	-	872	-	-	(5 796)
Pluriannual costs	2 984	-	(2 126)	-	-	858
Other	(18 610)	-	6 491	-	4 852	(7 267)
	780 797	**60 935**	**64 181**	**(2 863)**	**4 711**	**907 762**

	2009					
		Change in				
	Balance at 31.12.2008	Equity	Profit or loss	Transfer to current tax	Other	Balance at 31.12.2009
Impairment and adjustments to property and tangible and intangible assets	48 684	-	(59)	-	(285)	48 340
Provisions and impairment temporarily not tax deductible	505 121	-	(61 798)	(2 863)	(2 874)	437 586
Valuation of derivatives	822	-	(97)	-	14	739
Valuation of available-for-sale financial assets	252 400	(144 912)	-	-	248	107 736
Valuation of other securities	42 188	-	(15 428)	-	(282)	26 477
Reported tax losses	18 164	-	2 312	-	179	20 655
Employee benefits	120 312	-	(2 493)	-	(1 322)	116 497
Commissions	43 491	-	2 442	-	(870)	45 062
Legal revaluation of other tangible assets	(7 230)	-	561	-	-	(6 669)
Pluriannual costs	4 365	-	(1 381)	-	-	2 984
Other	(25 815)	-	(2 832)	-	10 038	(18 610)
	1 002 502	(144 911)	(78 773)	(2 863)	4 844	780 797

Income tax for period, as well as the tax burden measured by the ratio of income tax to pre-tax income, is as follows:

	2010	2009
Current tax		
For the year	103 242	128 913
Prior year adjustments (net)	25 977	(137 475)
	129 220	**(8 562)**
Deferred tax	(64 181)	78 773
	65 039	**70 210**
Consolidated income before tax and minority interest	364 426	374 453
Tax charge	**17.85%**	**18.75%**

In 2010 and 2009, the "Prior year adjustments" heading comprises the following:

	2010	2009
Insufficiency / excess of estimated tax for 2009 and 2008	3 551	(98 370)
Adjustments to taxable income (2002 and 2006)	(1 470)	(40 390)
Additional liquidations (2005, 2006, 2007 and 2008)	23 897	1 542
Other	(1)	(257)
	25 977	(137 475)

In March 2009 following the explanation presented by Caixa to Direcção Geral das Contribuições e Impostos (General Directorate of Taxes) regarding the tax deductibility of impairment of investment bonds and equity investments under the terms of article 35 of the Income Tax Code, the reasoning of which was accepted by the tax authorities, Caixa changed the procedures it had been using up to that date, regarding the fiscal treatment of these operations.

As a result of this change, the calculation of income tax for 2008, included in the income tax returned filed in May 2009, already considered the new procedures which resulted in a tax reduction of EUR 101 105 thousand in current income tax for the year. Deferred tax relating to the recording of impairment of these investments was changed based on the new criteria, this having significantly offset the reduction of current tax.

The reconciliation between nominal rate and effective tax rate for 2010 and 2009 is as follows:

	2010		2009	
	Rate	Tax	Rate	Tax
Income before income tax		364 426		374 453
Tax at the nominal rate	28.77%	104 845	26.27%	98 369
Madeira Offshore Financial Branch (Note 2.13.)	(0.64%)	(2 322)	(1.50%)	(5 604)
Investments recorded in accordance with the equity method	(0.56%)	(2 043)	0.09%	352
Impact of companies with tax rates different from the nominal rate in Portugal	3.98%	14 498	1.48%	5 537
Definitive differences to be deducted:				
Dividends from available-for-sale equity instruments	(8.32%)	(30 316)	(5.05%)	(18 912)
Tax exempted capital gains	(18.84%)	(68 649)	(13.67%)	(51 196)
Tax loss on corporate groupings	(0.94%)	(3 440)	0.00%	-
Other	(0.33%)	(1 212)	(0.30%)	(1 439)
Impairment on available-for-sale financial assets	7.89%	28 753	11.83%	44 307
Definitive difference to be added:				
Non tax deductible provisions	0.00%	-	2.06%	7 707
Other	2.79%	10 182	1.32%	4 942
Tax benefits	(0.56%)	(2 051)	(0.59%)	(2 213)
Autonomous taxation	0.60%	2 177	0.28%	1 054
Deduction of tax losses not offset by deferred tax	(13.00%)	(47 383)	0.00%	-
Other	10.61%	38 668	1.17%	4 358
	11.44%	41 708	23.30%	87 261
Tax adjustments relative to prior years				
Adjustment to taxable income from previous years	6.40%	23 312	(5.52%)	(20 653)
Deficiency / (excess) of tax estimate relative to 2009 and 2008, net of deferred tax	0.12%	455	0.68%	2 553
Other	(0.12%)	(436)	0.28%	1 049
	6.40%	23 331	(4.55%)	(17 051)
	17.85%	65 039	18.75%	70 210

In 2010, CGD's nominal tax rate considering the municipal surcharge (derrama) applicable to its operations was 28.77% (26.27% in 2009).

CGD's nominal tax rate for 2010 reflects the addendum under Law no.12–A/2010 of 30 June (Law that approved a package of additional budget consolidation measures under the Stability and Growth Programme) of article 87–A of CIRC (Corporate Income Tax Code) which, in its paragraph 1 establishes an additional surcharge of 2.5% on taxable income exceeding EUR 2 000 thousand (State surcharge). As a result, at 31 December 2010, income with deferred tax includes a gain of EUR 47 383 thousand, approximately, resulting from the adjustment to the nominal tax rate relating to the calculation of deferred tax assets and liabilities, as a result of the effect of this legal change on Group entities subject to taxation in Portugal.

In addition, in 2010 CGD recognised deferred tax assets of EUR 53 112 thousand relating to tax losses incurred during the year. In accordance with the current legislation, tax losses are recoverable over a four year period subsequent to being incurred, being deductible to taxable income generated in that period.

The tax authorities may normally review the tax situation during a defined period, which in Portugal is four years. This review can result in possible corrections to taxable income of prior years (2007 to 2010 in the case of companies based in Portugal), as a result of different interpretations of the law. Given the nature of possible corrections that may be made, they cannot be quantified at present. However, Caixa's Board of Directors believes that any corrections relating to the above years will not have a significant effect on the consolidated financial statements.

18. TECHNICAL PROVISIONS FOR OUTWARDS REINSURANCE

This heading is made up as follows at 31 December 2010 and 2009:

	31.12.2010	31.12.2009
Caixa Seguros		
Life insurance:		
Mathematical provision	5 020	5 266
Provision for claims:		
Reported claims	15 246	15 402
Unreported claims (IBNR)	1 940	3 618
	17 186	19 020
Provision for profit sharing	31	-
Total life insurance	22 237	24 286
Non-life insurance:		
Provision for unearned premiums	43 687	41 936
Provision for claims:		
Reported claims	185 022	176 661
Unreported claims (IBNR)	9 216	12 263
	194 238	188 924
Total non-life insurance	237 925	230 860
Subtotal Caixa Seguros	260 162	255 146
Other	4 402	3 233
	264 564	258 379

The provision for unearned premiums for outwards reinsurance at 31 December 2010 and 2009 is made up as follows:

	2010			2009		
	Deferred premiums	Deferred costs	Net	Deferred premiums	Deferred costs	Net
Personal and passenger accident	11 220	(5 553)	5 667	10 378	(5 135)	5 242
Health	1 856	(1 152)	704	3 626	(2 298)	1 328
Fire and other damage	30 956	(4 334)	26 622	29 841	(4 334)	25 507
Motor	25	-	25	-	-	-
Marine, air and transport	3 275	(354)	2 921	4 348	(434)	3 914
General third party liability	3 389	(192)	3 197	3 224	(205)	3 019
Credit and guarantees	182	(4)	178	147	(4)	143
Legal protection	52	-	52	54	-	54
Assistance	-	-	-	17	-	17
Miscellaneous	6 178	(1 857)	4 321	4 010	(1 298)	2 711
	57 133	(13 446)	43 686	55 644	(13 708)	41 936

The provision for outwards reinsurance claims at 31 December 2010 and 2009 is made up as follows:

	2010			2009		
	Reported	Unreported	Total	Reported	Unreported	Total
Life insurance:	**15 246**	**1 940**	**17 186**	**15 402**	**3 618**	**19 020**
Non-life insurance:						
Labour accident	1 454	-	1 454	2 339	-	2 339
Personal and passenger accident	3 085	140	3 225	4 185	145	4 329
Health	256	-	256	209	-	209
Fire and other damage	94 277	6 792	101 069	94 974	8 925	103 899
Motor	17 945	50	17 995	19 748	103	19 851
Marine, air and transport	31 542	239	31 781	35 058	584	35 642
General third party liability	26 159	140	26 299	18 026	561	18 587
Credit and guarantees	34	-	34	43	3	46
Legal protection	-	-	-	-	213	213
Miscellaneous	10 270	1 855	12 125	2 080	1 728	3 809
	185 022	**9 216**	**194 238**	**176 661**	**12 263**	**188 924**
	200 268	**11 156**	**211 424**	**192 063**	**15 880**	**207 944**

Changes in the technical provisions for outwards reinsurance for 2010 and 2009 are summarised in Note 24.

19. OTHER ASSETS

This heading comprises the following:

	31.12.2010	31.12.2009
Other assets		
Debt certificates of the Territory of Macau	274 633	227 856
Other	58 324	28 230
Debtors and other applications		
Premiums receivable – Insurance	102 773	114 648
Other debtors	724 939	617 559
Central and local government	12 220	7 859
Shareholders' loans	123 428	130 392
Debtors – futures contracts	36 307	42 245
Amount receivable from the sale of REN (Note 8.)	-	64 561
Amount receivable from the sale of EDP (Note 8.)	460 724	-
Grants receivable from		
The State	17 135	39 938
Other entities	12 018	12 815
Amount receivable from the sale of assets received as settlement of defaulting loans	23 415	23 440
Other	530 856	614 241
Liability for pensions and other benefits		
Excess coverage of liabilities		
Caixa Geral de Depósitos (Note 37.)	116 651	-
Caixa Seguros e Saúde (Note 37.)	6 491	1 419
Insufficient coverage of liabilities		
Other	(501)	(352)
Actuarial gains and losses:		
CGD (Note 37.)	127 139	287 198

...continued

	31.12.2010	31.12.2009
Caixa Seguros e Saúde	16 194	18 798
Other	3 479	7 701
Income receivable	60 565	53 688
Deferred costs		
Rent	8 079	6 020
Other	32 865	34 252
Deferred income	(4 702)	(3 168)
Operations pending settlement	684 105	269 702
Stock exchange operations	1 941	25 127
	3 429 078	2 624 171
Impairment (Note 39.)	(155 804)	(144 429)
	3 273 274	2 479 742

The changes in impairment of debtors and other applications in 2010 and 2009 are presented in Note 39.

On 31 December 2010 and 2009 the amounts receivable for the sale of EDP and REN result from the sale from CGD to Parpública of equity participations in these entities, as referred to in greater detail in Note 8.

On 31 December 2010 and 2009, the "Debtors and other applications – other debtors" heading includes EUR 417 695 thousand and EUR 308 430 thousand, respectively, relative to surety accounts in several financial institutions under the "Interest rate swaps" agreements signed with these entities.

On 31 December 2010, the "Debtors and other applications – other debtors" heading includes a deposit / guarantee of EUR 50 282 thousand constituted by Caixa in favour of the Tax Administration for the suspension of the tax enforcement proceedings, as referred to in greater detail in Note 23.

Under the terms of the contract to issue notes entered into between Banco Nacional Ultramarino, SA (Macau) and the Territory of Macau, the bank has undertaken to provide the Territory with foreign currency corresponding to the countervalue of the notes in circulation, and in return, receives a promissory note for an equivalent amount to cover the liability resulting from the currency issue (Note 26.). The amounts to be provided by BNU to the Territory are reconciled on a monthly basis during the first fifteen days of each month, based on the average daily balance of the preceding month. The promissory note of the Macau Government at 31 December 2010 and 2009 amounted to EUR 274 633 thousand and EUR 227 856 thousand, respectively. No interest is received on the promissory note, remuneration for the functions entrusted to Banco Nacional Ultramarino, SA (Macau) being obtained by means of a permanent non interest-bearing deposit.

At 31 December 2010 and 2009 shareholders' loans granted were made up as follows:

	2010	2009
Locarent – Companhia Portuguesa de Aluguer de Viaturas, SA	45 000	55 000
Sagesecur – Estudo, desenvolvimento e Participações em Projectos, SA	19 705	27 242
PP3E – Proj. e Particip. Empreendimentos de Energia Eléctrica, SA	9 891	9 890
A. Silva & Silva – Imobiliário & Serviços, SA	25 640	24 264
Other	23 192	13 996
	123 428	130 392

At 31 December 2009, the shareholders' loans attributed to Locarent represent 50% of the amounts granted to this entity (consolidated in compliance with the proportional method as from 2009) with the following characteristics:

- Shareholders' loan of EUR 60 000 thousand. This operation bears interest at a 3 month Euribor rate. Interest is paid quarterly at the end of the period on 1 February, May, August and November each year. In 2009 an additional clause to the shareholders' loan was signed by Caixa to this entity. The original maturity of this operation, 1 December 2009, was one more year postponed. In July 2010 a new additional clause was was signed, envisaging the reimbursement of the outstanding balance in two instalments. Subsequently, at December 2010 Locarent owed a partial partial reimbursement of the referred to shareholders' loan of EUR 24 000 thousand, of which only EUR 20 000 thousand were reimbursed. The remaining EUR 4 000 thousand were paid in January 2011. In addition, the same additional clause of the EUR 60 000 thousand contract determines the reimbursement of the remainder EUR 36 000 thousand at 30 July 2014;

- Shareholders' loan of EUR 50 000 thousand. This operation matures on 1 April 2011 and bears interest at a 3 month Euribor rate. Interest is paid quarterly at the end of period on 1 January, 1 April, 1 July and 1 October each year.

On 31 December 2009 this heading also includes the ceding to Parcaixa of the credit rights over 19.5% of the shareholders' loans granted by Parpública to Sagesecur, in the scope of the carrying out of its share capital, as referred to in Note 3.

20. RESOURCES OF CENTRAL BANKS AND OTHER CREDIT INSTITUTIONS

This heading comprises the following:

	31.12.2010	31.12.2009
Resources of central banks		
Resources – European Central Bank		
Loans, Deposits and Other Resources		
Caixa Geral de Depósitos	6 550 000	2 500 000
Other Group entities	1 430 002	-
Resources of other central banks		
Deposits and other resources		
Of domestic credit institutions	330 553	501
Of foreign credit institutions	681 839	36 795
Sales operations with repurchase agreement	6 677	2 406
Other resources	2 689	3 664
Accrued interest	10 712	8 334
	9 012 473	**2 551 699**
Resources of other credit institutions		
Deposits and other resources		
Of domestic credit institutions	834 497	225 749
Of foreign credit institutions	2 411 292	3 318 862
Interbank Money Market resources	327 630	115 930
Very short term resources		
Of domestic credit institutions	337 474	26 491
Of foreign credit institutions	174 891	52 669
Loans		
Of domestic credit institutions	58 709	122 503
Of foreign credit institutions	15 922	52 062
Resources of international financial entities	43 338	23 943
Sales operations with repurchase agreement	1 383 335	-
Adjustments to liabilities under hedging operations	(2 844)	(18 929)
Accrued interest	12 463	8 125
Charges with deferred cost	(5 511)	(469)
	5 591 196	**3 926 934**
	14 603 669	6 478 633

On 31 December 2010, the "Sales operations with repurchase agreement" heading refers to the sale of financial assets with repurchase agreement at a future date, at a pre-established price, signed by the Group with different financial institutions.

Financial instruments ceded in sales operations with repurchase agreement are not derecognised in the balance sheet and remain classified and measured in accordance with the accounting policies applicable to the underlying assets. The difference between the sale and the repurchase price is recognised as interest income, and deferred over the contract period.

At 31 December 2010, these assets corresponded essentially to debt instruments classified in the trading and available-for-sale portfolios and in loans and advances to customers portfolios totalling approximately to EUR 1 419 642 thousand.

21. CUSTOMER RESOURCES

This heading comprises the following:

	31.12.2010	31.12.2009
Savings deposits	5 235 562	5 752 686
Other debts		
Repayable on demand	19 037 259	18 646 723
Term		
Deposits	35 284 915	32 577 160
Fixed rate products – insurance	7 110 244	5 919 675
Mandatory deposits	380 589	581 210
Other resources:		
Cheques and orders payable	82 392	196 277
Loans	233 058	307 894
Sales operations with repurchase agreement	26 647	10 237
Other	58 684	57 128
	43 176 528	**39 649 580**
Accrued interest	235 859	206 797
Deferred costs net of deferred income	(11 330)	(19 393)
Adjustments to liabilities under hedging operations	16 153	31 566
Commissions associated with amortised cost (deferred)	(9 986)	(12 274)
	230 695	**206 695**
	67 680 045	**64 255 685**

The "Fixed rate products – insurance" heading corresponds to life insurance products classified as investment contracts (Note 2.16.) which, in a similar way to the customer deposits in the banking activity, are recorded in accordance with IAS 39.

22. DEBT SECURITIES

This heading comprises the following:

	31.12.2010	31.12.2009
Bonds issued:		
Bonds issued under the EMTN Programme		
Remuneration indexed to interest rates	3 078 230	3 603 944
Fixed interest rate	3 833 620	3 570 609
Remuneration indexed to shares / indexes	1 278 628	1 491 957
Remuneration indexed to exchange rates	398 458	435 445
	8 588 936	**9 101 955**
Covered bonds	7 015 350	6 015 350
Public sector covered bonds	995 000	1 000 000
Other cash bonds		
Remuneration indexed to interest rates	45 768	256 493
Remuneration indexed to shares / indexes	11 890	5 026

...continued

	31.12.2010	31.12.2009
Fixed interest rate	1 232 326	1 319 881
	17 889 270	17 698 705
Other:		
Issues under the Euro Commercial Paper and Certificates of Deposit Programme		
Commercial Paper	676 124	3 232 118
Certificates of Deposit	-	2 600 220
	676 124	5 832 339
Issues under the US Commercial Paper Programme		
Commercial Paper	22 452	1 162 710
Other certificates of deposit	6	7
Securities issued under securitisation operations (Note 11.):		
Mortgage loans	475 046	529 176
Consumer credit	-	51 566
	1 173 628	7 575 798
Adjustments to liabilities under hedging operations	17 524	(167 052)
Deferred costs net of income	(70 159)	(111 441)
Accrued interest	296 482	186 302
	19 306 748	25 182 313

On 31 December 2010 and 2009 the heading "Bonds issued – other cash bonds – fixed interest rates" includes EUR 1 185 200 thousand and EUR 1 189 500 thousand, respectively, relative to a bond issue made by CGD under the collateral given by the Portuguese State under the terms of Law 60–A/2008 of 20 October and Administrative Ruling 1219–A/2008 of 23 October. This issue falls due on 12 December 2011 and pays annual interest at a fixed interest rate of 3.875%.

To diversify its funding sources, CGD uses to the following specific programmes:

(I) EURO COMMERCIAL PAPER AND CERTIFICATES OF DEPOSIT (ECP)

Under the "EUR 10 000 000 000 Euro Commercial Paper and Certificates of Deposit" programme, CGD (directly or through the France and London branches) is able to issue certificates of deposit (CD) and Notes with maximum maturity of five years and one year, respectively, in Euros, US dollars, Pounds, Japanese yens or any other currency the parties agree to. These issues may bear interest at fixed or variable rates, or be indexed to the performance of indexes or shares.

At 31 December 2010 and 2009, debt securities issued under the Euro Commercial Paper and Certificates of Deposit programmes were in the following foreign currencies:

	31.12.2010	31.12.2009
Euros	635 000	3 341 207
US Dollars	41 124	2 157 407
Pounds Sterling	-	276 433
Swiss Francs	-	57 293
	676 124	5 832 339

(II) US COMMERCIAL PAPER

Under this programme CGD North America Finance LLC may issue Notes up to a total of two billion US dollars. The Notes have a maximum maturity of one year and a minimum amount of 250 000 US dollars. The Notes may be issued at a discount or at par. All the issues are guaranteed by CGD.

(III) EURO MEDIUM TERM NOTES (EMTN)

Under this programme the CGD Group, through CGD (directly or through the France, London and Madeira branches) and CGD Finance, may issue debt securities up to a maximum of EUR 15 000 000 thousand. The France branch guarantees all the issues of CGD Finance.

Bonds may be issued in any currency with minimum maturities of one month and 5 years for subordinated and unsubordinated bonds, respectively. Maximum maturities for these operations are not defined.

These securities may be issued at a discount and bear interest at fixed or variable rates or indexed to the performance of indexes or shares.

(IV) COVERED BONDS

In November 2006, CGD started a programme for the issue of covered bonds up to the maximum amount of EUR 15 000 000 thousand. The bonds are backed by a mortgage loan portfolio that must always comply with the minimum conditions required by the applicable regulation for this kind of assets, namely Decree Law 59/2006, Notices 5, 6, 7 and 8 and Instruction 13 of the Bank of Portugal.

The issues can be made in any currency with a minimum term of 2 years and a maximum term of 50 years. The bonds can be remunerated at fixed or variable interest rates or be indexed to the performance of indexes and shares.

These bonds endow their holders a special credit privilege – over any other creditors – over a portfolio of assets that is segregated in the balance sheet of the issuing entity. These assets guarantee the bonds issued and will be made available to the bond holders in case of insolvency.

Assets eligible for the constitution of a cover pool comprise mortgage bonds for housing or commercial purposes located in a member State of the EU or loans to central governments or regional and local authorities of one of the EU member States, as well as loans with the express and legally binding guarantee of those entities. In the case of mortgage loans, the amount cannot exceed 80% of the mortgaged assets given as collateral in the case of housing property (60% for other property).

In addition and in accordance with the issue conditions defined under the terms of the programme, during the issue course, the following criteria must be complied with:

- The total nominal value of mortgage bonds in circulation cannot exceed 95% of the total value of mortgage loans and other assets related to the bonds;

- The average maturity of the mortgage bonds issued cannot exceed, for all issues, the average life of associated mortgage loans;

- The total amount of accrued interest on the mortgage bonds cannot exceed, for all issues, the amount of interest receivable from the borrowers of mortgage loans related to the bonds;

- The present value of the mortgage bonds cannot exceed the present value of the related assets, the relationship being maintained for parallel shifts of 200 b.p. of the yield curve.

The cover pool may also include assets in substitution, up to a maximum of 20% of its value, namely deposits at the Bank of Portugal or eligible securities under the Eurosystem credit operations, among others defined by law.

On 31 December 2010 and 2009 the nominal value of covered bonds issued by Caixa was EUR 8 024 150 thousand and EUR 6 045 000 thousand, respectively with the following characteristics:

Designation	Nominal 31.12.2010	Nominal 31.12.2009	Date of issue	Date of redemption
Hipotecárias Série 1 2006/2016 1st tranche	2 000 000	2 000 000	06.12.2006	06.12.2016
Hipotecárias Série 2 2007/2015	900 000	900 000	30.03.2007	30.09.2015
Hipotecárias Série 3 2007/2012	2 000 000	2 000 000	28.06.2007	28.06.2012
Hipotecárias Série 4 2007/2022	250 000	250 000	28.06.2007	28.06.2022
Hipotecárias Série 5 2007/2015	200 000	200 000	20.12.2007	20.12.2015
Hipotecárias Série 6 2008/2016	200 000	200 000	27.02.2008	29.02.2016
Hipotecárias Série 7 2008/2016	150 000	150 000	31.03.2008	15.03.2016
Hipotecárias Série 1 2006/2016 2nd tranche	129 150	150 000	09.09.2008	06.12.2016
Hipotecárias Série 8 2008/2038	20 000	20 000	01.10.2008	01.10.2038
Hipotecárias Serie 9 15.09.2016	175 000	175 000	08.10.2009	15.09.2016
Hipotecárias Série 10 2010/2020	1 000 000	-	27.01.2010	27.01.2020
	7 024 150	**6 045 000**		
Hipotecárias Série 11 2010/2013 (*)	1 000 000	-	14.06.2010	27.06.2013
	8 024 150	**6 045 000**		

(*) Issue repurchased by CGD for EUR 1 000 622. These securities are collaterising liquidity providing operations with the European Central Bank.

...continued

Interest payment	Remuneration	Interest rate at 31.12.2010	Interest rate at 31.12.2009
Annually, on 6 December	Fixed rate	3.875%	3.875%
Half yearly, on 30 March and 30 September	6 month Euribor rate + 0.04%	1.19%	1.06%
Annually, on 28 June	Fixed rate	4.625%	4.625%
Quarterly, on 28 March, June, September and December	3 month Euribor rate + 0.05%	1.06%	1.05%
Half yearly, on 20 June and 20 December	6 month Euribor rate + 0.10%	1.35%	1.20%
Half yearly, on 27 February and 27 August	6 month Euribor rate + 0.16%	1.30%	1.26%
Quarterly, on 15 March, June, September and December	3 month Euribor rate - 0.012%	1.01%	0.72%
Annually, on 6 December	Fixed rate	3.875%	3.875%
Annually, on 1 October	Fixed rate	5.38%	5.38%
Half yearly, on 15 September and 15 March	6 month Euribor rate + 0.575%	1.71%	1.51%
Annually, on 27 January	Fixed rate	4.25%	-
Quarterly, on 14 March, June, September and December	3 month Euribor rate + 0.6%	1.73%	-

The cover pool, which back the issues, comprise mortgage loans originated exclusively in Portugal. At 31 December 2010 and 2009 their book value was EUR 8 988 548 thousand and EUR 6 542 786 thousand, respectively. At 31 December 2010, it also comprises loans acquired in the scope of the commercial paper issue programmes amounting to EUR 48 150 thousand (Note 11.). In addition, at 31 December 2010, the cover pool also included debt securities whith a book value of EUR 454 120 thousand (EUR 943 448 thousand in 2009) (Notes 7. and 8.). Moody's awarded these covered bonds an AAA rating.

(V) PUBLIC SECTOR COVERED BONDS

In February 2009, CGD started a programme for the issue of public sector covered bonds up to the maximum amount of EUR 5 000 000 thousand. The bonds are backed by a public sector loan portfolio that must always comply with the minimum conditions required by the applicable regulation for this kind of assets, namely Decree Law 59/2006, Notices 6, 7 and 8 and Instruction 13 of the Bank of Portugal.

The issues can be made in any currency with a minimum term of 2 and a maximum term of 50 years. The bonds can be remunerated at fixed or variable interest rates or be indexed to the performance of indexes and shares.

These bonds endow their holders a special credit privilege – over any other creditors – over a portfolio of that is segregated in the balance sheet of the issuing entity and guarantee the liabilities the bondholders having access to it, in case of insolvency.

Assets eligible for the constitution of a cover pool comprise loans on central governments or regional and local authorities of one of the EU member States, as well as loans with the express and legally binding guarantee of those entities of one of the EU member States and other limited category of assets over which the public sector bond owners have a special legal credit privilege.

In addition and in accordance with the issue conditions defined under the terms of the programme, during the issue course, the following criteria must be complied with:

- The total nominal value of the public sector bonds in circulation cannot exceed 100% of the total value of mortgage loans and other assets related to the referred to bonds;
- The average maturity of the public sector bonds issued cannot exceed, for all issues, the average life of associated mortgage loans;
- The total amount of accrued interest on the public sector bonds cannot exceed, for all issues, the amount of interest receivable from the borrowers of mortgage loans related to the referred to bonds;

• The present value of the public sector bonds cannot exceed the present value of the related assets, the relationship being maintained for parallel shifts of 200 b.p. of the yield curve.

The cover pool may also include assets in substitution, up to a maximum of 20% of its value, namely deposits at the Bank of Portugal or eligible securities under the Eurosystem credit operations, among others defined by law.

On 31 December 2010 and 2009 the nominal value of public sector covered bonds issued by Caixa was EUR 1 000 000 thousand as a result of an issue made on 21 July 2009 with a 5 year maturity paying interest annually at a 3.625% fixed rate.

The cover pool which backed the issue comprises credits granted to public sector originated in Portugal with a book value at 31 December 2010 of EUR 1 308 423 thousand (EUR 1 485 274 thousand in 2009) (Note 8.). Moody's and Fitch awarded the public sector cover bonds an AAA rating.

At 31 December 2010 and 2009 the bonds issued, by type of remuneration and residual term to maturity, were as follows:

31.12.2010

	EMTN Programme						
	Type of asset or underlying index used to calculate the remuneration						
	Shares / Indexes	Exchange rate	Interest rate	Subtotal	Covered bonds	Other bonds	Total
Up to one year	478 516	-	1 807 868	2 286 384	-	1 278 094	3 564 477
One to five years	559 972	120 000	4 770 220	5 450 192	3 091 200	1 006 890	9 548 282
Five to ten years	72 847	62 885	283 053	418 786	3 654 150	-	4 072 936
Over ten years	167 293	215 573	50 709	433 575	270 000	-	703 575
	1 278 628	**398 458**	**6 911 850**	**8 588 936**	**7 015 350**	**2 284 984**	**17 889 270**

31.12.2009

	EMTN Programme						
	Type of asset or underlying index used to calculate the remuneration						
	Shares / Indexes	Exchange rate	Interest rate	Subtotal	Covered bonds	Other bonds	Total
Up to one year	177 341	3 755	2 243 553	2 424 649	-	117 000	2 541 649
One to five years	956 778	220 000	4 588 419	5 765 197	1 991 200	212 107	7 968 504
Five to ten years	151 542	5 632	293 685	450 859	3 754 150	2 248 383	6 453 392
Over ten years	206 296	206 058	48 896	461 250	270 000	3 910	735 160
	1 491 957	**435 445**	**7 174 553**	**9 101 955**	**6 015 350**	**2 581 400**	**17 698 705**

Derivatives have been contracted for the majority of issues under the EMTN Programme under which their amounts in foreign currencies are transformed into Euro and the respective interest is transformed to 3 or 6 month Euribor rates plus or minus a spread.

23. PROVISIONS AND CONTINGENT LIABILITIES

PROVISIONS

The changes in the provisions for employee benefits and provisions for other risks in 2010 and 2009 were as follows:

2010

	Balances at 31.12.2009	Changes in consolidation perimeter	Additions	Reversals	Write-offs	Exchange differences	Other	Balances at 31.12.2010
Provision for employee benefits (Note 37.)	556 971	537	8 198	(7 257)	(24 283)	849	(4 823)	530 192
Provision for litigation	16 781	-	2 211	(786)	(63)	347	(310)	18 180
Provision for guarantees and other commitments	108 217	701	68 149	(32 965)	(23)	20	(1 581)	142 518
Provision for other risks and charges	114 411	478	47 708	(34 128)	(12 693)	194	(3 441)	112 529
	239 409	**1 179**	**118 068**	**(67 879)**	**(12 779)**	**561**	**(5 332)**	**273 227**
	796 380	**1 716**	**126 266**	**(75 136)**	**(37 062)**	**1 410**	**(10 155)**	**803 419**

2009

	Balances at 31.12.2008	Changes in consolidation perimeter	Additions	Reversals	Write-offs	Exchange differences	Other	Balances at 31.12.2009
Provision for employee benefits (Note 37.)	505 886	103	10 784	(5 136)	(21 451)	383	66 402	556 971
Provision for litigation	21 761	-	95	(6 617)	(398)	824	1 116	16 781
Provision for guarantees and other commitments	94 108	191	24 117	(9 924)	(173)	(147)	45	108 217
Provision for other risks and charges	120 304	61	95 297	(100 558)	(1 032)	(369)	708	114 411
	236 173	**252**	**119 509**	**(117 099)**	**(1 603)**	**308**	**1 869**	**239 409**
	742 059	**355**	**130 294**	**(122 235)**	**(23 054)**	**691**	**68 271**	**796 380**

The breakdown and changes in the provision for employee benefits are shown in Note 37.

The provision for litigation corresponds to the best estimate of the Group as to the amounts to be spent on their resolution, based on estimates of the Legal Department and lawyers that accompany the processes.

CONTINGENT LIABILITIES AND COMMITMENTS

The contingent liabilities relating to the banking activity, which are reflected in off-balance sheet headings, are made up as follows:

	31.12.2010	31.12.2009
Contingent liabilities		
Guarantees and sureties	5 003 841	4 078 428
Assets given as collateral	18 311 197	4 385 871
Stand by letters of credit	110 804	51 682
Open documentary credits	378 078	162 233
Acceptances and endorsements	2 277	1 186
Transactions with recourse	9	31
Other contingent liabilities	4 168	4 315
	23 810 375	**8 683 746**
Commitments		
Revocable commitments	13 608 355	14 935 936
Irrevocable lines of credit	2 891 116	3 038 369
Other irrevocable commitments	1 664 250	1 922 500
Securities subscription	2 118 354	2 523 025
Term liabilities relating to annual contributions to the Deposit Guarantee Fund	154 428	153 207

...continued

	31.12.2010	31.12.2009
Investors' indemnity system	32 087	9 601
Term operations	80 919	72 369
Forward deposit agreements		
Receivable	256 575	90 214
To be created	2 634	62 253
Other	103 945	99 470
	20 912 661	**22 906 944**
Deposit and custody of securities	**53 190 453**	**48 546 951**

Assets given as collateral cannot be used freely by the Group in its operations and are recorded at their nominal value. At 31 December 2010 and 2009, these assets corresponded to the following main situations:

	31.12.2010	31.12.2009
Debt Instruments		
Consigned resources		
EIB – European Investment Bank	646 352	747 352
European Central Bank	16 013 930	2 166 474
Bank of Portugal	597 814	554 873
Deposit Guarantee Fund	179 750	176 901
Royal Bank of Scotland	25 000	5 000
Investors' Indemnity System (futures)	20 251	9 602
Euronext	10 000	-
Other Assets		
Consignated resources		
European Development Bank	692 500	692 500
European Central Bank	90 000	-
Other	35 601	42 771
	18 311 197	**4 395 473**

At 31 December 2010 and 2009, assets given as collateral correspond to debt instruments classified as assets held for trading, available-for-sale financial assets, and loans and advances for customers. At 31 December 2010, this heading also includes securities acquired in the scope of purchase operations with repurchase agreement whose nominal value was at that date EUR 93 160 thousand. These securities are not recognised in the balance sheet. The acquisition cost was recorded as a loan in the "Loans and advances to customers" heading. Market value of debt instuments given as collateral was at those dates, EUR 17 188 634 thousand and EUR 3 625 791 thousand, respectively.

At 31 December 2010 the "Assets given as collateral" heading comprises credit granted by the Group as guarantee to the European Investment Bank and European Central Bank in the amounts of EUR 692 500 thousand and EUR 90 000 thousand, respectively.

In addition, CGD gave securities in the amount of EUR 195 910 thousand and EUR 186 502 thousand, respectively, as collateral for term commitments relating to annual contributions to the Deposit Guarantee Fund and Investors' Indemnity System.

The Deposit Guarantee Fund (DGF) is to guarantee deposits of customers, in accordance with limits established in the General Regime of Credit Institutions. Regular annual contributions are made for this purpose. The annual contribution to the DGF for 2010 and 2009, in accordance with the applicable regulations, was EUR 12 208 thousand and EUR 12 261 thousand, respectively. Part of this commitment, in the amounts of EUR 1 221 thousand and EUR 1 222 thousand, respectively, was assumed through an irrevocable commitment to pay the contributions when required to do so by the Fund. These amounts are not charged to costs. The total amount of the commitments assumed since 1996 is EUR 154 428 thousand and EUR 153 207 thousand, respectively.

In 2009, CGD was notified by the Portuguese tax authorities of their report for 2005 which included corrections to the taxable income of the year in the amount of EUR 155 602 thousand. In addition to other matters the referred to amount includes a correction of EUR 135 592 thousand since Caixa benefited from total elimination of double taxation on its share of the profit of Caixa Brasil SGPS, SA in that year. Caixa contested the referred to correction since it considers the procedure adopted was in compliance with the legislation in force and Caixa has data that enables it to prove that the income from Caixa Brasil, SA was subject to taxation. Therefore, no provision was recorded for that correction in the financial statements as of 31 December 2010 and 2009.

As a result of the tax enforcement proceedings deriving from corrections that were made by the Tax Administration during 2010, the bank constituted a deposit / guarantee as collateral to the suspension of the additional tax settlement. The referred to deposit / guarantee in the amount of EUR 50 282 thousand, is recorded in the "Other assets – debtors and other applications" heading (Note 19.).

24. TECHNICAL PROVISION FOR INSURANCE CONTRACTS

At 31 December 2010 and 2009 this heading presents the follows composition:

	31.12.2010	31.12.2009
Caixa Seguros		
Direct insurance and inwards reinsurance:		
Life insurance:		
Mathematical provision:		
Insurance contracts	251 069	255 666
Insurance contracts with discretionary profit sharing	2 970 247	3 605 208
	3 221 316	**3 860 874**
Provision for profit sharing	54 560	56 969
Provision for unearned premiums	1 641	5 209
Provision for claims:		
Reported claims	155 677	150 331
Unreported claims (IBNR)	11 998	19 125
	167 675	**169 457**
Other technical provisions		
Provision for commitments to rate	6 393	9 522
Provision of stabilization of portfolio	18 086	13 112
	24 479	**22 634**
Total life insurance	**3 469 671**	**4 115 142**
Non-life insurance:		
Provision for unearned premiums	296 295	302 686
Provision for claims:		
Reported claims	1 776 117	1 836 687
Unreported claims (IBNR)	129 015	127 960
	1 905 132	**1 964 647**
Provision for risks in progress	43 688	31 392
Other technical provisions		
Provision for profit sharing	334	221
Total non-life insurance	**2 245 449**	**2 298 947**
Total life and non-life insurance	**5 715 120**	**6 414 089**
Other provisions for the insurance activity	17 835	15 942
Caixa Seguros Subtotal	**5 732 955**	**6 430 032**
Garantia	**9 981**	**9 193**
Total	**5 742 936**	**6 439 225**

The mathematical provision for life insurance and provision for profit sharing in direct insurance and inwards reinsurance at 31 December 2010 and 2009 are made up as follows:

	2010			2009		
	Mathematical provision	Provision for profit sharing	Total	Mathematical provision	Provision for profit sharing	Total
Insurance contracts:						
Individual with no profit sharing	9 656	-	9 656	6 417	-	6 417
Seguro de Dependência	108	-	108	98	-	98
Protecção Sénior	187	-	187	209	-	209
Educação Garantida	206	-	206	243	-	243
LUX–Imperio	382	-	382	237	-	237
Individual with profit sharing	8 444	10 266	18 710	9 396	9 521	18 917
Hipoteca Futura	10 515	-	10 515	7 964	-	7 964
Capital Vida 4%	4 829	105	4 934	4 808	164	4 971
Rendas Individual 4%	13 020	1 945	14 965	13 657	2 585	16 241
Grupo sem Participação nos Resultados	66 342	-	66 342	67 045	-	67 045
Grupo com Participação nos Resultados	20 338	13 718	34 056	26 925	13 011	39 937
Rendas	114 535	1 073	115 608	118 667	1 098	119 765
Education Plan	11	-	11	-	-	-
Guaranteed Savings 5 Years	2 496	-	2 496	-	-	-
	251 069	**27 107**	**278 176**	**255 666**	**26 378**	**282 044**
Investment contracts with discretionary profit sharing:						
Top Reforma 4% – Ind.	71 390	1 190	72 580	78 385	1 523	79 908
Seg. Poupança 1st Series 4%	-	-	-	-	-	-
Seg. Poupança 2nd Series 2.75%	343	552	895	1 984	507	2 490
Seg. Poupança 3rd and 4th Series 3.5%	21 604	3 196	24 800	28 929	2 682	31 612
Garantia Crescente 2.75% – Bco	277	-	277	322	-	322
Super Garantia 2.75% (Med)	5 561	-	5 561	7 227	-	7 227
PIR 4%	18 509	3 368	21 877	22 756	4 458	27 214
Postal Poup Invest 3.25%	1 743	-	1 743	8 614	-	8 614
Postal Poup Futuro 3%	5 576	-	5 576	6 140	-	6 141
Seg. Poupança 5th Series 2.75%	496 169	126	496 295	521 626	126	521 752
Seg. Poupança 6th Series 2.25%	37 532	32	37 564	145 122	32	145 154
Postal Poup Futuro SeriesB	1 478	-	1 478	2 807	-	2 807
Postal Poupança Segura	29 740	-	29 740	28 143	-	28 143
F. Poupança 7th Series 2%	75 373	1	75 374	163 858	1	163 859
Caixa Seguro 4.5%	97 936	350	98 286	98 247	1 945	100 192
Caixa Seguro 4.25%	94 864	369	95 233	96 537	1 480	98 017
Caixa Seguro Liquidez 2%	39 058	-	39 058	81 895	-	81 895
Caixa Seguro 4.4%	46 134	-	46 134	46 711	661	47 372
Postal 4.10%	15 455	83	15 538	15 567	740	16 308
Conta Poupança Reforma 3%	10 748	104	10 852			
Seg. Poupança 9th Series	41 540	55	41 595	39 806	1 616	41 422
Poupança / PoupaInveste	2 149	-	2 149	2 151	-	2 151
Top Reforma 4% Grupo	4 199	55	4 254	5 500	70	5 570
Top Reforma 2.75% Grupo	12 738	58	12 796	11 970	224	12 194
Complementos Reforma	3 802	25	3 827	4 007	107	4 114
Jubilación BCG (ESP)	1 851	7	1 858	1 801	-	1 801
PPR/E Fidelidade 4%	155 242	997	156 239	173 428	637	174 065
PPR/E Rendimento1st/2nd S 3.5%	194 544	7 039	201 583	208 951	7 089	216 040

...continued

	2010			2009		
	Mathematical provision	Provision for profit sharing	Total	Mathematical provision	Provision for profit sharing	Total
PPR (Clássico) 4%	41 596	531	42 127	48 013	72	48 085
Multiplano PPR/E 3%	9 101	-	9 101	10 822	-	10 822
PPR/E MC Series A 3%	29 008	-	29 008	32 081	-	32 081
Postal PPR/E Series A 3.25%	8 302	-	8 302	9 273	-	9 273
PPR/E Rend. 3rd Series 2.75%	154 972	-	154 972	319 195	-	319 195
PPR/E MC Series B 2.75%	228 027	10	228 037	236 738	10	236 748
Postal PPR/E Series B 2.75%	10 132	-	10 132	13 656	-	13 656
PPR/E Capital Garantido	3 140	1	3 141	4 641	1	4 642
PPR/E Rend. 4th Series 2.25%	84 190	-	84 190	176 231	-	176 231
PPR/E Investimento Garantido 1st Series	48 223	3	48 226	49 648	3	49 650
PPR/E Capital Mais FRN	74 300	-	74 300	75 548	-	75 548
PPR – Leve Duo	65 449	1 271	66 720	43 377	1 389	44 767
Postal PPR 4.10%	6 624	29	6 653	6 665	-	6 665
Postal PPR/E Series E	1 658	-	1 658	1 582	-	1 582
IB PPR – Leve Duo	1 304	32	1 336			
Épargne Libre (FRF) 3	247 022	1 066	248 088	244 155	-	244 155
Épargne Libre Plus (FRF)	22 390	-	22 390	17 939	-	17 939
Poupança Reforma Individual	74 419	3 879	78 298	77 419	3 311	80 730
Plano Império Investimento	-	83	83	-	73	73
PUR	26 286	78	26 364	29 639	67	29 706
PUR 3.25%	1 909	7	1 916	13 581	7	13 587
PUR 2.4%	17 106	320	17 426	16 841	143	16 985
Conta Poupança Reforma 3%	-	-	-	14 903	104	15 007
Poupaunverste 2nd Series	3 986	-	3 986	3 963	-	3 963
Grupo Capitalização	3 730	16	3 746	3 671	16	3 687
PoupaInveste Empresas	175	-	175	151	-	151
PUR 3.25% – Grupo	557	-	557	539	-	540
PUR 2.4% – Grupo	338	31	369	306	31	337
PPR	65 844	740	66 584	77 783	215	77 998
PPR	26 367	153	26 520	31 570	1	31 571
PPR 3%	41 382	1 451	42 833	46 791	1 101	47 891
Império Bonança PPR/E 412	90 655	55	90 710	88 646	55	88 701
Império Bonança PPR/E 413	17 086	4	17 090	22 442	4	22 446
Império Bonança PPR/E Ganha Mais	4 793	14	4 807	9 394	14	9 409
PPR Ganha +	25 087	24	25 111	25 412	24	25 436
PPR Ganha + 3rd Series	6 863	-	6 863	6 383	-	6 383
IB PPR Leve Duo	-	-	-	290	4	294
IB – Luxemburgo	10 668	48	10 716	11 085	48	11 133
Cx 10ºS Postal Ser E	24 023	-	24 023	25 144	-	25 144
Postal PPR Series F	-	-	-	1 777	-	1 777
PPR Ganha + 4th Series Transferências	-	-	-	5 428	-	5 428
PPR Rendimento Garantido 5th S Transfer.	-	-	-	3	-	3
Postal Poup Futuro Series B – 2.25%	1 876	-	1 876	-	-	-
Fundo Poupança 7th S 2%	5 141	-	5 141	-	-	-
PPR Rendimento Garantido 5th S	811	-	811	-	-	-
Capitalização Grupo	152	-	152	-	-	-
	2 970 247	27 453	2 997 700	3 605 208	30 589	3 635 799
	3 221 316	54 560	3 275 876	3 860 874	56 969	3 917 843

Changes in mathematical provision and provision for profit sharing in direct insurance and inwards reinsurance and mathematical provision for outwards reinsurance in 2010 and 2009 are as follows:

2010

	Opening balance	Liabilities originated in period and interest paid	Profit sharing	Closing balance
Direct insurance and inwards reinsurance:				
Mathematical provision:				
Insurance contracts	255 666	(9 192)	4 595	251 069
Investment contracts with profit sharing having a discretionary component	3 605 208	(639 566)	4 605	2 970 247
	3 860 874	**(648 758)**	**9 200**	**3 221 316**
Provision for profit sharing:				
Insurance contracts	26 378	5 324	(4 595)	27 107
Investment contracts with profit sharing having a discretionary component	30 589	1 468	(4 605)	27 453
	56 969	**6 791**	**(9 200)**	**54 560**
	3 917 842	**(641 966)**	**-**	**3 275 876**
Outwards reinsurance:				
Mathematical provision:				
Insurance contracts	(5 259)	239	-	(5 020)
Investment contracts with profit sharing having a discretionary component	(7)	7	-	-
	(5 266)	**246**	**-**	**(5 020)**
	3 912 576	**(641 721)**	**-**	**3 270 856**

2009

	Opening balance	Liabilities originated in period and interest paid	Profit sharing	Closing balance
Direct insurance and inwards reinsurance:				
Mathematical provision:				
Insurance contracts	262 819	(11 351)	4 198	255 666
Investment contracts with profit sharing having a discretionary component	4 295 409	(693 288)	3 087	3 605 208
	4 558 228	**(704 639)**	**7 285**	**3 860 874**
Provision for profit sharing:				
Insurance contracts	23 510	7 088	(4 220)	26 378
Investment contracts with profit sharing having a discretionary component	9 715	23 962	(3 087)	30 589
	33 225	**31 051**	**(7 307)**	**56 969**
	4 591 453	**(673 589)**	**(22)**	**3 917 842**
Outwards reinsurance:				
Mathematical provision:				
Insurance contracts	(4 760)	(499)	-	(5 259)
Investment contracts with profit sharing having a discretionary component	(7)	-	-	(7)
	(4 767)	**(499)**	**-**	**(5 266)**
	4 586 686	**(674 088)**	**(22)**	**3 912 576**

Provisions for unearned premiums on direct insurance and inwards reinsurance (non-life) at 31 December 2010 and 2009, are as follows:

	2010			2009		
	Deferred premiums	Deferred costs	Net	Deferred premiums	Deferred costs	Net
Workman's compensation	15 416	(2 671)	12 745	15 983	(2 876)	13 107
Personal and passenger accident	18 839	(3 696)	15 143	18 392	(2 374)	16 018
Health	27 680	(5 337)	22 343	29 077	(3 485)	25 593
Fire and other damage	88 224	(15 456)	72 768	84 617	(15 171)	69 446
Motor	169 018	(31 627)	137 391	189 025	(34 603)	154 423
Marine, air and transport	4 781	(372)	4 409	6 073	(460)	5 613
General third party liability	12 202	(1 628)	10 574	12 097	(1 695)	10 402
Credit and guarantees	317	(25)	292	305	(25)	280
Legal protection	2 701	(341)	2 360	740	(121)	619
Assistance	11 812	(1 467)	10 345	4 449	(561)	3 888
Miscellaneous	9 540	(1 615)	7 925	4 072	(774)	3 299
	360 530	**(64 235)**	**296 295**	**364 831**	**(62 145)**	**302 686**

Changes in provisions for unearned premiums and deferred acquisition costs for direct insurance and outwards reinsurance in 2010 and 2009 are as follows:

	2010			
	Opening balance	Liabilities originated in period	Exchange differences	Closing balance
Direct insurance and inwards reinsurance:				
Provision for unearned premiums:				
Workman's compensation	15 983	(567)	-	15 416
Personal and passenger accident	18 392	447	-	18 839
Health	29 077	(1 397)	-	27 680
Fire and other damage	84 617	3 607	-	88 224
Motor	189 025	(20 007)	-	169 018
Marine, air and transport	6 073	(1 292)	-	4 781
General third party liability	12 097	105	-	12 202
Credit and guarantees	305	12	-	317
Legal protection	740	1 961	-	2 701
Assistance	4 449	7 363	-	11 812
Miscellaneous	4 072	5 468	-	9 540
	364 831	**(4 301)**	-	**360 530**
Deferred acquisition costs:				
Workman's compensation	(2 876)	205	-	(2 671)
Personal and passenger accident	(2 374)	(1 322)	-	(3 696)
Health	(3 485)	(1 852)	-	(5 337)
Fire and other damage	(15 171)	(285)	-	(15 456)
Motor	(34 603)	2 976	-	(31 627)
Marine, air and transport	(460)	88	-	(372)
General third party liability	(1 695)	67	-	(1 628)
Credit and guarantees	(25)	0	-	(25)
Legal protection	(121)	(220)	-	(341)
Assistance	(561)	(906)	-	(1 467)
Miscellaneous	(774)	(841)	-	(1 615)
	(62 145)	**(2 090)**	-	**(64 235)**
	302 686	**(6 391)**	-	**296 295**

...continued

	2010			
	Opening balance	Liabilities originated in period	Exchange differences	Closing balance
Outwards reinsurance:				
Provision for unearned premiums:				
Personal and passenger accident	10 378	842	-	11 220
Health	3 626	(1 770)	-	1 856
Fire and other damage	29 841	1 115	-	30 956
Auto	-	25	-	25
Marine, air and transport	4 348	(1 073)	-	3 275
General third party liability	3 224	165	-	3 389
Credit and guarantees	147	35	-	182
Legal protection	54	(2)	-	52
Assistance	17	8	-	25
Miscellaneous	4 010	2 144	-	6 154
	55 644	**1 490**	**-**	**57 134**
Deferred acquisition costs:				
Personal and passenger accident	(5 135)	(418)	-	(5 553)
Health	(2 298)	1 146	-	(1 152)
Fire and other damage	(4 334)	(0)	-	(4 334)
Marine, air and transport	(434)	80	-	(354)
General third party liability	(205)	13	-	(192)
Credit and guarantees	(4)	(0)	-	(4)
Miscellaneous	(1 298)	(559)	-	(1 857)
	(13 708)	**262**	**-**	**(13 446)**
	41 936	**1 752**	**-**	**43 687**

	2009			
	Opening balance	Liabilities originated in period	Exchange differences	Closing balance
Direct insurance and inwards reinsurance:				
Provision for unearned premiums:				
Workman's compensation	18 933	(2 950)	-	15 983
Personal and passenger accident	17 579	813	-	18 392
Health	31 266	(2 189)	-	29 077
Fire and other damage	87 752	(3 135)	-	84 617
Motor	221 737	(32 712)	-	189 025
Marine, air and transport	7 546	(1 473)	-	6 073
General third party liability	11 656	441	-	12 097
Credit and guarantees	299	6	-	305
Legal protection	1 386	(646)	-	740
Assistance	4 728	(279)	-	4 449
Miscellaneous	2 068	2 004	-	4 072
	404 950	**(40 119)**	**-**	**364 831**
Deferred acquisition costs:				
Workman's compensation	(3 132)	256	-	(2 876)
Personal and passenger accident	(2 271)	(103)	-	(2 374)
Health	(4 653)	1 168	-	(3 485)
Fire and other damage	(15 491)	320	-	(15 171)
Motor	(36 758)	2 155	-	(34 603)
Marine, air and transport	(671)	211	-	(460)

...continued

	2009			
	Opening balance	Liabilities originated in period	Exchange differences	Closing balance
General third party liability	(1 645)	(50)	-	(1 695)
Credit and guarantees	(57)	32	-	(25)
Legal protection	(270)	149	-	(121)
Assistance	(691)	130	-	(561)
Miscellaneous	(344)	(430)	-	(774)
	(65 983)	**3 838**	-	**(62 145)**
	338 967	**(36 281)**	-	**302 686**
Outwards reinsurance:				
Provision for unearned premiums:				
Personal and passenger accident	7 819	2 559	-	10 378
Health	5 826	(2 200)	-	3 626
Fire and other damage	30 120	(279)	-	29 841
Marine, air and transport	5 446	(1 098)	-	4 348
General third party liability	3 245	(21)	-	3 224
Credit and guarantees	96	51	-	147
Legal protection	11	43	-	54
Assistance	107	(90)	-	17
Miscellaneous	1 669	2 341	-	4 010
	54 339	**1 305**	-	**55 644**
Deferred acquisition costs:				
Personal and passenger accident	(3 846)	(1 289)	-	(5 135)
Health	(3 709)	1 411	-	(2 298)
Fire and other damage	(5 085)	751	-	(4 334)
Marine, air and transport	(551)	117	-	(434)
General third party liability	(196)	(9)	-	(205)
Credit and guarantees	(2)	(2)	-	(4)
Miscellaneous	(295)	(1 003)	-	(1 298)
	(13 684)	**(24)**	-	**(13 708)**
	40 655	**1 281**	-	**41 936**

The provision for claims for direct insurance and inwards reinsurance at 31 December 2010 and 2009 comprises the following:

	2010			2009		
	Reported	Not reported	Total	Reported	Not reported	Total
Life insurance:	**155 677**	**11 998**	**167 675**	**150 331**	**19 125**	**169 457**
Non-life insurance:						
Workman's compensation						
Mathematical provision	505 278	3 166	508 444	500 144	2 837	502 980
Provision for lifelong assistance	205 597	36 872	242 469	255 878	24 254	280 132
Provision for temporary assistance	6 553	1 316	7 869	11 281	-	11 281
	717 427	**41 355**	**758 782**	**767 302**	**27 090**	**794 393**
Other insurance:						
Personal and passenger accident	13 454	802	14 256	17 176	3 033	20 209
Health	37 643	11 803	49 446	29 608	13 860	43 468
Fire and other damage	154 926	15 657	170 583	150 690	21 111	171 801
Motor	657 548	44 523	702 071	700 683	42 851	743 534
Marine, air and transport	39 575	1 251	40 826	43 562	2 741	46 303

...continued

	2010			2009		
	Reported	Not reported	Total	Reported	Not reported	Total
General third party liability	118 796	9 659	128 455	97 847	14 200	112 047
Credit and guarantees	928	18	946	510	109	619
Legal protection	6 157	738	6 895	7 507	272	7 779
Assistance	17 151	96	17 247	16 870	0	16 870
Miscellaneous	12 512	3 113	15 625	4 932	2 692	7 624
	1 058 690	**87 660**	**1 146 350**	**1 069 385**	**100 870**	**1 170 255**
	1 776 117	**129 015**	**1 905 132**	**1 836 687**	**127 960**	**1 964 647**
	1 931 794	**141 013**	**2 072 807**	**1 987 018**	**147 086**	**2 134 104**

The changes in provisions for direct insurance and inwards reinsurance and outwards reinsurance claims during 2010 and 2009 were as follows:

	2010				
	Opening balance	Liabilities originated in period	Claims	Exchange differences	Closing balance
Direct insurance and inwards reinsurance:					
Provision for claims					
Life insurance	169 457	906 643	(908 425)	-	167 675
Non-life insurance					
Workman's compensation	794 393	76 253	(111 864)	-	758 782
Other insurance:					
Personal and passenger accident	20 209	5 184	(11 137)	-	14 256
Health	43 468	134 182	(128 204)	-	49 446
Fire and other damage	171 801	122 695	(123 913)	-	170 583
Motor	743 534	285 080	(326 543)	-	702 071
Marine, air and transport	46 303	2 216	(7 693)	-	40 826
General third party liability	112 047	32 084	(15 676)	-	128 455
Credit and guarantees	619	50	277	-	946
Legal protection	7 779	(393)	(491)	-	6 895
Assistance	16 870	16 083	(15 706)	-	17 247
Miscellaneous	7 624	39 521	(31 520)	-	15 625
	1 170 255	**636 701**	**(660 606)**	-	**1 146 350**
	1 964 647	**712 955**	**(772 470)**	-	**1 905 132**
	2 134 104	**1 619 598**	**(1 680 895)**	-	**2 072 807**
Outwards reinsurance (Note 18.):					
Provision for claims					
Life insurance	19 020	(12 061)	10 227	-	17 186
Non-life insurance					
Workman's compensation	2 339	(966)	81	-	1 454
Other insurance:					
Personal and passenger accident	4 329	(2 411)	1 307	-	3 225
Health	209	5 581	(5 534)	-	256
Fire and other damage	103 899	(44 157)	41 327	-	101 069
Motor	19 851	(4 364)	2 508	-	17 995
Marine, air and transport	35 642	(9 041)	5 180	-	31 781
General third party liability	18 587	4 264	3 448	-	26 299
Credit and guarantees	46	(14)	2	-	34
Legal protection	213	(213)	-	-	-
Miscellaneous	3 809	3 276	5 040	-	12 125
	186 585	**(47 079)**	**53 278**	-	**192 784**
	188 924	**(48 045)**	**53 359**	-	**194 238**
	207 944	**(60 106)**	**63 586**	-	**211 424**

	2009				
	Opening balance	Liabilities originated in period	Claims	Exchange differences	Closing balance
Direct insurance and inwards reinsurance:					
Provision for claims					
Life insurance	187 174	1 384 773	(1 402 491)	-	169 457
Non-life insurance					
Workman's compensation	800 991	124 403	(131 001)	-	794 393
Other insurance:					
Personal and passenger accident	18 452	15 059	(13 302)	-	20 209
Health	44 295	147 407	(148 233)	-	43 468
Fire and other damage	122 521	153 588	(104 309)	-	171 801
Motor	838 201	288 799	(383 465)	-	743 534
Marine, air and transport	55 901	(2 738)	(6 860)	-	46 303
General third party liability	104 280	21 220	(13 453)	-	112 047
Credit and guarantees	506	18	95	-	619
Legal protection	7 447	1 005	(673)	-	7 779
Assistance	12 808	27 841	(23 779)	-	16 870
Miscellaneous	21 137	18 034	(31 547)	-	7 624
	1 225 548	**670 233**	**(725 526)**	**-**	**1 170 255**
	2 026 539	**794 636**	**(856 528)**	**-**	**1 964 647**
	2 213 713	**2 179 409**	**(2 259 018)**	**-**	**2 134 104**
Outwards reinsurance (Note 18):					
Provision for claims					
Life insurance	21 893	6 372	(9 246)	-	19 020
Non-life insurance					
Workman's compensation	3 253	(75)	(840)	-	2 339
Other insurance:					
Personal and passenger accident	4 264	904	(838)	-	4 329
Health	130	409	(330)	-	209
Fire and other damage	68 807	77 906	(42 814)	-	103 899
Motor	24 990	(1 429)	(3 710)	-	19 851
Marine, air and transport	43 146	(4 262)	(3 242)	-	35 642
General third party liability	24 401	(2 968)	(2 846)	-	18 587
Credit and guarantees	45	-	-	-	46
Legal protection	213	-	-	-	213
Miscellaneous	17 226	861	(14 278)	-	3 809
	183 222	**71 421**	**(68 058)**	**-**	**186 585**
	186 475	**71 346**	**(68 897)**	**-**	**188 924**
	208 368	**77 719**	**(78 143)**	**-**	**207 944**

The changes in the provision for risks in progress of direct insurance and inwards reinsurance during 2010 and 2009 were as follows:

2010	Opening balance	Appropriations in period	Exchange differences	Closing balance
Direct insurance and inwards reinsurance:				
Workman's compensation	3 723	1 272	-	4 995
Personal and passenger accident	99	70	-	169
Health	3 748	(3 143)	-	605
Fire and other damage	6 198	811	-	7 009
Motor	15 837	10 388	-	26 225
Marine, air and transport	72	(55)	-	17
General third party liability	882	1 875	-	2 757
Credit and guarantees	50	(46)	-	4
Legal protection	15	(15)	-	-
Assistance	65	672	-	737
Miscellaneous	703	467	-	1 170
	31 392	12 296	-	43 688

2009	Opening balance	Appropriations in period	Exchange differences	Closing balance
Direct insurance and inwards reinsurance:				
Workman's compensation	4 095	(372)	-	3 723
Personal and passenger accident	-	99	-	99
Health	4 923	(1 175)	-	3 748
Fire and other damage	5 328	870	-	6 198
Motor	364	15 473	-	15 837
Marine, air and transport	67	5	-	72
General third party liability	675	207	-	882
Credit and guarantees	-	50	-	50
Legal protection	1	14	-	15
Assistance	258	(193)	-	65
Miscellaneous	1 380	(677)	-	703
	17 091	14 301	-	31 392

25. OTHER SUBORDINATED LIABILITIES

This heading comprises the following:

	31.12.2010	31.12.2009
CGD Finance – EUR 10 000 000 Floating Rate Subordinated Notes due 2010	-	10 000
CGD Finance – EUR 200 000 000 Floating Rate Subordinated Notes due 2011	27 817	27 818
CGD Finance – EUR 110 000 000 Floating Rate Undated Subordinated Notes	75 198	80 611
CGD Finance – USD 265 000 000 Floating Rate Subordinated Notes due 2016	131 705	178 576
CGD Finance – EUR 55 000 000 Floating Rate Subordinated Notes due 2017	55 000	55 000
CGD (France Branch) – EUR 110 000 000 Floating Rate Undated Subordinated Notes	81 245	89 568
CGD (France Branch) – EUR 250 000 000 Floating Rate Subordinated Notes	-	245 400
CGD (France Branch) – EUR 21 000 000 Floating Rate Subordinated Notes	21 000	21 000
CGD (France Branch) – EUR 40 000 000 Floating Rate Note due 2016 (5 issues)	200 000	200 000
CGD (France Branch) – EUR 2 000 000 Index Linked to Floating Rate Note due 2016 (5 issues)	10 000	10 000
CGD (France Branch) – JPY 15 000 000 000 Fixed Rate Subordinated Notes due 2036	138 058	112 646
Subordinated Cash Bonds – CGD 2009/2019 – Aniversário	535 016	538 552
Subordinated Cash Bonds – CGD 2007/2017 – 1st issue	393 486	393 486
Subordinated Cash Bonds – CGD 2007/2017 – 2nd issue	81 511	81 595
Subordinated Cash Bonds CGD 2008/2018 – 1st issue	364 495	369 045
Subordinated Cash Bonds – CGD 2007/2012 (5 issues)	100 000	100 000
Subordinated Cash Bonds – Renda Mais 2005/2015	104 891	104 891
Subordinated Cash Bonds – CGD 2006/2016	96 537	99 986
Subordinated Cash Bonds Fixed to Floater 27 Dec. 2017	125 000	125 000
Subordinated Cash Bonds Floating Rate Notes Dec. 2017	100 720	111 000
Subordinated Cash Bonds Floating Rate Notes Dec. 2017	50 000	50 000
Cash Bonds Fixed to Floating Rate Notes Dec. 2017 (3 issues)	18 000	18 000
Cash Bonds Fund Linked to Floating Rate Notes Dec. 2017	6 000	6 000
Cash Bonds Fund Linked to Floating Rate Notes Dec. 2017	6 000	6 000
Schuldshein Loan "Caja Madrid"	-	34 708
Caixa Geral de Depósitos – EUR 100 000 000 5.980% 20 year lower tier	100 000	100 000
Subordinated loan BI – Cape Verde	3 910	-
Subordinated loan BCA – Cape Verde	4 535	-
Subordinated loan BPI	4 654	4 530
Subordinated loan IFC	6 445	5 620
Subordinated loan BCI	2 808	2 449
	2 844 031	3 181 481
Interest payable	9 150	25 854
Deferred expenses net of profits	(57 503)	(34 593)
Value adjustment of liabilities subject to hedging operations	4 485	28 855
	2 800 163	3 201 598

The conditions of the principal issues are as follows:

Bonds	Book value	Date of issue	Date of redemption	Remuneration
CGD Finance – EUR 10.000.000 Floating Rate Subordinated Notes	-	27.07.2000	27.07.2010	3 month Euribor rate + 0.6%.
CGD Finance – EUR 110 000 000 Floating Rate Subordinated Notes	75 198	18.12.2002	Perpetual	3 month Euribor rate + 1.3%.
CGD Finance – USD 265 000 000 Floating Rate Subordinated Notes	131 705	06.12.2006	20.12.2016	3 month Libor rate + 0.25%.
CGD Finance – EUR 55 000 000 Floating Rate Note due 2017	55 000	17.12.2007	17.12.2017	3 month Euribor rate + 1.08%.
CGD Finance – EUR 200 000 000 Floating Rate Subordinated Notes Due 2011	27 817	03.12.2001	03.12.2011	3 month Euribor rate + 1.15%.
CGD (France Branch) – EUR 110 000 000 Floating Rate Undated Subordinated Notes	81 245	18.12.2002	Perpetual	3 month Euribor rate + 1.30%.
CGD (France Branch) – EUR 21 000 000 Floating Rate Subordinated Notes	21 000	14.07.2005	28.06.2016	6 month Euribor rate + 0.22%.
CGD (France Branch) – EUR 40 000 000 Floating Rate Subordinated Notes	40 000	12.06.2006	13.06.2016	Fixed rate 15,5% (1st coupon); 3 month Euribor rate + 0.65%.
CGD (France Branch) – EUR 40.000.000 Floating Rate Subordinated Notes	40 000	12.06.2006	13.06.2016	Fixed rate 16,5% (1st coupon); 3 month Euribor rate + 0.65%.
CGD (France Branch) – EUR 40 000 000 Floating Rate Subordinated Notes	40 000	12.06.2006	13.06.2016	Fixed rate 18% (1st coupon); 3 month Euribor rate + 0.65%.
CGD (France Branch) – EUR 40 000 000 Floating Rate Subordinated Notes	40 000	12.06.2006	13.06.2016	3 month Euribor rate + 0.65%.
CGD (France Branch) – EUR 40 000 000 Floating Rate Subordinated Notes	40 000	12.06.2006	13.06.2016	3 month Euribor rate + 0.65%.
CGD (France Branch) – EUR 2 000 000 Index Linked to Floating Rate Note due 2016 (5 issues of equal amount, total value of EUR 10 000 000)	10 000	07.08.2006	08.08.2016	3 month Euribor rate + 0.62%.
CGD (France Branch) – JPY 15 000 000 000 Fixed Rate Subordinated Notes due 2036	138 058	15.12.2006	15.12.2036	Fixed rate.
Caixa Geral de Depósitos – EUR 538 552 000 20 year lower tier – 9th issue	535 016	11.05.2009	13.05.2019	1st year: 4%; 2nd year: 4.25% or switch remuneration; 3rd year: 4.5% or switch remuneration; 4th year: 4.75% or switch remuneration; 5th year: 5.00% or switch remuneration. From the 6th coupon onwards, remuneration will be indexed to the 12 months Euribor rate + 1.65%.
Subordinated Cash Bonds – CGD 2007/2017 – 1st issue	393 486	12.11.2007	13.11.2017	12 month Euribor rate.
Subordinated Cash Bonds – CGD 2007/2017 – 2nd issue	81 511	12.11.2007	13.11.2017	1st year: 5.00%; each year plus 0.50% up to the 3rd year; 4th and 5th years remuneration will be indexed to indices.
Subordinated Cash Bonds – CGD 2008/2018 – 1st issue	364 495	03.11.2008	05.11.2018	12 month Euribor rate + 0.125%.
Subordinated Cash Bonds – CGD 2007/2012	20 000	30.07.2007	31.07.2017	Fixed rate 21% (1st coupon); 3 month Euribor rate + 0.65%.
Subordinated Cash Bonds – CGD 2007/2012	20 000	30.07.2007	31.07.2017	Fixed rate 21.5% (1st coupon); 3 month Euribor rate + 0.65%.
Subordinated Cash Bonds – CGD 2007/2012	20 000	30.07.2007	31.07.2017	Fixed rate 22% (1st coupon); 3 month Euribor rate + 0.65%.
Subordinated Cash Bonds – CGD 2007/2012	20 000	30.07.2007	31.07.2017	Indexed to Caixagest Fund (1st coupon); 3 month Euribor rate + 0.65%.
Subordinated Cash Bonds – CGD 2007/2012	20 000	30.07.2007	31.07.2017	Indexed to Caixagest Fund (1st coupon); 3 month Euribor rate + 0.65%.
Subordinated Cash Bonds – Renda Mais 2005/2015	104 891	29.06.2005	03.07.2015	6 month Euribor rate + 0.25%.
Subordinated Cash Bonds – Renda Mais 2006/2016	96 537	28.12.2006	28.12.2016	12 month Euribor rate.

...continued

Nominal interest rate at 31.12.2010	Nominal interest rate at 31.12.2009	Early redemption clause
1.64%	1.18%	N.a.
2.32%	4.50%	From 18 December 2012 onwards. If there is no early redemption, after this date the applicable interest rate will be the 3 month Euribor rate + 2.80%.
1.00%	3.38%	From 20 December 2016 onwards. If there is no early redemption, after this date the applicable interest rate will be the 3 month Libor rate + 0.75%.
2.10%	1.80%	From 17 December 2012 onwards. If there is no early redemption, after this date the applicable interest rate will be the 6 month Euribor rate + 1.58%.
2.19%	4.47%	From 3 December 2006 onwards. If there is no early redemption, after this date the applicable interest rate will be the 3 month Euribor rate + 1.15%.
2.32%	2.02%	From 18 December 2012 onwards. If there is no early redemption, after this date the applicable interest rate will be the 3 month Euribor rate + 2.80%.
1.46%	1.21%	N.a.
-	-	In the last five years, Caixa will be able to redeem the loan early, with a prior authorisation from the Banco de Portugal.
-	-	In the last five years, Caixa will be able to redeem the loan early, with a prior authorisation from the Banco de Portugal.
-	1.64%	In the last five years, Caixa will be able to redeem the loan early, with a prior authorisation from the Banco de Portugal.
-	-	In the last five years, Caixa will be able to redeem the loan early, with a prior authorisation from the Banco de Portugal.
-	-	For the last five years, Caixa with prior authorisation from the Banco de Portugal will be able to redeem the loan early.
1.67%	1.18%	For the last five years, Caixa with prior authorisation from the Banco de Portugal will redeem the loan early.
2.88%	2.88%	From 15 December 2016 onwards, with prior authorisation from the Banco de Portugal Caixa will redeem the loan early.
4.25%	4.00%	In the last five years, Caixa will be able to redeem the loan early, with a prior authorisation from the Banco de Portugal.
1.55%	1.23%	From 12 November 2011. If there is no early redemption, after this date the applicable interest rate will be 5.80%.
-	6.00%	From 12 November 2011. If there is no early redemption, after this date the applicable interest rate will be the 3 month Euribor rate +0.70%.
1.67%	1.36%	With prior authorisation of the Banco de Portugal, the issuer may redeem the loan early, in full or in part, with reduction on this later case from nominal value on the dates of the payment of coupons from the 6th year onwards. If there is no early redemption, the applicable interest rate from the 6th year onwards will be the 12 month Euribor rate + 1.50%.
-	-	In the last five years, Caixa will be able to redeem the loan early, with a prior authorisation from the Banco de Portugal.
-	-	In the last five years, Caixa will be able to redeem the loan early, with a prior authorisation from the Banco de Portugal.
-	22.00%	In the last five years, Caixa will be able to redeem the loan early, with a prior authorisation from the Banco de Portugal.
-	-	In the last five years, Caixa will be able to redeem the loan early, with a prior authorisation from the Banco de Portugal.
-	-	In the last five years, Caixa will be able to redeem the loan early, with a prior authorisation from the Banco de Portugal.
1.32%	1.32%	From 3 July 2010 onwards. If there is no early redemption, after this date the applicable interest rate will be 6 month Euribor rate + 0.75%.
1.52%	1.25%	From 28 December 2011. If there is no early redemption, after this date the applicable interest rate will be the 12 month Euribor rate + 0.50%.

N.a. – Not available.

...continued

Bonds	Book value	Date of issue	Date of redemption	Remuneration
Subordinated Cash Bonds Fixed to Floater 27 Dec. 2017	125 000	27.12.2007	27.12.2017	Fixed rate 5.733% (until 2012); 3 month Euribor rate + 1.70%.
Subordinated Cash Bonds Floating Rate Notes Dec. 2017	100 720	17.12.2007	17.12.2017	3 month Euribor rate + 1.08%.
Subordinated Cash Bonds Floating Rate Notes Dec. 2017	50 000	28.12.2007	28.12.2017	3 month Euribor rate + 1.08%.
Cash Bonds Fixed to Floating Rate Notes Dec. 2017	6 000	03.12.2007	04.12.2017	Fixed rate 22.5% (1st coupon); 3 month Euribor rate + 0.85%.
Cash Bonds Fixed to Floating Rate Notes Dec. 2017	6 000	03.12.2007	04.12.2017	Fixed rate 23% (1st coupon); 3 month Euribor rate + 0.85%.
Cash Bonds Fixed to Floating Rate Notes Dec. 2017	6 000	03.12.2007	04.12.2017	Fixed rate 23.5% (1st coupon); 3 month Euribor rate + 0.85%.
Cash Bonds Fund Linked to Floating Rate Notes Dec. 2017	6 000	03.12.2007	04.12.2017	Indexed to Caixagest Fund (1st coupon); 3 month Euribor rate + 0.85%.
Cash Bonds Fund Linked to Floating Rate Notes Dec. 2017	6 000	03.12.2007	04.12.2017	Indexed to Caixagest Fund (1st coupon); 3 month Euribor rate + 0.85%.
Caixa Geral de Depósitos – EUR 100 000 000 5.980% 20 year lower tier	100 000	03.03.2008	03.03.2028	Fixed rate.
Subordinated Loans BI – Cape Verde	3 910	08.07.2008	08.07.2018	Fixed rate 6%, up to July 2013; from that date onwards, the rate of last Treasury Bonds issue date, 5 year maturity + 0.5%.
Subordinated Loans BCA – Cape Verde	4 535	17.12.2010	17.12.2017	1st and 2nd years: 5.75%; 3rd and 4th years: 5.85%; 5th and 6th years: 6% and in 7th year 6.25%.
Subordinated Loans – Banco de Moçambique Pensions Fund	4 654	30.07.2008	30.07.2018	3 month Libor rate + 3.00%.
Subordinated Loan IFC	6 445	20.03.2009	15.06.2015	3 month Libor rate + 3.00%, plus 0.5% if contractual conditions are to be met.
Subordinated Cash Bonds of BCI 2008/2018 – MZN 216 000 000	2 808	16.10.2008	16.10.2018	1st Coupon: 15.25%. Remainder coupons indexed to the average weighted rate of the last six Treasury Bills issues with maturity equal or over 90 days plus 1%.

...continued

Nominal interest rate at 31.12.2010	31.12.2009	Early redemption clause
5.73%	5.73%	In the last five years, Caixa will be able to redeem the loan early, with a prior authorisation from the Banco de Portugal.
2.10%	2.32%	From 12 December 2012 onwards. If there is no early redemption, after this date the applicable interest rate will be the 6 month Euribor rate +1.58%.
2.09%	1.79%	From 28 December 2012. If there is no early redemption, after this date the applicable interest rate will be the 6 month Euribor rate +1.58%.
-	-	In the last five years, Caixa will be able to redeem the loan early, with a prior authorisation from the Banco de Portugal.
-	-	In the last five years, Caixa will be able to redeem the loan early, with a prior authorisation from the Banco de Portugal.
-	23.50%	In the last five years, Caixa will be able to redeem the loan early, with a prior authorisation from the Banco de Portugal.
-	-	In the last five years, Caixa will be able to redeem the loan early, with a prior authorisation from the Banco de Portugal.
-	-	In the last five years, Caixa will be able to redeem the loan early, with a prior authorisation from the Banco de Portugal.
5.98%	5.98%	N.a.
6.00%	6.00%	N.a.
5.75%	-	The issuer has an early redemption option at nominal value of outstanding debt applicable from the 5th coupon onwards, every six months, with a 0.5% premium payment over the nominal value of the bonds that would be amortised in subsequent periods.
3.74%	3.59%	Principal redemption term is 10 years. BCI will pay to CGD the entire amount of principal on 30 July 2018.
3.30%	3.61%	Early redemption may occur at any interest payment date after 15 December 2009, after prior notice to IFC, no less than 30 days in advance.
14.31%	11.94%	Early redemption may occur at any interest payment date after 16 April 2009, after prior notice in the Mozambique's Stock Exchange Bulletin, no less than 15 days in advance.

N.a. – Not available.

26. OTHER LIABILITIES

This heading comprises the following:

	31.12.2010	31.12.2009
Creditors		
Consigned resources	1 786 800	1 734 501
Suppliers of finance leasing assets	38 099	26 642
Other suppliers	101 372	99 682
Resources – collateral account	163 743	273 993
Resources – subscription account	1 006	14 701
Resources – secured account	1 799	753
Other creditors:		
Creditors for direct insurance and reinsurance	199 878	312 927
Creditors for factoring ceded	46 471	34 168
Caixa Geral de Aposentações	38 622	3 315
Creditors for futures contracts	6 129	31 338
Creditors for operations on securities	695	748
Other	457 760	476 020
Other liabilities:		
Notes in circulation – Macau (Note 16.)	280 130	238 320
Withholding taxes	64 131	53 418

...continued

	31.12.2010	31.12.2009
Social Security contributions	12 922	11 645
Other taxes payable	18 851	15 536
Collections on behalf of third parties	947	17 511
Other	20 012	34 966
Accrued costs:		
Interest and similar costs	2 654	3 879
Staff costs		
Long service bonus – CGD (Note 37.)	42 394	44 145
Other	141 634	166 062
General administrative costs	32 172	38 319
Other accrued costs	78 578	84 554
Deferred income	108 821	86 052
Liabilities pending settlement	585 623	392 586
Stock exchange operations	4 331	8 873
	4 235 576	4 204 654

At 31 December 2010 and 2009 the "Resources – collateral account" heading includes EUR 161 732 thousand and EUR 271 960 thousand, respectively, relating to deposits in CGD from several financial institutions referring to interest rates swap contracts.

At 31 December 2010, the conditions of the consigned resources were as follows:

Operation	Counterparty	Balance at 31.12.2010	Starting date	Maturity
KfW 300 Mio	KfW - Kreditanstalt für Wiederaufbau	300 000	07.04.2004	17.03.2014
KfW 250 Mio	KfW - Kreditanstalt für Wiederaufbau	250 000	22.11.2004	22.11.2013
CGD Empréstimo Global XI	European Investment Bank	173 334	25.06.2003	15.06.2023
CGD Empréstimo Global X	European Investment Bank	160 001	21.11.2002	15.09.2022
CGD/BNU Global Loan IX	European Investment Bank	150 000	27.10.2000	15.09.2012
Mid-Cap I revisable rate	European Investment Bank	100 000	14.12.2007	15.09.2022
Framework Loan Agreement	CEB – Council of Europe Development Bank	100 000	23.06.2004	23.06.2014
CGD – Empréstimo Global XII – B	European Investment Bank	87 500	19.11.2004	15.09.2024
CGD – Empréstimo Global XIII	European Investment Bank	75 000	12.10.2006	15.09.2026
CGD – Empréstimo Global XII – A	European Investment Bank	66 666	15.12.2004	15.09.2014
Hospital Braga	European Investment Bank	65 000	28.07.2009	09.06.2020
CGD Reabilitação Urbana	European Investment Bank	64 278	11.12.2003	15.12.2023
Projecto Scut Açores	European Investment Bank	60 000	11.01.2008	15.09.2034
Projecto Tejo Energia CCGT	European Investment Bank	51 000	09.12.2009	15.09.2026
CEB – Educação	CEB – Council of Europe Development Bank	43 334	21.11.2008	21.11.2023
CEB – PARES	CEB – Council of Europe Development Bank	25 000	23.12.2009	23.12.2024
EB – Pré-Escolar	CEB – Council of Europe Development Bank	5 676	05.09.2001	25.10.2012
Projecto Municipal Infra EG – III – B	European Investment Bank	4 555	14.11.1997	15.09.2012
Operations carried out by BCI Moçambique		5 026		
Other		429		
		1 786 800		

At 31 December 2010, CGD's consigned resources bore interest at an annual average rate of 1.071%.

27. CAPITAL

At 31 December 2010 CGD's share capital, made up of 1 010 000 000 000 shares of EUR 5 each, is totally held by the Portuguese State.

At 27 May 2009, CGD increased its share capital by EUR 1 000 000 thousand through the issue of 200 000 000 shares of EUR 5 each totally paid up in cash, as a result of a deliberation of the shareholder.

The Shareholder's General Meeting held in April 2010 decided to distribute to the State a dividend of EUR 0.19 per share out of net income for 2009, corresponding to a total of EUR 170 157 thousand. The remainder was transferred to the legal reserve (EUR 48 214 thousand), EUR 22 699 thousand having been transferred to cover the negative balance of retained earnings.

Subsequently, on 31 December 2010 CGD increased its share capital by EUR 550 000 thousand through the issue of 110 000 000 shares of EUR 5 each totally paid up in cash, as a result of a deliberation of the shareholder.

28. RESERVES, RETAINED EARNINGS AND NET INCOME FOR PERIOD

At 31 December 2010 and 2009, this heading comprises the following:

	31.12.2010	31.12.2009
Fair value reserve net of deferred tax	(507 360)	(331 154)
Other reserves and retained earnings		
Legal reserve – CGD	853 455	805 241
Other reserves	806 533	838 730
Retained earnings	(143 564)	(189 240)
	1 516 424	**1 454 731**
Net income attributable to the shareholder of CGD	250 582	278 899
	1 259 646	**1 402 477**

In accordance with CGD's Articles of Association, a minimum of 20% of annual net income is transferred to the legal reserve. This reserve can only be used to cover accumulated losses or for capital increases.

At 31 December 2010, the "Other reserves and retained earnings" heading includes CGD's legal reserve amounting to EUR 853 455 thousand, and legal reserves, free reserves and legal revaluation reserves of its subsidiaries and associates. The legal revaluation reserve can only be used to cover accumulated losses or for capital increases. CGD's reserves, which are not distributable for this reason amounted to EUR 208 998 thousand at 31 December 2010 and 2009, and were recorded in compliance with the following legislation:

Tangible fixed assets:	
Decree-Law 219/1982, of 2 June	31 515
Decree-Law 399–G/1984, of 28 December	18 850
Decree-Law 118–B/1986, of 27 May	27 017
Decree-Law 111/1988, of 2 April	11 082
Decree-Law 49/1991, of 25 January	31 270
Decree-Law 264/1992, of 24 November	34 861
Decree-Law 31/1998, of 11 February	53 680
Financial fixed assets	723
	208 998

The "Fair value reserve" reflects unrealised gains and losses in available-for-sale financial assets, net of the corresponding tax effect.

The currency translation reserve, which reflects the effect of translating the foreign currency financial statements of subsidiaries, is included in "Other reserves".

The net contribution of subsidiaries and branches to CGD's consolidated net income was as follows:

	31.12.2010	31.12.2009
Caixa Geral de Depósitos, SA		
Caixa Geral de Depósitos	64 283	142 684
Spain Branch	(36 971)	(33 680)
France Branch	28 188	4 318
Madeira Offshore Financial Branch	12 920	6 129
London Branch	12 174	23 226
Cayman Branch	9 601	5 270
New York Branch	8 145	9 899
East Timor Branch	552	2 235
Luxembourg Branch	165	395
Zhuhai Branch	(21)	10
Monaco Branch	-	(49)
	99 035	160 436
Contribution of subsidiaries to net income:		
Caixa – Banco de Investimento, SA [a]	35 313	37 702
Caixa Seguros e Saúde, SGPS, SA [a]	34 087	9 350
Banco Nacional Ultramarino, SA (Macau)	25 647	32 941
Caixagest Renda Mensal	(11 913)	(19 047)
Banco Comercial e de Investimentos, SARL	10 290	9 366
Mercantile Bank Holdings, Ltd.	9 543	12 735
Partang, SGPS [a]	6 370	6 708
Caixagest Private Equity FEI	6 319	-
Caixagest Imobiliário Internacional FEI	5 114	-
Banco Caixa Geral Brasil, SA	4 784	13
Caixa Leasing e Factoring – IFIC, SA	4 595	2 451
Inmobiliaria Caixa Geral, SL	(3 619)	(6 132)
FCR Energias Renováveis	(3 536)	975
Fundo de Capital de Risco – Grupo CGD	3 488	10 322
Fundimo – Sociedade Gestora de Fundos de Investimento Imobiliário, SA	3 408	3 604
Parcaixa, SGPS, SA	3 045	7 185
CGD Macau	2 866	(332)
Banco Comercial do Atlântico, SA	2 421	2 020
Caixagest Moeda	1 957	-
Nostrum Consumer (Fund and Plc)	(1 890)	1 429
CGD Finance	1 485	4 660
Caixa Geral Finance	1 338	1 062
Caixagest Oportunidades FEI	(1 324)	-
CGD Pensões, SA	1 139	879
Caixagest – Técnicas de Gestão de Fundos, SA	1 053	1 595
Wolfpart, SGPS	380	6 173
Other	1 991	(5 031)
	144 350	120 630

...continued

	31.12.2010	31.12.2009
Contribution of associates to net income:		
SIBS – Sociedade Interbancária de Serviços, SA	2 764	2 711
Vale do Lobo – Resort Turístico Luxo SA	2 582	(3 137)
REN – Rede Eléctrica Nacional, SA	-	(3 310)
Other	1 850	1 569
	7 197	(2 167)
Consolidated net income attributable to the shareholder of CGD	250 582	278 899

(a) Data taken from the consolidated financial statements.

During 2010 and after deliberation on its cease of activity, assets and liabilities of Monaco Branch were transferred to the Paris Branch which provided for their incorporation.

29. MINORITY INTEREST

Third party investments in subsidiary companies, by entity, are made up as follows:

	31.12.2010	31.12.2009
Caixa Geral Finance	557 749	572 188
Parcaixa, SGPS, SA	496 467	488 454
Partang, SGPS, SA (Note 3.)	144 739	-
Caixagest Imobiliário Internacional FEI	71 672	-
Caixagest Renda Mensal – Fundo de Inv. Mob. Aberto de Obrig. de Taxa Variável	63 999	70 273
Banco Comercial e de Investimentos, SARL	36 467	27 172
Caixagest Estratégia Dinâmica	27 807	31 126
Caixagest Private Equity FEI	26 911	-
Caixagest Infra-Estruturas FEI	26 522	-
Caixagest Moeda	25 733	-
Mercantile Bank Holdings, Ltd.	14 221	11 115
Banco Comercial do Altlântico, SARL	11 839	8 885
Caixagest Estratégias Alternativas	7 681	9 094
FCR Energias Renováveis – Caixa Capital	4 645	4 769
Banco Interatlântico, SARL	4 046	2 711
Credip – IFIC, SA	2 341	2 209
Caixa Seguros e Saúde, SGPS, SA	1 452	455
Garantia – Companhia de Seguros de Cabo Verde, SARL	1 378	1 163
A Promotora – Sociedade de Capital de Risco, SARL	1 255	1 251
Banco Caixa Geral, SA	1 051	1 029
Fundo Especial Investimento Aberto Caixa Fundo Capitalização	-	5 997
Other	2 377	16 482
	1 530 350	1 254 374

Caixa Geral Finance is a company based on the Cayman Islands, with share capital of EUR 1 000. On 28 June 2004 the company issued non-voting preference shares totalling EUR 250 000 thousand. If it is decided to pay dividends, a quarterly dividend calculated on the basis of annual interest corresponding to the 3 month Euribor rate plus 0.8% up to 28 June 2014 and 1.8% as from that date, will be paid to the preference shareholders. Caixa Geral Finance may redeem the preference shares, in part or in full, as from 28 June 2014, at EUR 1 000 per share (nominal value), plus the dividend accrued since the last payment.

On 30 September 2005 Caixa Geral Finance issued non-voting preference shares totalling EUR 350 000 thousand. If it is decided to pay dividends, a quarterly dividend calculated on the basis of annual interest corresponding to the 3 month Euribor rate plus 0.77% up to 30 September 2015 and 1.77% as from that date, will be paid to the preference shareholders. Caixa Geral Finance may redeem the preference shares, in part or in full, as from 30 September 2015, at EUR 50 per share (nominal value), plus the dividend accrued since the last payment.

In 2010 and 2009 the Group re-acquired preference shares issued by Caixa Geral Finance in the amount of EUR 14 439 thousand and EUR 27 812 thousand, respectively.

The proportion of consolidated net income attributable to minority shareholders for 2010 and 2009 is as follows:

	31.12.2010	31.12.2009
Partang, SGPS [a]	21 291	-
Caixagest Renda Mensal – Fundo de Inv. Mob. Aberto de Obrig. de Taxa Variável	(11 761)	(9 175)
Banco Comercial e de Investimentos, SARL	9 886	8 999
Parcaixa, SGPS, SA	8 776	6 903
Caixa Geral Finance	7 930	13 384
Caixa Leasing e Factoring – IFIC, SA	4 414	2 355
Caixagest Private Equity FEI	2 715	-
Caixagest Imobiliário Internacional FEI	2 155	-
Banco Comercial do Atlântico, SA	1 660	1 384
Mercantile Bank Holdings, Ltd.	858	1 145
Other	881	348
	48 806	25 343

(a) Data taken from the consolidated financial statements.

30. INTEREST AND SIMILAR INCOME AND COSTS

These headings are made up as follows:

	31.12.2010	31.12.2009
Interest and similar income		
Interest on loans and advances to domestic credit institutions	73 761	71 628
Interest on loans and advances to foreign credit institutions	22 784	42 353
Interest on domestic credit	1 655 804	2 249 268
Interest on foreign credit	247 809	265 816
Interest on overdue credit	43 481	52 411
Interest on financial assets held for trade		
Derivatives	1 421 371	1 703 727
Securities	71 139	64 917
Interest on financial assets at fair value through profit or loss	5 254	14 243
Interest on available-for-sale financial assets	440 632	289 725
Interest on hedging derivatives	103 536	144 564
Interest on debtors and other applications	16 951	16 706
Interest on cash equivalents	24 070	20 261
Interest on other loans and other amounts receivable	104 847	100 960
Other interest and similar income	12 725	6 194
Commissions received relating to amortised cost	98 856	152 252
Other	45 070	122 004
	4 388 089	5 317 030

...continued

	31.12.2010	31.12.2009
Interest and similar costs		
Interest on deposits of		
Central and local government	28 618	46 970
Other residents	449 490	666 965
Emigrants	35 304	63 046
Other non-residents	44 649	88 731
Fixed rate products – insurance	163 475	183 464
Other	806	1 829
Interest on resources of foreign credit institutions	130 217	55 347
Interest on resources of domestic credit institutions	13 367	13 383
Interest on swaps	1 252 724	1 622 313
Interest on other trading liabilities	4 259	9 222
Interest on unsubordinated debt securities	634 864	630 247
Interest on subordinated liabilities	29 650	76 644
Interest on hedging derivatives	64 704	127 310
Other interest and similar costs	47 638	54 862
Commissions paid relating to amortised cost	12 209	16 256
Other	60 856	127 498
	2 972 831	3 784 087

31. INCOME FROM EQUITY INSTRUMENTS

This heading comprises the following:

	31.12.2010	31.12.2009
Portugal Telecom	98 264	45 752
EDP - Energias de Portugal	37 448	31 659
ZON Multimédia	5 972	6 545
Águas de Portugal	4 677	-
REN - Redes Energéticas Nacionais	1 302	4 405
Brisa	2 804	2 963
Unicre	2 024	2 816
Galp Energia	3 067	2 761
BCP	2 918	2 617
BES	2 313	-
Income received from investment funds	25 828	-
Other	10 859	8 885
	197 477	108 402

32. INCOME AND COSTS FROM SERVICES AND COMMISSIONS

These headings comprise the following:

	31.12.2010	31.12.2009
Income from services rendered and commissions:		
Payment means	222 618	203 168
Operations carried out on behalf of third parties	129 933	142 054
Credit operations	118 951	99 549
Asset management	48 819	49 037
Guarantees given	57 216	46 511
Operations on financial instruments	39 011	26 890
Structuring fees	28 870	23 957
Other	3 211	1 296
	648 628	592 463
Cost of services and commissions:		
Payment means	93 239	81 098
Operations carried out on behalf of third parties	21 937	43 772
Operations on financial instruments	11 526	8 748
Asset management	7 077	2 848
Credit operations	554	776
Other	11 981	7 452
	146 313	144 695

33. RESULTS FROM FINANCIAL OPERATIONS

These headings comprise the following:

	31.12.2010	31.12.2009
Result of foreign exchange operations:		
Revaluation of foreign exchange position	92 262	(217 151)
Result of currency derivatives	(37 714)	225 960
	54 547	**8 809**
Result of financial assets and liabilities held for trading:		
Securities:		
Debt instruments	20 946	41 765
Equity instruments	(47 154)	30 534
Other instruments	4 190	8 091
	(22 018)	**80 390**
Derivatives:		
Interest rate	(45 509)	135 855
Shares and indexes	100 161	(114 606)
Credit default	11 584	(11 310)
Other	7 125	(7 876)
	73 361	**2 063**
	51 343	**82 453**
Result of other financial assets at fair value through profit or loss		
Debt instruments	6 751	2 040
Equity instruments	(66 662)	135 055
Other securities	26 485	9 861
Loans and other amounts receivable	(16)	(213)
	(33 441)	**146 743**

...continued

	31.12.2010	31.12.2009
Result of available-for-sale financial assets:		
Debt instruments	(6 392)	(21 064)
Equity instruments		
Banco Comercial Português, SA (Note 8.)	-	30 545
Portugal Telecom (Note 8.)	63 184	-
REN (Note 8.)	-	24 833
Galp (Note 8.)	2 414	(2 305)
Zon Multimédia (Note 8.)	12 821	2 030
EDP – Energias de Portugal, SA (Note 8.)	26 771	(1 607)
EDP Renováveis (Note 8.)	-	1 492
Unicre (Note 8.)	21 816	-
VAA – Vista Alegre Atlantis (Note 8.)	-	1 279
Other	2 579	(2 857)
	129 585	**53 410**
Other securities	(107 026)	(51 325)
	16 167	**(18 979)**
Result of hedging operations:		
Hedging derivatives	201 902	150 152
Value adjustments of hedged assets and liabilities	(168 290)	(173 745)
	33 611	**(23 592)**
Other	2 160	4 062
	124 388	**199 497**

On 31 December 2010, the "Result of available-for-sale financial assets" heading comprises EUR 91 537 thousand relating accumulated losses on unit trust funds which became part of the Group's consolidation perimeter during the year. Participations in these funds were recorded in the available-for-sale financial assets category, the difference between fair value as of the date of first consolidation and cost being recognised by corresponding entry to "Fair value reserves", which was reclassified at that date to income for the year.

34. OTHER NET OPERATING INCOME

These headings comprise the following:

	31.12.2010	31.12.2009
Other operating income:		
Rendering of miscellaneous services	240 700	231 739
Expense reimbursement	6 996	7 668
Gains on subsidiaries and associates	22 896	7 260
Operating lease instalments	4 493	2 826
Gains on non-financial assets:		
Non-current assets held for sale (Note 12.)	5 578	6 106
Other tangible assets	108 877	2 351
Investment property	16 697	23 090
Other	392	409
Secondment of employees to Caixa Geral de Aposentações	5 169	5 683
Sale of cheques	18 979	16 314
Other	65 970	35 497
	496 746	**338 944**

...continued

	31.12.2010	31.12.2009
Other operating costs:		
Donations and subscriptions	10 199	10 588
Losses on non-financial assets:		
Non-current assets held for sale (Note 12.)	1 350	249
Other tangible assets	1 322	1 025
Other	4 856	2 224
Other taxes	32 191	20 925
Contribution to the Deposit Guarantee Fund	12 098	12 261
Fines and penalties	4 011	1 186
Other	79 757	70 856
	145 783	**119 315**
	350 963	**219 629**

On 31 December 2010 and 2009, the heading "Rendering of miscellaneous services" includes operating income deriving from the Group's equity participation in the health area.

During 2010, the heading "Other operating income – gains on non-financial assets – other tangible assets" comprises a capital gain of EUR 103 865 thousand resulting from the sale of Caixa's head office to Fundo de Pensões do Pessoal da Caixa Geral de Depósitos (Pensions Fund) for EUR 251 751 thousand (Note 14.).

35. TECHNICAL MARGIN ON INSURANCE OPERATIONS

35.1. PREMIUMS NET OF REINSURANCE

The caption for the years 2010 and 2009, is made up as follows:

	31.12.2010	31.12.2009
Caixa Seguros e Saúde		
Direct insurance and inwards reinsurance		
Gross premiums written		
Life insurance	310 728	714 113
Non-life insurance	1 182 387	1 198 457
Outwards reinsurance premiums	(183 083)	(182 798)
	1 310 032	**1 729 771**
Other	13 321	44 396
	1 323 352	**1 774 167**

Earned premiums, net of reinsurance, issued by Caixa Seguros, are made up as follows:

	2010			2009		
	Direct insurance and inwards reinsurance	Outwards reinsurance	Net	Direct insurance and inwards reinsurance	Outwards reinsurance	Net
Life insurance:						
Insurance contracts						
Without profit sharing	152 081	(19 593)	132 488	138 225	(21 082)	117 143
With profit sharing	54 145	(1 761)	52 385	54 651	(1 659)	52 992
Investment contracts with discretionary profit sharing	104 501	-	104 501	521 236	(1)	521 236
	310 728	**(21 354)**	**289 374**	**714 113**	**(22 742)**	**691 371**

...continued

	2010			2009		
	Direct insurance and inwards reinsurance	Outwards reinsurance	Net	Direct insurance and inwards reinsurance	Outwards reinsurance	Net
Non-life insurance:						
Gross premiums written						
Workman's compensation	163 761	(889)	162 872	183 149	(1 121)	182 028
Personal and passenger accident	35 058	(10 052)	25 006	37 976	(11 143)	26 833
Health	175 128	250	175 378	168 747	575	169 322
Fire and other damage	244 006	(102 910)	141 096	234 096	(99 583)	134 513
Motor	438 819	(7 231)	431 588	470 047	(2 230)	467 817
Marine, air and transport	29 350	(23 356)	5 993	32 548	(26 656)	5 892
General third party liability	35 719	(11 406)	24 313	35 086	(10 245)	24 841
Credit and guarantees	1 122	(670)	452	880	(556)	324
Legal protection	5 690	1 635	7 326	1 644	(62)	1 582
Assistance	26 969	3 905	30 874	16 709	(59)	16 650
Miscellaneous	26 765	(11 004)	15 761	17 575	(8 978)	8 598
	1 182 387	**(161 729)**	**1 020 658**	**1 198 457**	**(160 057)**	**1 038 400**
Total premiums net of reinsurance	**1 493 114**	**(183 083)**	**1 310 032**	**1 912 569**	**(182 798)**	**1 729 771**
Change in provision for unearned premiums						
Workman's compensation	567	-	567	2 949	-	2 949
Personal and passenger accident	(447)	842	395	(812)	2 559	1 747
Health	1 398	(1 770)	(372)	2 189	(2 200)	(11)
Fire and other damage	(3 607)	1 115	(2 492)	3 136	(280)	2 856
Motor	20 008	24	20 032	32 712	0	32 712
Marine, air and transport	1 291	(1 073)	218	1 474	(1 098)	375
General third party liability	(105)	165	59	(441)	(21)	(461)
Credit and guarantees	(12)	35	23	(7)	51	44
Legal protection	(1 961)	(2)	(1 964)	641	48	689
Assistance	(7 362)	(16)	(7 379)	186	2	188
Miscellaneous	(5 467)	2 168	(3 299)	(2 005)	2 341	336
	4 301	**1 490**	**5 789**	**40 022**	**1 402**	**41 425**
Premiums earned:						
Workman's compensation	164 328	(889)	163 439	186 098	(1 121)	184 977
Personal and passenger accident	34 611	(9 210)	25 401	37 163	(8 584)	28 580
Health	176 525	(1 520)	175 005	170 936	(1 625)	169 311
Fire and other damage	240 399	(101 795)	138 603	237 232	(99 862)	137 369
Motor	458 827	(7 206)	451 620	502 758	(2 230)	500 529
Marine, air and transport	30 641	(24 429)	6 212	34 021	(27 754)	6 267
General third party liability	35 614	(11 242)	24 372	34 645	(10 266)	24 379
Credit and guarantees	1 109	(635)	475	873	(505)	368
Legal protection	3 729	1 633	5 362	2 286	(14)	2 271
Assistance	19 607	3 889	23 496	16 896	(57)	16 839
Miscellaneous	21 298	(8 836)	12 462	15 571	(6 637)	8 934
	1 186 688	**(160 241)**	**1 026 447**	**1 238 479**	**(158 654)**	**1 079 825**
Total	**1 497 415**	**(181 594)**	**1 315 821**	**1 952 592**	**(181 396)**	**1 771 196**

The changes in the provision for unearned premiums are recorded in the "Cost of claims – change in other technical provisions" heading (Note 35.3.).

35.2. RESULT OF INVESTMENTS RELATING TO INSURANCE CONTRACTS

The caption for 2010 and 2009, is made up as follows:

	2010			2009		
	Life insurance	Non-life insurance	Total	Life insurance	Non-life insurance	Total
Interest	80 801	38 836	119 637	111 029	44 024	155 053
Dividends	13 950	6 177	20 127	14 391	5 330	19 721
Net realised capital gains and losses	33 593	(7 510)	26 083	37 932	10 815	48 746
Net unrealised capital gains and losses	8 216	11 606	19 822	(791)	8 757	7 966
Other	2 812	18 284	21 096	204	18 433	18 637
	139 372	**67 393**	**206 767**	**162 765**	**87 360**	**250 125**

35.3. COST OF CLAIMS, NET OF REINSURANCE

The caption for 2010 and 2009, is made up as follows:

	2010			2009		
	Life insurance	Non-life insurance	Total	Life insurance	Non-life insurance	Total
Caixa Seguros e Saúde						
Direct insurance and inwards reinsurance						
Claims paid	908 425	772 470	1 680 895	1 402 513	856 528	2 259 041
Change in provision for claims	(1 765)	(53 182)	(54 947)	(17 276)	(61 121)	(78 397)
	906 660	**719 288**	**1 625 948**	**1 385 237**	**795 407**	**2 180 643**
Provision for profit sharing	1 842	173	2 015	1 366	6	1 372
Change in other technical provisions	(643 459)	12 295	(631 164)	(692 586)	14 301	(678 284)
	265 043	**731 756**	**996 799**	**694 018**	**809 713**	**1 503 731**
Balance of outwards reinsurance	(8 145)	(58 747)	(66 892)	(6 872)	(71 488)	(78 360)
Caixa Seguros e Saúde Subtotal	**256 898**	**673 009**	**929 907**	**687 146**	**738 225**	**1 425 371**
Other		1 755	1 753	-	436	436
	256 898	**674 764**	**931 660**	**687 146**	**738 661**	**1 425 806**

The cost of claims relating to Caixa Seguros e Saúde non-life insurance operations, by type of insurance, is made up as follows:

	2010					
	Claims paid	Change in provision for claims	Subtotal	Change in other technical provisions	Profit sharing	Total
Direct insurance and inwards reinsurance:						
Workman's compensation	111 864	(35 099)	76 765	1 272	20	78 057
Personal and passenger accident	11 137	(5 687)	5 450	70	28	5 548
Health	128 204	5 546	133 750	(3 143)	33	130 640
Fire and other damage	123 913	(1 178)	122 735	811	5	123 551
Motor	326 543	(35 093)	291 450	10 387	3	301 840
Marine, air and transport	7 693	(5 529)	2 164	(56)	-	2 108
General third party liability	15 676	16 002	31 678	1 875	32	33 585
Credit and guarantees	(277)	347	70	(46)	-	24
Legal protection	491	(880)	(389)	(15)	-	(404)
Assistance	15 706	376	16 082	672	52	16 806
Miscellaneous	31 520	8 013	39 533	468	-	40 001
	772 470	**(53 182)**	**719 288**	**12 295**	**173**	**731 756**

...continued

2010

	Claims paid	Change in provision for claims	Subtotal	Change in other technical provisions	Profit sharing	Total
Outwards reinsurance:						
Workman's compensation	(81)	1 189	1 108	-	-	1 108
Personal and passenger accident	(1 307)	800	(507)	-	-	(507)
Health	5 534	(47)	5 487	-	-	5 487
Fire and other damage	(41 327)	2 551	(38 776)	-	-	(38 776)
Motor	(2 508)	1 857	(651)	-	-	(651)
Marine, air and transport	(5 180)	3 907	(1 273)	-	-	(1 273)
General third party liability	(3 448)	(7 543)	(10 991)	-	-	(10 991)
Credit and guarantees	(2)	1	(1)	-	-	(1)
Legal protection	-	213	213	-	-	213
Assistance	-	-	-	-	-	-
Miscellaneous	(5 040)	(8 316)	(13 356)	-	-	(13 356)
	(53 359)	**(5 388)**	**(58 747)**	-	-	**(58 747)**
Net:						
Workman's compensation	111 783	(33 910)	77 873	1 272	20	79 165
Personal and passenger accident	9 830	(4 887)	4 943	70	28	5 041
Health	133 738	5 499	139 237	(3 143)	33	136 127
Fire and other damage	82 586	1 373	83 959	811	5	84 775
Motor	324 035	(33 236)	290 799	10 387	3	301 189
Marine, air and transport	2 513	(1 622)	891	(56)	-	835
General third party liability	12 228	8 459	20 687	1 875	32	22 594
Credit and guarantees	(279)	348	69	(46)	-	23
Legal protection	491	(667)	(176)	(15)	-	(191)
Assistance	15 706	376	16 082	672	52	16 806
Miscellaneous	26 480	(303)	26 177	468	-	26 645
	719 111	(58 570)	660 541	12 295	173	673 009

2009

	Claims paid	Change in provision for claims	Subtotal	Change in other technical provisions	Profit sharing	Total
Direct insurance and inwards reinsurance:						
Workman's compensation	131 001	(5 900)	125 101	(372)	-	124 730
Personal and passenger accident	13 302	1 495	14 797	99	(11)	14 885
Health	148 233	(135)	148 098	(1 175)	-	146 923
Fire and other damage	104 309	48 800	153 108	870	-	153 979
Motor	383 465	(94 389)	289 077	15 473	-	304 550
Marine, air and transport	6 860	(9 583)	(2 723)	5	-	(2 718)
General third party liability	13 453	7 810	21 263	207	-	21 471
Credit and guarantees	(95)	125	30	50	-	80
Legal protection	673	336	1 009	13	-	1 023
Assistance	23 779	4 066	27 844	(193)	16	27 667
Miscellaneous	31 547	(13 746)	17 801	(677)	-	17 124
	856 528	(61 121)	795 407	14 301	6	809 713

...continued

	2009					
	Claims paid	Change in provision for claims	Subtotal	Change in other technical provisions	Profit sharing	Total
Outwards reinsurance:						
Workman's compensation	(840)	914	74	-	-	74
Personal and passenger accident	(838)	(70)	(908)	-	-	(908)
Health	(330)	(79)	(409)	-	-	(409)
Fire and other damage	(42 814)	(35 240)	(78 054)	-	-	(78 054)
Motor	(3 710)	5 139	1 429	-	-	1 429
Marine, air and transport	(3 242)	7 504	4 262	-	-	4 262
General third party liability	(2 846)	5 824	2 978	-	-	2 978
Credit and guarantees	0	(1)	(1)	-	-	(1)
Legal protection	-	-	-	-	-	-
Assistance	-	-	-	-	-	-
Miscellaneous	(14 278)	13 419	(860)	-	-	(860)
	(68 897)	**(2 591)**	**(71 488)**	**-**	**-**	**(71 488)**
Net:						
Workman's compensation	130 162	(4 986)	125 176	(372)	-	124 804
Personal and passenger accident	12 464	1 425	13 889	99	(11)	13 977
Health	147 903	(214)	147 689	(1 175)	-	146 514
Fire and other damage	61 495	13 559	75 054	870	-	75 925
Motor	379 756	(89 250)	290 505	15 473	-	305 979
Marine, air and transport	3 618	(2 079)	1 539	5	-	1 544
General third party liability	10 607	13 634	24 241	207	-	24 449
Credit and guarantees	(95)	124	29	50	-	79
Legal protection	673	336	1 009	13	-	1 023
Assistance	23 779	4 066	27 844	(193)	16	27 667
Miscellaneous	17 269	(327)	16 942	(677)	-	16 264
	787 630	(63 712)	723 918	14 301	6	738 225

Information on the development of the cost of claims for insurance products in which the amount and timing of the payments are uncertain and where this uncertainty is usually not eliminated within a year, is set out in the following tables:

TYPE OF INSURANCE: WORKMAN'S COMPENSATION

Accumulated accounts / Accounting year	2002	2003	2004	2005	2006	2007	2008	2009	2010	Total
2002	130 420	-	-	-	-	-	-	-	-	130 420
2003	142 655	142 469	-	-	-	-	-	-	-	285 124
2004	153 668	143 255	197 014	-	-	-	-	-	-	493 937
2005	161 276	155 076	182 114	172 376	-	-	-	-	-	670 842
2006	162 666	160 052	195 728	193 813	171 468	-	-	-	-	883 727
2007	171 215	164 710	199 531	193 324	186 491	179 194	-	-	-	1 094 465
2008	175 879	169 013	199 393	195 103	189 002	179 290	190 399	-	-	1 298 079
2009	176 768	169 803	202 481	197 279	190 139	174 241	165 586	138 352	-	1 414 649
2010	**174 584**	**164 624**	**201 280**	**195 131**	**194 269**	**178 650**	**155 217**	**112 751**	**138 156**	**1 514 662**

Cost of claims recorded in 2010:

Claims from 2002 to 2010	100 013
Claims from previous years	(23 278)
Costs charged to claims settlement	35 416
Costs with claims of inwards reinsurance	29
	112 180

Accumulated payments made to-date

2010	151 702	158 139	157 086	160 554	154 816	131 423	108 641	52 824	45 494	1 120 679

Liabilities recognised in the balance sheet (Provision for direct insurance claims)

2010	40 346	35 883	73 250	37 808	40 891	41 799	43 409	61 295	96 099	470 780

Provision for claims prior to 2002	287 737
Total direct insurance	758 517
Provision for claims of inwards reinsurance	265
Total	758 782

TYPE OF INSURANCE: FIRE AND OTHER DAMAGE

Accumulated accounts / Accounting year	2002	2003	2004	2005	2006	2007	2008	2009	2010	Total
2002	80 450	-	-	-	-	-	-	-	-	80 450
2003	85 868	82 113	-	-	-	-	-	-	-	167 981
2004	87 491	82 036	111 921	-	-	-	-	-	-	281 448
2005	87 737	85 556	112 070	94 631	-	-	-	-	-	379 994
2006	85 815	83 938	110 019	96 767	84 220	-	-	-	-	460 759
2007	89 740	80 636	111 927	103 217	88 676	86 044	-	-	-	560 240
2008	90 471	80 935	110 549	102 111	83 468	87 971	132 778	-	-	688 283
2009	90 066	81 775	110 147	101 961	82 048	86 687	132 377	152 815	-	837 876
2010	**88 837**	**82 584**	**110 108**	**100 152**	**82 854**	**87 191**	**129 999**	**156 719**	**122 462**	**960 906**

Cost of claims recorded in 2010:

Claims from 2002 to 2010	123 030
Claims from previous years	(2 070)
Costs charged to claims settlement	15 516
Costs with claims of inwards reinsurance	1 775
	138 251

Accumulated payments made to-date

	2002	2003	2004	2005	2006	2007	2008	2009	2010	Total
2010	**93 090**	**81 003**	**110 409**	**76 649**	**98 545**	**81 841**	**120 684**	**106 938**	**61 968**	**831 127**

Liabilities recognised in the balance sheet (Provision for direct insurance claims)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	Total
2010	**1 535**	**5 742**	**4 260**	**6 626**	**5 904**	**5 371**	**9 339**	**49 763**	**62 851**	**151 391**

Provision for claims prior to 2002	9 624
Total direct insurance	161 015
Provision for claims of inwards reinsurance	9 568
Total	170 583

TYPE OF INSURANCE: MOTOR

Accumulated accounts / Accounting year	2002	2003	2004	2005	2006	2007	2008	2009	2010	Total
2002	576 632	-	-	-	-	-	-	-	-	576 632
2003	600 484	550 502	-	-	-	-	-	-	-	1 150 986
2004	630 630	564 933	554 251	-	-	-	-	-	-	1 749 814
2005	643 504	579 156	536 454	498 157	-	-	-	-	-	2 257 271
2006	641 486	587 860	543 465	491 652	438 945	-	-	-	-	2 703 408
2007	605 102	583 395	548 256	492 711	431 929	417 514	-	-	-	3 078 907
2008	642 737	579 115	533 898	483 104	425 696	399 699	407 495	-	-	3 471 744
2009	616 258	560 755	514 830	477 279	438 158	415 155	401 703	358 477	-	3 782 615
2010	**614 503**	**555 398**	**510 312**	**470 204**	**426 491**	**411 206**	**393 782**	**342 783**	**345 904**	**4 070 583**

Cost of claims recorded in 2010:

Claims from 2002 to 2010	287 966
Claims from previous years	3 155
Costs charged to claims settlement	51 645
Costs with claims of inwards reinsurance	328
	343 094

Accumulated payments made to-date

2010	**591 092**	**532 343**	**477 187**	**430 874**	**390 007**	**333 690**	**312 468**	**243 427**	**186 020**	**3 497 108**

Liabilities recognised in the balance sheet (Provision for direct insurance claims)

2010	**29 286**	**35 456**	**44 371**	**39 083**	**50 169**	**74 529**	**82 450**	**100 005**	**170 027**	**625 376**
Provision for claims prior to 2002										72 640
Total direct insurance										698 016
Provision for claims of inwards reinsurance										4 055
Total										702 071

TYPE OF INSURANCE: MARINE AND TRANSPORT

Accumulated accounts / Accounting year	2002	2003	2004	2005	2006	2007	2008	2009	2010	Total
2002	4 371	-	-	-	-	-	-	-	-	4 371
2003	4 168	2 546	-	-	-	-	-	-	-	6 714
2004	3 290	2 439	2 514	-	-	-	-	-	-	8 243
2005	3 385	2 527	2 739	3 810	-	-	-	-	-	12 461
2006	3 347	2 307	2 408	3 878	2 329	-	-	-	-	14 269
2007	3 054	2 019	2 577	3 871	2 658	3 654	-	-	-	17 833
2008	2 406	1 992	2 864	3 904	2 501	3 852	2 148	-	-	19 667
2009	2 403	2 036	2 843	3 757	2 502	3 796	2 085	1 630	-	21 052
2010	**2 409**	**2 025**	**2 783**	**3 568**	**2 580**	**3 586**	**1 945**	**1 942**	**862**	**21 700**

Cost of claims recorded in 2010:

Claims from 2002 to 2010	648
Claims from previous years	(97)
Costs charged to claims settlement	27
Costs with claims of inwards reinsurance	11
	589

Accumulated payments made to-date

2010	3 075	2 970	2 760	3 567	2 211	3 393	1 662	1 542	413	21 593

Liabilities recognised in the balance sheet (Provision for direct insurance claims)

2010	50	207	206	148	336	193	283	400	481	2 304

Provision for claims prior to 2002	286
Total direct insurance	2 590
Provision for claims of inwards reinsurance	713
Total	3 303

TYPE OF INSURANCE: AIR

Accumulated accounts / Accounting year	2002	2003	2004	2005	2006	2007	2008	2009	2010	Total
2002	686	-	-	-	-	-	-	-	-	686
2003	719	607	-	-	-	-	-	-	-	1 326
2004	672	1 111	3 117	-	-	-	-	-	-	4 900
2005	667	4 379	2 735	2 506	-	-	-	-	-	10 287
2006	562	4 368	22 813	2 369	883	-	-	-	-	30 995
2007	432	4 244	23 807	2 250	985	454	-	-	-	32 172
2008	563	4 546	29 010	2 249	1 037	446	457	-	-	38 308
2009	563	4 332	29 010	1 885	1 037	474	564	894	-	38 759
2010	**563**	**4 330**	**29 006**	**1 817**	**560**	**799**	**949**	**2 005**	**305**	**40 334**

Cost of claims recorded in 2010:

Claims from 2002 to 2010	1 577
Claims from previous years	(2)
Costs charged to claims settlement	220
Costs with claims of inwards reinsurance	106
	1 901

Accumulated payments made to-date

2010	1 023	4 885	3 296	1 769	972	471	480	1 456	6	14 358

Liabilities recognised in the balance sheet (Provision for direct insurance claims)

2010	0	86	25 969	318	-408	328	477	558	300	27 628

Provision for claims prior to 2002	1 725
Total direct insurance	29 353
Provision for claims of inwards reinsurance	1 158
Total	30 511

TYPE OF INSURANCE: TRANSPORT OF GOODS

Accumulated accounts / Accounting year	2002	2003	2004	2005	2006	2007	2008	2009	2010	Total
2002	6 685	-	-	-	-	-	-	-	-	6 685
2003	8 118	4 893	-	-	-	-	-	-	-	13 011
2004	7 030	4 320	4 796	-	-	-	-	-	-	16 146
2005	6 876	4 536	5 039	4 272	-	-	-	-	-	20 723
2006	6 737	4 620	4 934	4 865	3 979	-	-	-	-	25 135
2007	5 474	4 527	4 999	4 623	4 597	5 643	-	-	-	29 863
2008	6 415	4 419	4 785	4 683	4 899	5 452	4 524	-	-	35 177
2009	6 532	4 389	4 717	4 599	5 205	5 771	5 086	5 994	-	42 293
2010	**6 418**	**4 446**	**4 792**	**4 338**	**4 883**	**5 724**	**4 617**	**5 065**	**2 393**	**42 676**

Cost of claims recorded in 2010:

Claims from 2002 to 2010	383
Claims from previous years	(450)
Costs charged to claims settlement	415
Costs with claims of inwards reinsurance	(12)
	336

Accumulated payments made to-date

2010	**6 935**	**5 232**	**4 853**	**4 166**	**3 785**	**5 103**	**3 434**	**4 090**	**813**	**38 411**

Liabilities recognised in the balance sheet (Provision for direct insurance claims)

2010	**231**	**291**	**197**	**215**	**723**	**621**	**1 183**	**976**	**1 957**	**6 394**

Provision for claims prior to 2002	494
Total direct insurance	6 888
Provision for claims of inwards reinsurance	124
Total	7 012

TYPE OF INSURANCE: GENERAL THIRD PARTY LIABILITY

Accumulated accounts / Accounting year	2002	2003	2004	2005	2006	2007	2008	2009	2010	Total
2002	12 802	-	-	-	-	-	-	-	-	12 802
2003	19 174	11 948	-	-	-	-	-	-	-	31 122
2004	17 817	28 066	13 042	-	-	-	-	-	-	58 925
2005	19 145	32 492	16 643	13 576	-	-	-	-	-	81 856
2006	19 753	21 360	16 073	14 563	13 613	-	-	-	-	85 362
2007	18 891	21 729	17 622	14 401	16 350	9 615	-	-	-	98 608
2008	18 602	21 721	18 092	13 507	17 811	14 104	10 805	-	-	114 642
2009	19 203	22 687	18 802	14 877	18 875	15 713	13 563	14 793	-	138 513
2010	**20 117**	**24 405**	**19 774**	**14 642**	**24 742**	**16 060**	**13 684**	**19 847**	**16 988**	**170 259**

Cost of claims recorded in 2010:

Claims from 2002 to 2010	31 745
Claims from previous years	112
Costs charged to claims settlement	517
Costs with claims of inwards reinsurance	(180)
	32 194

Accumulated payments made to-date

2010	**15 276**	**16 538**	**15 860**	**9 357**	**14 247**	**10 389**	**8 086**	**6 046**	**2 827**	**98 626**

Liabilities recognised in the balance sheet (Provision for direct insurance claims)

2010	**5 865**	**7 566**	**5 980**	**6 586**	**10 593**	**5 813**	**5 729**	**14 065**	**15 126**	**77 323**
Provision for claims prior to 2002										16 407
Total direct insurance										93 730
Provision for claims of inwards reinsurance										34 724
Total										128 454

TYPE OF INSURANCE: MISCELLANEOUS FINANCIAL LOSSES

Accumulated accounts / Accounting year	2002	2003	2004	2005	2006	2007	2008	2009	2010	Total
2002	2 207	-	-	-	-	-	-	-	-	2 207
2003	2 294	4 783	-	-	-	-	-	-	-	7 077
2004	2 385	4 340	7 095	-	-	-	-	-	-	13 820
2005	2 470	4 593	7 533	2 926	-	-	-	-	-	17 522
2006	2 438	4 424	7 328	4 189	5 079	-	-	-	-	23 458
2007	2 450	4 346	7 796	4 173	6 005	8 953	-	-	-	33 723
2008	2 451	4 352	7 738	4 216	6 192	9 745	32 351	-	-	67 045
2009	2 451	4 366	7 747	4 247	5 486	9 802	34 047	7 496	-	75 642
2010	**2 450**	**4 365**	**7 749**	**4 200**	**5 444**	**9 686**	**34 480**	**14 965**	**13 515**	**96 854**

Cost of claims recorded in 2010:

Claims from 2002 to 2010	21 212
Claims from previous years	(72)
Costs charged to claims settlement	226
Costs with claims of inwards reinsurance	2 870
	24 236

Accumulated payments made to-date

2010	2 295	5 346	8 028	4 171	5 309	9 467	31 888	9 060	7 083	82 647

Liabilities recognised in the balance sheet (Provision for direct insurance claims)

2010	3	2	1	42	127	219	2 608	5 907	6 468	15 377
Provision for claims prior to 2002										2
Total direct insurance										15 379
Provision for claims of inwards reinsurance										240
Total										15 619

The change in provision for claims in the heading "Cost of claims net of reinsurance" in the income statement has, as its main corresponding entry, the provision for claims included in the liability heading "Technical provisions of insurance contracts". However, some operations are recognised in other balance sheet items, namely through reimbursements of claims reflected in other assets. Therefore, the changes in provisions for claims in the balance sheet and income statement do not match.

The cost of life insurance claims of Caixa Seguros e Saúde for 2010 and 2009, by type of insurance, is made up as follows:

2010

	Claims paid	Change in provision for claims	Subtotal	Change in other technical provisions	Profit sharing	Total
Direct insurance and inwards reinsurance:						
Insurance contracts						
Without profit sharing	55 965	10 405	66 370	10 156	-	76 526
With profit sharing	31 222	(13 874)	17 348	(9 975)	5 844	13 217
Investment contracts with discretionary profit sharing	821 238	1 704	822 942	(643 640)	(4 002)	175 300
	908 425	**(1 765)**	**906 660**	**(643 459)**	**1 842**	**265 043**
Outwards reinsurance:						
Insurance contracts						
Without profit sharing	(7 717)	(106)	(7 823)	204	-	(7 619)
With profit sharing	(2 510)	1 974	(536)	41	(31)	(526)
Investment contracts with discretionary profit sharing	-	-	-	-	-	-
	(10 227)	**1 868**	**(8 359)**	**245**	**(31)**	**(8 145)**
Net:						
Insurance contracts						
Without profit sharing	48 248	10 299	58 547	10 360	-	68 907
With profit sharing	28 712	(11 900)	16 812	(9 934)	5 813	12 691
Investment contracts with discretionary profit sharing	821 238	1 704	822 942	(643 640)	(4 002)	175 300
	898 198	**103**	**898 301**	**(643 214)**	**1 811**	**256 898**

2009

	Claims paid	Change in provision for claims	Subtotal	Change in other technical provisions	Profit sharing	Total
Direct insurance and inwards reinsurance:						
Insurance contracts						
Without profit sharing	48 308	(2 930)	45 379	(2 531)	-	42 847
With profit sharing	35 108	(4 147)	30 961	(4 821)	6 526	32 666
Investment contracts with discretionary profit sharing	1 319 097	(10 199)	1 308 897	(685 233)	(5 160)	618 504
	1 402 513	**(17 276)**	**1 385 237**	**(692 586)**	**1 366**	**694 018**
Outwards reinsurance:						
Insurance contracts						
Without profit sharing	(6 540)	2 172	(4 368)	(584)	-	(4 952)
With profit sharing	(2 705)	700	(2 005)	84	-	(1 921)
Investment contracts with discretionary profit sharing	-	1	1	-	-	1
	(9 246)	**2 873**	**(6 372)**	**(500)**	**-**	**(6 872)**
Net:						
Insurance contracts						
Without profit sharing	41 768	(757)	41 011	(3 115)	-	37 896
With profit sharing	32 403	(3 447)	28 956	(4 737)	6 526	30 745
Investment contracts with discretionary profit sharing	1 319 097	(10 199)	1 308 898	(685 233)	(5 160)	618 505
	1 393 268	**(14 403)**	**1 378 865**	**(693 085)**	**1 366**	**687 146**

35.4. COMMISIONS AND OTHER INCOME AND COSTS RELATING TO INSURANCE

This heading for the years 2010 and 2009, is made up as follows:

	2010			2009		
	Life insurance	Non-life insurance	Total	Life insurance	Non-life insurance	Total
Technical income:						
Commissions:						
Outwards reinsurance	6 495	21 775	28 270	5 058	21 121	26 179
Co-insurance management charges	146	1 200	1 346	139	760	899
Pensions Funds management charges	120	-	120	7	-	7
Other technical income						
Other technical income	6	3 600	3 606	27	5 531	5 558
	6 767	**26 575**	**33 342**	**5 231**	**27 412**	**32 644**
Technical costs:						
Commissions:						
Direct insurance operations:						
Mediation and brokerage charge	(1 410)	(91 903)	(93 313)	(2 776)	(95 426)	(98 202)
Collection charges	(95)	(8 192)	(8 287)	(115)	(9 451)	(9 566)
Other	(8)	(11 746)	(11 754)	(22)	(19 697)	(19 719)
Inwards reinsurance operations	-	35	35	-	(3 556)	(3 556)
Co-insurance management charges	(5)	(175)	(180)	(10)	(433)	(443)
Other technical costs						
Provision for premiums receivable	(437)	(1 456)	(1 893)	(436)	735	298
Taxes specific to the insurance business	(2 171)	(6 668)	(8 839)	(1 543)	(6 587)	(8 131)
Other	(230)	(1)	(231)	(825)	(1)	(826)
	(4 356)	**(120 106)**	**(124 462)**	**(5 728)**	**(134 416)**	**(140 144)**
Other	-	1 659	1 659	-	250	250
	2 411	(91 872)	(89 461)	(496)	(106 754)	(107 250)

36. STAFF COSTS

This heading is made up as follows:

	31.12.2010	31.12.2009
Remuneration of management and supervisory bodies	17 397	18 064
Remuneration of staff	747 364	751 935
Provision for suspension of labour agreements (Note 37.)	816	(1 343)
	765 577	**768 656**
Other charges relating to remuneration	77 033	71 981
Healthcare – CGD		
Normal cost (Note 37.)	33 979	32 493
Contributions relating to current staff	30 813	30 367
Amortisation of deviations exceeding the corridor (Note 37.)	3 437	2 634
Pension liability – CGD (Note 37.)		
Normal cost	71 931	68 231
Retirements before the normal retirement age	(1 117)	455
Amortisation of deviations exceeding the corridor (Note 37.)	2 587	694

...continued

	31.12.2010	31.12.2009
Other pension costs		
Caixa Seguros e Saúde	1 969	1 820
Other	6 681	7 217
Other mandatory social charges	26 248	25 205
	253 561	**241 097**
Other staff costs	27 996	30 618
	1 047 134	**1 040 370**

The average number of employees of Caixa and subsidiaries in 2010 and 2009, by function, was as follows:

	2010			2009		
	Banking	Insurance	Group	Banking	Insurance	Group
Senior management	409	249	657	349	241	590
Management	2 778	550	3 328	2 675	543	3 218
Technical staff	4 490	2 202	6 691	4 074	1 910	5 984
Administrative staff	8 177	2 154	10 331	7 665	2 089	9 754
Auxiliary	1 364	754	2 118	1 259	592	1 851
	17 217	**5 908**	**23 124**	**16 022**	**5 375**	**21 397**
Number of employees at the end of the year	**17 053**	**5 958**	**23 011**	**16 530**	**5 634**	**22 164**

At 31 December 2010 and 2009, these numbers do not include staff employed by the Support Department of Caixa Geral de Aposentações (274 in 2010 and 283 in 2009), those assigned to CGD's Social Services (72 in 2010 and 78 in 2009) and to other situations (99 and 84 respectively), namely those on secondment abroad.

37. RETIREMENT PENSIONS AND OTHER LONG TERM BENEFITS

37.1. RETIREMENT PENSIONS AND POST RETIREMENT DEATH GRANTS

LIABILITIES FOR CGD EMPLOYEES

In accordance with article 39 of Decree Law 48 953 of 5 April 1969 and Decree Law 161/1992 of 1 August, CGD was responsible for the payment of retirement pensions for sickness, disability and old age and survivors' pensions to employees hired as from 1 January 1992. Caixa Geral de Aposentações (CGA) was responsible for the payment of survivors' pensions to employees hired prior to 1 January 1992. For this purpose 2.5% of the remuneration of these employees is discounted and paid to CGA.

In addition, in accordance with the Vertical Labour Collective Agreement in force for the banking sector, the former BNU had the commitment to grant pensions to its employees for early retirement and retirement due to age, disability and survivors' pensions. These payments comprised a percentage, which increased in line with the number of years of employment, applied to wage scales negotiated annually with the bank employees' unions. In 2001, following the merger of BNU into CGD, BNU's pension liability was transferred to CGD. Therefore, the former employees of BNU in service at the date of the merger became covered by the pension and benefits plan in force in CGD. As regards retired personnel and pensioners of BNU at the date of the merger, the pension plan in force on the date of their retirement remains applicable.

Under Decree Laws 240–A/2004 of 29 December and 241–A/2004 of 30 December, on 30 November 2004 the full amount of the retirement pension liability of Caixa's employees, relating to time of service up to 31 December 2000, totalling EUR 2 510 043 thousand, was transferred to CGA. This transfer also included the liability for death grants after normal retirement age, in respect of the abovementioned time of service.

Accordingly, Caixa's pensions liability at 31 December 2010 and 2009 is as follows:

- Liability relating to current employees for time of service after 31 December 2000;
- In the case of employees retired between 1 January 2001 and 31 December 2010 the part of the liability corresponding to the time of service in that period;

• Liability for retirement pensions and respective survivors' pensions of former BNU employees, already under payment at the date of the merger;

• Liability for death grants relating to the period of service after 31 December 2000.

Pension payments are based on the number of years of service of the employees and their respective remuneration on their retirement date, and are updated in line with the wages paid to current employees.

Caixa set up a pension fund in December 1991, to which it makes the necessary contributions to cover its pension liability. Under the regime applicable to Caixa, employees contribute the following percentages of their remuneration to the pension fund:

• Employees hired prior to 1 January 1992 7.5%

• Employees hired after 1 January 1992 10.0%

The full amount contributed by the employees hired after 1 January 1992 is paid to the pension fund, as the fund is responsible for the respective survivors' pension regime.

The transfer of liabilities to CGA implied the transfer of an equivalent amount of assets from the pension fund.

LIABILITY RELATING TO EMPLOYEES OF COMPANHIA DE SEGUROS FIDELIDADE MUNDIAL, SA AND IMPÉRIO BONANÇA – COMPANHIA DE SEGUROS, SA

In compliance with the terms of the collective labour agreement in force for the insurance sector, Fidelidade Mundial and Império Bonança have assumed the commitment to grant their employees hired prior to June 1995 supplementary pensions to those granted by the Social Security. These supplementary pensions vary based on the employee's remuneration, social security contributions and, in case of disability, the seniority in the insurance business.

In addition, Império Bonança:

• Undertook between 1999 and 2005, to grant employees, who are in early retirement, the payment of a life pension corresponding to the difference between 80% of the last remuneration and the amount paid by the Social Security services;

• Undertook the commitment to extend the benefits included in the collective labour agreement to the employees hired up to June 2005 and, on the other hand, to grant to the beneficiaries of the Pension Fund, the additional benefits guaranteed under the supplementary plan in force in the Millenniumbcp Group, of which the company was a member up to 31 January 2005. The liability relating to the supplementary plan is covered by the respective pension fund.

DETERMINATION OF THE LIABILITY

Actuarial calculations were made by specialised entities to determine the liability for retirement pensions under payment and for past services of current employees as at 31 December 2010 and 2009.

The assumptions and technical bases used in respect of CGD and the Group insurance companies were as follows:

	2010		2009	
	CGD	Caixa Seguros e Saúde	CGD	Caixa Seguros e Saúde
Actuarial method	Projected Unit Credit		Projected Unit Credit	
Mortality table				
Men	TV 73/77 (-1 year)	TV 73/77 (-1 year)	TV 73/77 (-1 year)	TV 73/77
Women	TV 88/90 (-1 year)	TV 88/90 (-1 year)	TV 88/90 (-1 year)	TV 88/90
Disability table	EKV 80		EKV 80	
Discount rate	5.50%	5.25%	5.50%	5.50%
Yield of funds assets	5.25%	5.25%	5.25%	5.25%
Salary growth rate	2.50%	2.00%	3.50%	3.00%
Pension growth rate	1.75%	0.75%	2.25%	1.00%
Turnover rate:				
Under 30 years old	5%	n.a.	5%	n.a.
Between 30 and 40 years old	1%	n.a.	1%	n.a.
Older than 40 years	0%	n.a.	0%	n.a.

n.a. – Not available.

In the studies relating to CGD, for 2010 and 2009, the normal retirement age was considered to be 60 years of age.

The discount rate used in the actuarial calculations is based on the iboxx index of private debt bonds of the Eurozone with high credit quality ("AA") for maturities similar to those of the liabilities to be funded (around 19 years).

CGD Pensões calculates the return rate through the application of the annual expected rate of return in the medium and long term for each class of assets, to the benchmark structure of the fund portfolio. These annual expected returns result from an estimate model of an international consulting company whose inputs are the recorded historical returns for each class of assets and the prospects of an international panel of financial analysts.

The following shows a comparison between the actuarial and financial assumptions used to determine CGD's pension costs for 2010 and 2009 and the actual amounts:

	2010		2009	
	Assumption	Actual	Assumption	Actual
Yield of fund asset	5.25%	1.93%	5.25%	7.09%
Salary growth rate	2.50%	3.13%	3.50%	4.33%
Pension growth rate	1.75%	1.10%	2.25%	1.56%

At the end 2010, CGD updated the salary growth rate dereasing from 3.5% to 2.5% as well as the pension growth rate, from 2.25% to 1.75%, considering the impacts of the global costs cut proposal, namely the salaries of the public sector included in Budget Law for 2011.

The Group's past service liability in accordance with the actuarial calculations and the funds and provisions available to cover them at 31 December 2010 and 2009, are as follows:

	2010				2009			
	CGD	Caixa Seguros e Saúde	Other	Total	CGD	Caixa Seguros e Saúde	Other	Total
Past service liability:								
Current employees	875 138	24 015	30 690	929 843	914 244	36 818	29 606	980 669
Retired and early retired employees	433 075	181 369	19 495	633 939	418 124	184 987	19 645	622 756
	1 308 213	**205 383**	**50 186**	**1 563 782**	**1 332 368**	**221 806**	**49 251**	**1 603 425**
Autonomous pension funds	1 424 864	144 748	789	1 570 402	1 332 368	153 155	675	1 486 197
Mathematical provisions	-	67 126	-	67 126	-	70 070	-	70 070
Provision for pensions and similar charges	-	-	52 867	52 867	-	-	54 486	54 486
	1 424 864	**211 874**	**53 657**	**1 690 395**	**1 332 368**	**223 225**	**55 161**	**1 610 753**
Difference	**116 651**	**6 491**	**3 471**	**126 613**	**-**	**1 419**	**5 909**	**7 329**
Funding level	**108.92%**	**103.16%**	**106.92%**	**108.10%**	**100.00%**	**100.64%**	**112.00%**	**100.46%**

In accordance with Bank of Portugal Notice 4/2005 of 28 February, financial entities with head office in Portugal must fully fund their liability for retired and early retired personnel and a minimum of 95% of their past service liability for current employees. Caixa's liability at 31 December 2010 and 2009 was funded at 108.9% and 100%, respectively.

The future service liability for CGD's current employees at 31 December 2010 and 2009 totalled EUR 930 172 thousand and EUR 1 168 606 thousand, respectively.

At 31 December 2010 and 2009, the provision for pension and similar costs under the heading "Other entities" include EUR 1 500 thousand relating to healthcare charges.

The number of beneficiaries of CGD and CGD Group insurance companies in Portugal in 2010 and 2009, was as follows:

	2010		2009	
	CGD	Caixa Seguros e Saúde	CGD	Caixa Seguros e Saúde
Current employees	9 892	2 422	10 287	2 515
Retired and early retired employees	4 401	2 791	4 009	2 809
	14 293	5 213	14 296	5 324

The changes in the pension funds, mathematical provisions and provision for pensions and similar costs in 2010 and 2009, were as follows:

	CGD	Caixa Seguros e Saúde	Other	Total
Balances at 31 December 2008	1 137 181	218 791	39 972	1 395 944
Contributions paid				
Regular contributions				
By employees	27 124	-	178	27 302
By the entity	69 803	14 295	307	84 405
Extraordinary contributions	42 038	-	-	42 038
Change in provisions for pensions and similar charges	-	-	3 884	3 884
Change in mathematical provisions	-	(2 899)	-	(2 899)
Pensions paid	(27 482)	(15 902)	(1 168)	(44 552)
Net income of the pension fund	83 704	9 682	9	93 395
Other changes	-	(743)	11 978	11 235
Balances at 31 December 2009	1 332 368	223 225	55 161	1 610 753
Contributions paid				
Regular contributions				
By employees	26 364	840	175	27 379
By the entity	69 525	7 795	429	77 749
Extraordinary contributions	-	-	-	-
Change in provisions for pensions and similar charges	-	-	214	214
Change in mathematical provisions	-	(2 944)	-	(2 944)
Pensions paid	(30 058)	(14 984)	(1 188)	(46 230)
Net income of the pension fund	26 665	(2 768)	(4)	23 893
Other changes	-	710	(1 130)	(420)
Balances at 31 December 2010	1 424 864	211 874	53 657	1 690 395

The assets of both CGD and Caixa Seguros e Saúde pension funds at 31 December 2010 and 2009 are analysed as follows:

PENSION FUND – CGD

	31.12.2010	31.12.2009
Shares	100 690	113 741
Participating units in trust and property investment funds	356 004	267 409
Debt securities	412 691	546 470
Property	529 904	271 730
Deposits at credit institutions	133 433	128 825
Other (net liability)	(107 857)	4 193
Total	1 424 864	1 332 368

PENSION FUNDS – CAIXA SEGUROS E SAÚDE

	31.12.2010	31.12.2009
Shares	9 568	16 604
Participating units in trust and property investment funds	23 317	4 921
Debt securities	86 927	99 525
Property	14 073	15 705
Deposits at credit institutions	8 776	14 950
Other	2 086	1 448
Total	**144 748**	**153 155**

At 31 December 2010 the heading "Other (net liability)" includes EUR 110 885 thousand relative to sales operations with repurchase agreement on several financial instruments signed up with Caixa Geral de Depósitos.

At 31 December 2010 and 2009 CGD's pension fund was managed by CGD Pensões – Sociedade Gestora de Fundos de Pensões, SA.

At 31 December 2010 and 2009, CGD's pension fund had property leased to Group companies in the amount of EUR 458 129 thousand and EUR 199 862 thousand, respectively. In addition, CGD's pension fund had securities and participating units in trust funds units managed by Group companies in the amount of EUR 202 648 thousand EUR 184 058 thousand, respectively.

The evolution of both liabilities and CGD's pension fund liquid assets,as well as actuarial gains and losses of the present and last four years is as follows:

	31.12.2010		31.12.2009		31.12.2008		31.12.2007		31.12.2006	
	Retirement pensions	Medical plan	Retirement pensions	Medical plan	Retirement pensions	Medical plan	Retirement pensions	Medical plan	Retirement pensions	Medical plan
Liabilities	1 308 213	436 698	1 332 368	460 025	1 137 181	427 832	1 106 429	443 888	955 302	419 195
Value of the fund	1 424 864	-	1 332 368	-	1 137 181	-	1 106 441	-	955 302	-
Provisions	-	436 698	-	460 025	-	427 832	-	443 888	-	419 195
Under (Over) financed liabilities	(116 651)	-	-	-	-	-	(12)	-	-	-
Gains / (Losses) resulting from liabilities	163 567	(36 095)	(64 890)	(19 720)	102 449	27 526	(33 422)	(14 543)	(19 322)	(9 377)
Gains / (Losses) resulting from the fund's assets	(45 628)	-	21 735	-	(140 187)	-	(4 222)	-	11 658	-

The change in the difference between the Group's past service liability and respective coverage, and the corresponding impact in the financial statements as at 31 December 2010 and 2009 are as follows:

	CGD	Caixa Seguros e Saúde	Other	Total
Situation at 31 December 2008	-	3 006	3 341	6 347
Current service cost	(65 681)	(1 244)	(1 325)	(68 250)
Interest cost	(64 519)	(7 753)	(2 675)	(74 947)
Expected return on plan assets	61 969	7 281	37	69 287
Normal cost for the year (Note 36.)	(68 231)	(1 716)	(3 963)	(73 910)
Increase in liabilities due to early retirements (Note 36.)	(455)	(7 382)	(701)	(8 538)
Other	-	(452)	-	(452)
Changes with impact on profit or loss	**(68 686)**	**(9 550)**	**(4 664)**	**(82 900)**
Liability	(64 890)	(8 772)	(50)	(73 712)
Income	21 735	2 440	16 205	40 381

...continued

	CGD	Caixa Seguros e Saúde	Other	Total
Actuarial gains and losses	**(43 155)**	**(6 332)**	**16 155**	**(33 332)**
Contributions made	111 841	14 295	307	126 443
Other	-	-	(9 230)	(9 230)
Situation at 31 December 2009	-	**1 419**	**5 909**	**7 329**
Current service cost	(71 866)	(1 420)	(1 674)	(74 960)
Interest cost	(72 358)	(8 166)	(2 950)	(83 474)
Expected return on plan assets	72 293	7 679	34	80 007
Normal cost for the year (Note 36.)	(71 931)	(1 907)	(4 590)	(78 428)
Increase in liabilities due to early retirements (Note 36.)	1 117	(5 364)	-	(4 247)
Other	-	1 265	(24)	1 241
Changes with impact on profit or loss	**(70 814)**	**(6 006)**	**(4 614)**	**(81 434)**
Liability	163 568	12 890	78	176 536
Income	(45 628)	(10 448)	1 666	(54 410)
Actuarial gains and losses	**117 940**	**2 442**	**1 744**	**122 126**
Contributions made	69 525	7 795	429	77 749
Other	-	840	3	843
Situation at 31 December 2010	**116 651**	**6 491**	**3 471**	**126 613**

Actuarial gains and losses relating to CGD's liability in 2010 and 2009 were as follows:

	2010	2009
Change in the discount rate (from 5.75% to 5.5% in 2009)	-	(57 334)
Change in the salary growth rate (from 3.5% to 2.5%)	85 506	-
Change in pension growth rate (from 2.5% to 2.25% in 2009 and from 2.25% to 1.75% in 2010)	69 785	34 143
Adjustment of one year in the mortality rate for women (TV 88/90)	-	(15 426)
Adjustment of one year in the mortality rate for men (TV 73/77)	8 277	(19 163)
Other actuarial gains and losses	(45 628)	(7 110)
	117 940	**(64 890)**

HEALTHCARE

Caixa Geral de Depósitos' Social Services is responsible for providing healthcare to the current employees and pensioners of CGD's head office. CGD makes an annual payment to the Social Services corresponding to 8.95% of salaries and pensions paid. Caixa also has a liability for contributions to SAMS (Healthcare services) relating to the employees of the former BNU that retired up to 23 July 2001.

The past service liability for healthcare was determined based on actuarial calculations made by specialised entities, using actuarial assumptions similar to those mentioned above relating to the calculation of pension liabilities.

The past service liability at 31 December 2010 and 2009, in the amount of EUR 436 698 thousand and EUR 460 025 thousand respectively, is recognised in the heading "Provisions".

Império Bonança also assumed the commitment to provide lifelong healthcare benefits to its employees who were beneficiaries of the former BCP pension fund. This liability is covered by provisions of EUR 23 504 thousand and EUR 26 333 thousand, respectively, at 31 December 2010 and 2009.

OTHER LONG TERM BENEFITS

Caixa pays a bonus to all employees completing ten, twenty and thirty years of effective service, in the year of completion, corresponding to one, two or three months' salary, respectively. It also pays a bonus to retiring employees, in the amount corresponding to the proportion of what they would have received if they continued to work, until they complied with the requirements of the following level. The corresponding liability at 31 December 2010 and 2009 amounted to EUR 42 394 thousand and EUR 44 145 thousand, respectively, and was recognised in the heading "Other liabilities" (Note 26.).

Caixa also calculates the amount of its liability relating to death grants prior to normal retirement age. At 31 December 2010 and 2009, the corresponding liability amounted to EUR 1 847 thousand and EUR 1 982 thousand, respectively, and recorded in the "Provisions" heading.

The France branch also pays long term benefits to its employees. The corresponding liability at 31 December 2010 and 2009 amounted to EUR 1 500 thousand.

DEFERRED ACTUARIAL GAINS AND LOSSES

The changes in deferred actuarial gains and losses relating to the introduction of IFRS in 2010 and 2009 in respect of CGD, are as follows:

	Corridor		Above the corridor		
	Pensions	Healthcare	Pensions	Healthcare	Total (Note 19.)
Balances at 31 December 2008	**113 718**	**42 783**	**29 618**	**41 532**	**227 651**
Actuarial gains and losses for the year	19 519	3 219	23 636	16 501	62 875
Amortisation (Note 36.)	-	-	(694)	(2 634)	(3 328)
Balances at 31 December 2009	**133 237**	**46 002**	**52 560**	**55 399**	**287 198**
Actuarial gains and losses for the year	(67 967)	(2 333)	(49 973)	(33 762)	(154 035)
Amortisation (Note 36.)	-	-	(2 587)	(3 437)	(6 024)
Balances at 31 December 2010	**65 270**	**43 669**	**-**	**18 200**	**127 139**

Actuarial gains and losses above the corridor are being amortised over a period of approximately 14.5 years up to the retirement of current employees.

PROVISIONS

The provisions for employee benefits at 31 December 2010 and 2009 are made up as follows:

	2010	2009
CGD		
Provision for post-employment healthcare	436 698	460 025
Provision for labour suspension agreements	4 515	3 699
Provision for death grant liability	1 847	1 982
France branch liability	1 500	1 500
	444 560	**467 206**
Provision for pension and other liabilities		
Banco Comercial do Atlântico, SA	49 705	52 929
Other	1 578	1 557
	51 283	**54 486**
Provision for post-employment healthcare		
Caixa Seguros e Saúde (Império Bonança)	23 504	26 333
Other	3 343	4 885
	26 846	**31 218**
Other	7 503	4 061
	530 192	**556 971**

Caixa recorded a specific provision for the impact of the change to inactive status of employees with whom it has entered into labour suspension agreements.

The changes in provisions for employee benefits in 2010 and 2009 are as follows (Note 23.):

	2010	2009
Balance at the beginning of the year	**556 971**	**505 886**
Provisions recognised as staff costs:		
Healthcare – CGD (Note 36.)	33 979	32 493
Labour suspension agreements (Note 36.)	816	(1 343)
Actuarial gain and loss on post-employment healthcare liability	(36 095)	19 720
Other	(2 987)	15 635
	(4 287)	**66 505**
Net increase recorded by corresponding entry to "Provisions"	942	5 649
Utilisation:		
Payments to SAMS and CGD's Social Services	(21 211)	(20 020)
Other	(3 072)	(1 431)
Other	849	383
Balance at the end of the year	**530 192**	**556 971**

38. OTHER ADMINISTRATIVE COSTS

This heading comprises the following:

	31.12.2010	31.12.2009
Specialised services		
IT services	110 726	106 945
Cleaning	12 276	12 082
Studies and consultancy	8 585	9 968
Contracts and service fees	8 094	9 381
Safety and security	8 954	8 044
Information services	7 856	7 489
Other	233 748	215 780
Leases	81 282	81 688
Advertising and publications	47 981	52 994
Communications and postage	53 976	56 985
Maintenance and repairs	51 475	48 531
Water, energy and fuel	24 839	23 592
Travel, lodging and representation expenses	24 430	18 257
Transport of cash and other values	13 208	14 810
Standard forms and office supplies	10 472	10 250
Other	23 296	21 285
	721 197	**698 080**

The total future payments of operational leasing contracts in force at 31 December 2009 and 2010 were as follows:

	31.12.2010	31.12.2009
Up to one year	20 609	4 099
One to five years	71 746	2 669
Over five years	241 384	-

In 2010, the amonts invoiced by Sociedade de Revisores Oficiais de Contas relative to the statutory audit of annual accounts and other services, are as follows:

	2010
Statutory audit of annual accounts	285
Other services	84
	368 [(a)]

(a) VAT included.

39. ASSET IMPAIRMENT

The changes in impairment in 2010 and 2009 were as follows:

	2010			
	Balance at 31.12.2009	Acquisition/ (sale) of subsidiaries	Addition	Reversals
Impairment of loans and advances to customers (Note 11.)	2 405 224	7 067	1 674 681	(1 270 596)
Impairment of loans and advances to credit institutions (Note 6.)	159 563	-	73 015	(81 168)
Impairment of available-for-sale financial assets (Note 8.)				
Equity instruments	318 040	11 431	261 130	-
Debt instruments	62 064	-	7 723	(5 247)
Other instruments	54 929	-	75 521	-
Impairment of other tangible assets (Note 14.)	18 760	152	8 948	(9 038)
Impairment of intangible assets (Note 15.)	957	-	-	-
Impairment of non-current assets held for sale				
Property and equipment (Note 12.)	59 825	-	45 586	(28 572)
Impairment of other assets (Note 19.)	144 429	2 359	21 364	(14 600)
Impairment in associates	161	-	-	-
	818 728	**13 942**	**493 286**	**(138 625)**
	3 223 952	**21 009**	**2 167 967**	**(1 409 221)**

	2009			
	Balance at 31.12.2009	Acquisition/ (sale) of subsidiaries	Addition	Reversals
Impairment of loans and advances to customers (Note 11.)	2 121 086	901	1 176 650	(719 237)
Impairment of loans and advances to credit institutions (Note 6.)	106 381	-	69 041	(15 189)
Impairment of available-for-sale financial assets (Note 8.)				
Equity instruments	650 234	-	136 265	-
Debt instruments	52 666	-	26 618	(641)
Other instruments	4 924	-	50 005	-
Impairment of other tangible assets (Note 14.)	19 172	-	2 822	(2 745)
Impairment of intangible assets (Note 15.)	957	-	-	(10)
Impairment of non-current assets held for sale				
Property and equipment (Note 12.)	37 777	-	34 420	(11 992)
Impairment of other assets (Note 19.)	180 251	1 857	17 264	(46 739)
Impairment in associates	-	-	161	-
	1 052 363	**1 857**	**336 596**	**(77 316)**
	3 173 449	**2 757**	**1 513 247**	**(796 553)**

...continued

Write-offs	Exchange differences	Transfers and other	Balance at 31.12.2010	Credit recovery, interest and expenses
(201 392)	8 524	(13 684)	2 609 824	(34 984)
(67 128)	5 428	(777)	88 933	
(244 442)	139	(13 900)	332 397	
(20 092)	994	-	45 441	
(48 570)	-	18 988	100 867	
(3 081)	-		15 741	
-		1	958	
(2 006)		(2 704)	72 128	
(1 029)	516	2 766	155 804	
(161)	-	-	-	
(386 510)	**7 077**	**4 374**	**812 271**	**-**
(587 902)	**15 601**	**(9 311)**	**3 422 095**	**(34 984)**

Write-offs	Exchange differences	Transfers and other	Balance at 31.12.2010	Credit recovery, interest and expenses
(166 955)	(5 440)	(1 781)	2 405 224	(40 567)
-	(2 218)	1 548	159 563	-
(468 109)	(55)	(296)	318 040	
(3 715)	(433)	(12 431)	62 064	
-	-	-	54 929	
(489)	-	-	18 760	-
-	-	10	957	
(367)	(13)	-	59 825	
(3 652)	(77)	(4 473)	144 429	
-	-	-	161	
(476 333)	**(2 796)**	**(15 643)**	**818 728**	**-**
(643 288)	**(8 236)**	**(17 424)**	**3 223 952**	**(40 567)**

40. SEGMENT REPORTING

In compliance with IFRS 8 and with a view to determine the requirements of own funds to cover for operating risk, using the standard method under the terms of Notice 9/2007, of 18.04.2007 of the Bank of Portugal, the Group adopted the following business segments:

- **Insurance**: includes the operations of the Caixa Seguros Group insurance companies and Garantia – Companhia de Seguros de Cabo Verde, SA. This business segment was divided into life and non-life insurance;

- **Corporate Finance**: includes the activities relating to acquisitions, mergers, restructuring, privatisations, subscription and placement of securities (primary market), securitisation, preparation and organisation of syndicated loans (merchant banking – loan placement), investment management, financial analysis of markets and companies and advisory services;

- **Trading and sales**: comprises banking activity relating to the management of the securities portfolio, management of issued debt instruments, money and foreign exchange markets operations, repo and security loan operations and wholesale brokerage. Loans and advances to other credit institutions and derivative instruments are also included in this segment;

- **Retail banking**: comprises banking operations with individuals, businessmen and micro-companies. This segment also includes consumer finance, mortgage lending, credit cards and deposits taken from private customers;

- **Commercial banking**: includes the granting of loans and taking of resources from large companies and SMEs. This segment also includes loans, current accounts, investment project financing, discounting bills, venture capital, factoring, equipment and property leasing, syndicated loans underwriting, as well as loans to the Government sector;

- **Asset management**: includes activities relating to the management of open or closed unit trust and property funds and discretionary wealth management funds;

- **Other**: includes all segments not covered by the above business lines.

The results for 2010 and 2009, distributed by business segment and geographic market, are as follows:

BUSINESS SEGMENT

	2010								
	Trading and sales	Retail banking	Commercial banking	Asset management	Corporate finance	Insurance (life)	Non-life insurance	Other	Total
Net interest income	(74 256)	861 540	426 323	11 824	149 907	33 950	3 025	2 945	1 415 258
Income from equity instruments	29 190	158	146 519	13 936	135	1 100	5 292	1 147	197 477
Income from services rendered and commissions	23 672	199 807	95 403	35 614	74 987	2 707	-	216 439	648 628
Cost of services and commissions	(12 072)	(42 784)	(8 165)	(8 218)	(8 652)	(68)	(274)	(66 080)	(146 313)
Results from financial operations	54 254	43 543	2 277	(18 767)	(138)	5 789	30 897	6 533	124 388
Other net operating income	2 664	(3 667)	47 525	(5 571)	22 992	(25)	(5 324)	292 369	350 963
Premiums net of reinsurance	-	-	-	-	-	293 059	1 030 293	-	1 323 352
Results of investments relating to insurance contracts	-	-	-	-	-	140 432	94 256	(27 921)	206 767
Claims costs net of reinsurance	-	-	-	-	-	(256 912)	(674 750)	2	(931 660)
Commissions and other income and costs relating to insurance contracts	-	-	-	-	-	1 627	(91 081)	(7)	(89 461)
Net operating income from banking and insurance operations	**23 451**	**1 058 597**	**709 881**	**28 818**	**239 231**	**221 658**	**392 335**	**425 427**	**3 099 398**
Other costs and income									(2 848 816)
Net income attributable to the shareholder of CGD									**250 582**

...continued

2010

	Trading and sales	Retail banking	Commercial banking	Asset management	Corporate finance	Insurance (life)	Non-life insurance	Other	Total
Cash balances and loans and advances to credit institutions (net)	4 617 426	1 365 534	32 102	24 202	-	6 368	20 878	91 477	6 157 987
Investments in securities and derivatives (net)	16 765 676	613 003	559 243	750 032	-	10 034 325	1 626 074	313 986	30 662 339
Loans and advances to customers (net)	1 120 382	39 513 829	40 145 861	135 787	957 298	2 695	2 949	28 404	81 907 204
Technical provision for outwards reinsurance	-	-	-	-	-	22 238	242 326	-	264 564
Total net assets	23 276 730	42 903 736	40 398 207	934 658	1 163 017	10 140 780	2 100 967	4 943 879	125 861 974
Resources of central banks and credit institutions	13 407 713	414 775	635 149	31 545	99 536	-	-	14 952	14 603 669
Customer resources	601 444	47 138 248	12 750 839	60 631	4 830	7 110 244	-	13 808	67 680 045
Debt securities	18 831 408	475 339	-	-	-	-	-	-	19 306 748
Technical provision for insurance contracts	-	-	-	-	-	3 473 730	2 269 206	-	5 742 936
Liability to subscribers of unit-linked products	-	-	-	-	-	732 512	-	-	732 512

2009

	Trading and sales	Retail banking	Commercial banking	Asset management	Corporate finance	Insurance (life)	Non-life insurance	Other	Total
Net interest income	1 751	978 449	428 517	10 197	129 528	(20 322)	2 135	2 687	1 532 943
Income from equity instruments	18 084	450	79 969	987	2 524	1 101	5 286	1	108 402
Income from services rendered and commissions	27 941	142 572	105 673	34 960	73 677	1 987	-	205 654	592 463
Cost of services and commissions	(9 622)	(19 781)	(4 493)	(2 289)	(28 832)	(415)	(845)	(78 418)	(144 695)
Results from financial operations	199 042	16 529	7 119	(32 425)	3 359	12 405	1 944	(8 476)	199 497
Other net operating income	2 432	11 842	44 917	(180)	7 669	(32)	(10 586)	163 567	219 629
Premiums net of reinsurance	-					691 425	1 082 743	-	1 774 167
Results of investments relating to insurance contracts	-				-	162 746	87 379	-	250 125
Claims costs net of reinsurance	-					(686 742)	(739 064)	-	(1 425 806)
Commissions and other income and costs relating to insurance contracts	-				-	(446)	(106 805)	-	(107 250)
Net operating income from banking and insurance operations	**239 628**	**1 130 060**	**661 703**	**11 249**	**187 926**	**161 707**	**322 192**	**285 015**	**2 999 474**
Other costs and income									(2 720 532)
Net income attributable to the shareholder of CGD									**278 941**
Cash balances and loans and advances to credit institutions (net)	10 256 078	1 044 151	55 212	4 147	4	44 004	34 710	79 370	11 517 677
Investments in securities and derivatives (net)	13 993 089	80 840	129 073	347 644	406 885	8 875 275	2 019 602	255 908	26 108 317
Loans and advances to customers (net)	1 368 887	39 903 470	35 460 952	61 332	1 099 629	2 662	3 181	(678 105)	77 222 008
Technical provision for outwards reinsurance	-	-	-	-	-	24 371	234 008	-	258 379
Total net assets	25 618 055	41 028 461	35 645 237	413 124	1 506 518	8 946 313	2 291 501	5 535 634	120 984 842
Resources of central banks and credit institutions	6 261 645	57 475	141 514	636	10 647	-	-	6 716	6 478 633
Customer resources	1 580 827	46 389 406	10 322 932	26 767	5 907	5 919 676	-	10 171	64 255 685
Debt securities	24 601 282	581 041	-	-	-	-	-	-	25 182 323
Technical provision for insurance contracts	-	-	-	-	-	4 118 696	2 320 529	-	6 439 225
Liability to subscribers of unit-linked products	-	-	-	-	-	867 967	-	-	867 967

GEOGRAPHIC MARKETS

2010

	Portugal	Rest of European Union	Rest of Europe	North America	Latin America	Asia	Africa	Other	Total
Interest and similar income	5 824 651	513 570	50 352	29 120	48 980	82 194	209 081	(2 369 859)	4 388 089
Interest and similar costs	(4 860 824)	(316 483)	(30 969)	(11 357)	(20 647)	(33 213)	(85 482)	2 386 144	(2 972 831)
Income from equity instruments	339 220	20 437	-	-	-	96	2 688	(164 964)	197 477
Income from services rendered and commissions	585 164	62 877	848	3 299	9 209	32 385	50 579	(95 733)	648 628
Cost of services and commissions	(136 772)	(17 850)	(13)	(195)	(307)	(15 754)	(19 374)	43 952	(146 313)
Results from financial operations	127 267	(3 436)	2 847	(3 690)	(10 804)	2 891	55 630	(46 317)	124 388
Other net operating income	461 602	(4 458)	(49)	(609)	(2 248)	2 154	2 757	(108 186)	350 963
Premiums net of reinsurance	1 319 389	-	-	-	-	-	3 963	-	1 323 352
Results of investments relating to insurance contracts	243 821	-	-	-	-	-	-	(37 054)	206 767
Claims cost net of reinsurance	(929 907)	-	-	-	-	-	(1 753)	-	(931 660)
Commissions and other income and cost relating to insurance contracts	(131 116)	-	-	-	-	-	1 726	39 929	(89 461)
Net income from banking and insurance operations	**2 842 495**	**254 657**	**23 016**	**16 568**	**24 183**	**70 753**	**219 815**	**(352 088)**	**3 099 399**
Other costs and income									(2 848 817)
Net income attributable to the shareholder of CGD									**250 582**
Cash balances and loans and advances to credit institutions (net)	19 082 084	7 354 761	727 116	1 042 288	14 897	3 252 985	903 328	(26 219 492)	6 157 967
Investments in securities and derivatives (net)	37 136 072	2 959 816	486 446	82 345	223 632	54 106	398 733	(10 678 811)	30 662 339
Loans and advances to customers (net)	67 644 936	10 231 498	1 102 207	631 317	75 723	1 161 906	1 795 125	(735 508	81 907 204
Technical provision for outwards reinsurance	260 162	-	-	-	-	-	4 402	-	264 564
Total net assets	136 391 836	20 958 925	2 321 970	1 757 534	321 923	4 779 221	3 591 675	(44 261 110)	125 861 974
Resources of central banks and credit institutions	24 273 690	11 059 639	1 195 718	1 745 779	38 952	1 052 891	226 805	(24 989 805)	14 603 669
Customer resources	58 877 116	4 476 344	1 020 416	18 730	82 520	3 159 005	2 473 174	(2 427 260)	67 680 045
Liability to subscribers of unit-linked products	732 512	-	-	-	-	-	-	-	732 512
Debt securities	19 727 908	2 471 308	27 455	22 620	-	-	-	(2 942 543)	19 306 748
Technical provision for insurance contracts	5 732 955	-	-	-	-	-	9 981	-	5 742 936

2009

	Portugal	Rest of European Union	Rest of Europe	North America	Latin America	Asia	Africa	Other	Total
Interest and similar income	7 103 874	853 844	74 347	35 772	5 761	109 836	162 165	(3 028 569)	5 317 030
Interest and similar costs	(5 991 800)	(606 382)	(70 870)	(17 556)	(4 243)	(61 917)	(71 129)	3 039 810	(3 784 087)
Income from equity instruments	268 586	18 230	-	-	-	409	2 787	(181 610)	108 402
Income from services rendered and commissions	543 884	60 053	387	4 269	1 925	24 343	34 608	(77 006)	592 463
Cost of services and commissions	(144 828)	(15 600)	(18)	(79)	(52)	(11 717)	(10 439)	38 038	(144 695)
Results from financial operations	172 991	(3 450)	3 600	239	5 234	1 758	31 342	(12 217)	199 497
Other net operating income	356 397	(2 015)	(76)	(550)	(134)	4 413	4 162	(142 568)	219 629
Premiums net of reinsurance	1 770 597	-	-	-	-	-	3 571	(1)	1 774 167
Results of investments relating to insurance contracts	263 558	-	-	-	-	-	-	(13 433)	250 125
Claims cost net of reinsurance	(1 425 371)	-	-	-	-	-	(436)	1	(1 425 806)
Commissions and other income and cost relating to insurance contracts	(140 485)	-	-	-	-	-	657	32 578	(107 250)
Net income from banking and insurance operations	**2 777 403**	**304 680**	**7 370**	**22 095**	**8 491**	**67 125**	**157 288**	**(344 977)**	**2 999 474**
Other costs and income									(2 720 532)
Net income attributable to the shareholder of CGD									**278 941**
Cash balances and loans and advances to credit institutions (net)	22 881 353	14 784 152	987 284	2 112 912	13 285	2 880 488	467 596	(32 609 393)	11 517 677
Investments in securities and derivatives (net)	27 895 569	1 863 513	1 193 626	444 671	43 532	69 044	232 955	(5 634 593)	26 108 317
Loans and advances to customers (net)	63 954 050	9 138 290	1 011 552	766 229	37 693	1 081 028	1 364 811	(131 645)	77 222 008
Technical provision for outwards reinsurance	255 146	-	-	-	-	-	3 233	-	258 379
Total net assets	126 267 607	26 056 372	3 195 869	3 326 836	106 583	4 290 152	2 281 761	(44 540 338)	120 984 842
Resources of central banks and credit institutions	22 507 668	10 751 384	999 681	1 892 476	5 647	732 519	159 665	(30 570 407)	6 478 633
Customer resources	55 590 001	4 825 187	1 054 521	312 420	28 450	3 046 713	1 636 474	(2 238 081)	64 255 685
Liability to subscribers of unit-linked products	867 967	-	-	-	-	-	-	-	867 967
Debt securities	19 493 005	7 058 998	1 057 946	1 163 012	-	-	4 661	(3 595 299)	25 182 323
Technical provision for insurance contracts	6 430 032	-	-	-	-	-	9 193	-	6 439 225

The column "Other" includes intra-Group balances which are annulled in the consolidation process.

During 2010 and 2009, the Group's contribution for results by business sector, according to the internal management criteria is brokendown as follows:

2010

	Banking business in Portugal	Interna-tional business	Investment banking	Insurance and healthcare business	Other	Total
Interest and similar income	4 434 361	882 954	274 505	300 257	(1 503 989)	4 388 089
Interest and similar costs	(3 645 150)	(467 200)	(240 134)	(212 590)	1 592 243	(2 972 831)
Income from equity instruments	146 241	20 900	325	6 393	23 618	197 477
Net interest income including income from equity investments	**935 452**	**436 654**	**34 696**	**94 060**	**111 871**	**1 612 735**
Income from services rendered and commissions	456 932	158 348	73 469	2 707	(42 828)	648 628
Cost of services and commissions	(81 381)	(53 480)	(18 965)	(6 117)	13 631	(146 313)
Results from financial operations	133 705	42 000	(8 439)	(7 998)	(34 881)	124 388
Other net operating income	221 470	(2 405)	1 607	113 972	16 319	350 963
Non-interest income	**730 726**	**144 463**	**47 672**	**102 563**	**(47 759)**	**977 666**
Premiums net of reinsurance	-	3 963	-	1 319 389	-	1 323 352
Results of investments relating to insurance contracts	-	-	-	215 900	(9 134)	206 767
Claims cost net of reinsurance	-	(1 753)	-	(929 907)	-	(931 660)
Commissions and other income and cost relating to insurance contracts	-	1 726	-	(131 116)	39 928	(89 461)
Technical margin on insurance operations	**-**	**3 936**	**-**	**474 267**	**30 795**	**508 998**
Net income from banking and insurance operations	**1 666 178**	**585 054**	**82 369**	**670 890**	**94 907**	**3 099 398**
Other costs and income	(1 588 975)	(504 267)	(47 431)	(636 803)	(71 340)	(2 848 816)
Net income attributable to the shareholder of CGD	**77 203**	**80 787**	**34 938**	**34 087**	**23 567**	**250 582**

2009

	Banking business in Portugal	Interna-tional business	Investment banking	Insurance and healthcare business	Other	Total
Interest and similar income	5 526 136	1 167 417	256 870	354 788	(1 988 182)	5 317 030
Interest and similar costs	(4 580 218)	(761 227)	(220 058)	(307 158)	2 084 575	(3 784 087)
Income from equity instruments	79 699	19 228	-	6 387	3 088	108 402
Net interest income including income from equity investments	**1 025 617**	**425 418**	**36 812**	**54 018**	**99 481**	**1 641 345**
Income from services rendered and commissions	409 789	125 199	84 492	1 987	(29 005)	592 463
Cost of services and commissions	(78 135)	(37 893)	(36 420)	(8 477)	16 230	(144 695)
Results from financial operations	171 112	35 122	36 144	(9 923)	(32 958)	199 497
Other net operating income	77 355	7 723	2 388	111 909	20 253	219 629
Non-interest income	**580 122**	**130 150**	**86 604**	**95 497**	**(25 480)**	**866 893**
Premiums net of reinsurance	-	3 571	-	1 770 597	-	1 774 167
Results of investments relating to insurance contracts	-	-	-	263 558	(13 434)	250 125
Claims cost net of reinsurance	-	(436)	-	(1 425 371)	-	(1 425 806)
Commissions and other income and cost relating to insurance contracts	-	657	-	(140 485)	32 577	(107 250)
Technical margin on insurance operations	**-**	**3 792**	**-**	**468 299**	**19 144**	**491 235**
Net income from banking and insurance operations	**1 605 739**	**559 360**	**123 416**	**617 813**	**93 145**	**2 999 474**
Other costs and income	(1 456 926)	(491 625)	(74 751)	(608 464)	(88 808)	(2 720 574)
Net income attributable to the shareholder of CGD	**148 813**	**67 736**	**48 665**	**9 350**	**4 337**	**278 899**

The column "Other" includes intra-Group balances which are annulled in the consolidation process.

41. RELATED PARTIES

The entities, which are considered to related parties to the Group are associated companies, the management boards of Group companies' and other entities controlled by the Portuguese State.

The Group's financial statements at 31 December 2010 and 2009 include the following balances and transactions with related parties, excluding management boards:

	2010			2009		
	The Portuguese State (Treasury)	The Portuguese State entities	Associates	The Portuguese State (Treasury)	The Portuguese State entities	Associates
Assets:						
Loans and Advances to Credit Institutions	-	1 145 852	-	-	4 195 000	-
Bonds and trading derivatives	4 747 008	3 207 007	3 315	899 874	42 324	4 005
Loans and advances to customers	61 626	2 870 266	711 195	65 083	1 469 506	679 673
Provisions for loans / Impairment	-	34	60 922	-	-	2 583
Other assets	23 278	463 455	33 805	25 146	73 565	32 341
Liabilities:						
Customer resources	922	840 058	20 205	3 077	1 769 215	38 041
Financial liabilities at fair value through profit or loss	-	6 289	-	-	835	-
Other liabilities	2 950	1 405	5 712	309	1 559	2 840
Guarantees given	-	2 305	21 184	-	3 212	15 393
Income:						
Interest and similar income	52 755	84 229	25 882	18 108	72 616	35 319
Gains from financial operations	83 994	22 270	8 954	28 149	17 991	1 463
Income from services rendered and commissions	2 659	1 896	840	3	6 542	372
Other operating income	-	11 340	953	-	18 093	6 246
Costs:						
Interest and similar costs	-	14 748	2 099	-	16 680	1 933
Losses from financial operations	83 767	29 244	3 485	15 781	12 621	861
Commissions	-	10	917	-	2.335	26
Other operating costs	3	398	4 455	2	820	3 481

Transactions with related parties are generally made based on market values on the respective dates.

At 31 December 2010 and 2009, the column "Other Portuguese State entities" does not include balances with Local Government.

In 2010, Caixa sold its head office to Fundo de Pensões do Pessoal da Caixa Geral de Depósitos, as described in detail in Note 14., recording a capital gain of EUR 103 865 thousand.

As described in greater detail in Note 8., during 2010 and 2009 CGD sold to Parpública equity participations held in EDP and in REN. As a result of these operations, net capital gains of EUR 26 741 thousand and EUR 116 290 thousand, respectively, were recognised.

MANAGEMENT BOARDS

In 2010 costs incurred with remuneration and other benefits of the Boards of Directors of Caixa and Group companies (considered relevant thereof in terms of IAS 24) amounted to EUR 21 321 thousand (EUR 20 782 thousand in 2009). The referred to costs in 2010 were as follows:

	2010
Short-term emploee benefits	20 876
Post-employment benefits	351
Other long-term benefits	94
	21 321

In addition, on 31 December 2010 and 2009, the amount of credit granted to the members of the Boards of Directors was EUR 1 887 thousand and EUR 980 thousand, respectively.

42. DISCLOSURES RELATING TO FINANCIAL INSTRUMENTS

MANAGEMENT POLICIES ON FINANCIAL RISKS PERTAINING TO THE GROUP'S ACTIVITY

In 2001, CGD adopted a centralised risk management model. This encompasses the assessment and control of all the Group's credit, market and liquidity risks, based on the principle of the segregation of functions between the commercial and risk areas.

CREDIT RISK

CGD's approach to credit risk involves the follow up of a certain number of indicators, which includes the breakdown by product, customer segment, maturity terms, exposure level in the financial system, business activity and geographical area. The amounts of great exposures are also analysed along with the maximum limits established by the supervisory authorities.

Under the scope of the International Accounting Rules, CGD calculates each month the amount of provisions for impairment for each credit sub-portfolio through the breakdown of the portfolio by homogenous risk segments and the use of probabilities of default (PD), and migration and loss given default calculated each year based on historical information.

Risk monitoring is made on a regular basis along with the control of risk limits.

As to credit granted to companies, besides the regular follow-up of the portfolio, a deeper analysis to all customers, in the perspective of economic Group, with an exposure higher than one million euro, is carried out by a credit expert team.

The analysis is focused on the customer credit risk and operations object to proposal, separating functions with the commercial area, which is responsible for the presentation of the proposal comprising the operations' conditions. CGD's Risk Management Department (DGR) has the power to propose the necessary conditions to mitigate the risk, making the operation acceptable for the defined exposure of CGD portfolio.

This analysis is based not only on the rating risk awarded by the rating agencies but also on the weighting of quantitative and qualitative criteria. This analysis also includes the market and the economy which the entities are involved in, as well as other aspects that may mitigate the credit risk.

MARKET RISK

The CGD Group's market risk management rules established for each portfolio or business unit include market risk limits, and exposure limits regarding credit risk, market and liquidity risk, required level of return, types of instruments authorised and maximum loss levels allowed.

Trading functions and risk control functions are completely segregated.

Hedging operations are decided by portfolio managers or business unit managers, based on risk limits and authorised instruments, in which the risk management area collaborates on assessing the impact of hedging the total risk incurred or changing the authorised market risk levels, if deemed advisable under the circumstances.

The market risk measurement used for all types of market risk is Value at Risk (VaR) (interest rates, shares, exchange rates, volatility), using the historical simulation method, in which the confidence levels used in the simulation depend on the objectives of retaining the portfolio. In addition, other market risk measurements, such as sensitivity to price changes of the underlying assets (basis point value (bpv), for interest rates) and other sensitivity indicators commonly used for option portfolios (greeks). Stress testing assessments have also been developed to assess the impact on results of extreme changes in risk factors.

VaR measurement is subject to daily theoretical and real backtesting analysis, the calculation of theoretical backtesting amounts, real backtesting calculations being made monthly. The number of exceptions obtained, namely the number of times theoretical or real losses exceed VaR, enable the accuracy of the method used to be assessed and any necessary adjustments to be made.

The market risk management rules establish for each portfolio, in terms of composition, some limits as to assets and risk levels. Credit limits are defined for credit exposure (concentration by name, business sector, rating and country), market exposure (total maximum risk level by risk factor and maturity term) and liquidity exposure (number of minimum price quotations required, limit of maximum authorised percentage in the portfolio of each issue, shares portfolio composition based in its inclusion in authorised indexes). Control and profitability analysis are produced monthly for credit risk assessment according to the rules in force and the market risk following the approach of in-house models.

EXCHANGE RISK

Exchange risk is controlled and assessed on a daily, individual basis for domestic operations and for each branch and subsidiary, and fortnightly, on a consolidated basis, for the Group as a whole. VaR amounts and limits are calculated, as well the exposure (total and by currency).

LIQUIDITY AND INTEREST RATE RISK

The liquidity and interest rate risk management policies in CGD's balance sheet are defined by the Asset-Liability Committee (ALCO). The liquidity risk area of DGR controls and monitors the management of this kind of risks.

The asset-liability management committee is a delegate body of the board of directors responsible for the ALM process which meets monthly, making decisions involving risks sectors, the performance of portfolios and the financing and capital policies. The ALCO enables an area of quick disclosure of management information transverse to the Group.

The liquidity risk measurement is focused on the analysis of residual maturity terms of the different assets and liabilities included in the balance sheet showing for each gap the volumes of cash inflows and cash outflows as well as the respective liquidity gaps.

The liquidity gaps are calculated monthly and must comply with three ratios (two short term and one long term ratios), fixed by ALCO. Accordingly, the structural liquidity concept is used which, according to the studies and models developed in-house and based on the depositors behaviour, translates the approximate distribution of deposits (sight and savings) by the different buckets.

In the case of sight deposits, 83% of their balance (core deposits) is considered in the bucket over 10 years, the remainder non-core deposits being allocated to the bucket up to 12 months, under the seasonality studies and minimum balance observed. In turn, term and savings deposits are distributed by the different buckets in accordance with a model to estimate the expected average life and temporal distribution of those deposits output.

In the case of securities investments, 85% of their balance is considered in the bucket up to 1 month and the remainder 15% are distributed according to the weight of the balances in the structure of the residual terms of initial maturity. Shares and other variable-yield securities presenting adequate liquidity are globally considered in the bucket up to 1 month.

To avoid high negative values in the liquidity gaps of short term intervals, Caixa is ensuring a permanent and efficient treasury management. To face higher maturities, particularly those associated with the significant growth of mortgage loans, Caixa continued to make use of fundraising instruments in domestic and foreign markets, namely through the issue of covered bonds and Euro Medium Term Notes.

During the year, Caixa continued its policy for the raising of different types of resources whose terms were better adequate to the existing assets and liabilities maturity's mismatches and, simultaneously, ensure greater stability of customer resources both through the offer of savings structured products and debt issues.

Liquidity stress tests were also made in accordance with internally developped methodologies, articulated with a contingency plan in order to determine the funding perspectives at any moment, the strenghtening of the resilience capacity of the institution to face adverse situations and the study of alternatives in terms of funding.

The interest rate risk measurement methodology used in CGD involves the grouping of interest rate sensitive assets and liabilities into fixed time intervals, by interest repricing dates. Assets and liabilities cash flows in addition to the corresponding interest rate risk gap are calculated for such time intervals.

The analysis of the interest rate risk behaviour also involves the monthly calculation of duration and duration gap for interest rate sensitive assets and liabilities. This calculation enables the measurement of the mismatch level between average time the cash inflows are generated and the cash outflows required.

To monitor the effect of the referred to gaps on net interest income, a regular monthly forecast of sensitive assets and liabilities scenarios is produced. It includes relevant banking activity behaviour and trends, evolution of different market rates and expectations reflected in the yield curves.

Under the terms of an ALCO resolution, several guidelines on the interest rate risk in the balance sheet and banking portfolio were approved, including the fixing of limits on certain significant variables in terms of exposure to this type of risk. These guidelines have been designed to allow CGD to manage the return / risk trade-off in balance sheet management terms, ensuring that it is in a position to establish expedient exposure and control the results of its policies and positions.

The limits fixed are calculated monthly for the accumulated 12 months gap and for the duration gap, and quarterly for the economic value at risk indicator (which translates the changes in the economic value of the bank's capital, resulting from changes in interest rate levels) and for the earnings at risk indicator (which translates the changes in the bank's forecast net interest income, resulting from changes in interest rate levels and the evolution of loans and advances and investment balances).

The interest rate risk in the banking portfolio for consolidated activity is also assessed and reported to the Bank of Portugal every six months, and encompasses all balance sheet and off-balance sheet elements not included in the trading portfolio.

The assessment and measurement of this type of risk is based on the accumulated impact on instruments sensitive to interest rates, resulting from a parallel movement of +/- 200 b.p. on the yield curve (as in Bank of Portugal Instruction 19/2005). Under the terms of an ALCO resolution, the impact on own funds and on net interest income is calculated quarterly for internal management purposes, with guidelines limits having been defined for this purpose.

The following comprises the disclosures on the principal types of risks pertaining to CGD Group's operations as required under IFRS 7.

CREDIT RISK

MAXIMUM EXPOSURE TO CREDIT RISK

At 31 December 2010 and 2009, the Group's maximum exposure to credit risk is broken down as follows:

	2010	2009
Financial assets held for trading		
Public debt	1 105 653	1 371 137
Corporate debt	225 178	1 328 573
	1 330 831	**2 699 710**
Financial assets at fair value through profit and loss		
Public debt	175 937	25 523
Corporate debt	232 718	166 163
	408 655	**191 686**
Available-for-sale financial assets		
Public debt	7 279 609	2 712 428
Corporate debt	14 764 604	11 562 880
	22 044 214	**14 275 308**
	23 783 699	**17 166 705**
Derivatives	2 000 967	2 374 273
Loans and advances to credit institutions	3 424 242	8 353 214
Loans and advances to customers	81 927 912	77 242 718
Other debtors	2 428 083	1 650 781
Other operations pending settlement	684 105	269 350
	90 465 310	**89 890 337**
Other commitments		
Personal / institutional guarantees given		
Guarantees and sureties	4 861 323	3 970 211
Stand-by letters of credit	110 804	51 682
Open documentary credits	378 078	162 233
Other personal guarantees and other contingent liabilities	6 604	5 531

...continued

	2010	2009
Forward deposits agreements	2 634	62 253
Irrevocable lines of credit	2 891 116	3 038 369
Other irrevocable commitments	1 664 250	1 922 500
Credit Default Swaps	800 970	1 014 670
	10 715 780	10 227 449
Maximum exposure to credit risk	124 964 789	117 284 491

CREDIT QUALITY OF LOANS AND ADVANCES TO CREDIT INSTITUTIONS

The following table presents the distribution of the balance sheet value of loans and advances to credit institutions at 31 December 2010 and 2009 considering the rating fixed in accordance with the internal assessment model developed by Caixa for financial institutions, and by country of the counterparty:

2010

	Portugal	European Union	North America	Brazil	Asia	Other	Total
AA- to AA+	-	171 901	98 536	-	106 802	17 604	394 843
A- to A+	54 144	37 189	31 854	-	28 107	4 103	155 397
Lower than A-	2 268 225	90 339	95 970	19 446	133 814	121 615	2 729 409
No Rating	7 898	5 889	41 816	-	-	8 234	63 837
Central and supranational banks	-	19 610	-	-	9 930	51 216	80 756
	2 330 267	324 928	268 176	19 446	278 653	202 772	3 424 242

2009

	Portugal	European Union	North America	Brazil	Asia	Other	Total
AA- to AA+	-	639 864	-	-	38 715	35 523	714 102
A- to A+	590	612 581	101 460	-	29 261	6 659	750 551
Lower than A-	5 242 441	717 199	19 240	95 095	65 117	87 945	6 227 038
No Rating	222 788	23 624	3	694	-	33 074	280 183
Central and supranational banks	-	-	-	-	44 468	336 871	381 339
	5 465 820	1 993 268	120 703	95 790	177 561	500 073	8 353 214

Under the Basel Programme II – Scoring and Rating Models Project, a rating model for the financial institutions segment was developed. This model enables the estimation of probabilities of default calculated for a one year horizon. This is a statistical model which uses financial, geographical framework information and main business activity of each rated financial institution.

The model's rating scale ranges from AAA (best risk rating corresponding to a lower probability of default) and CCC (worst risk rating corresponding to a higher PD).

CREDIT QUALITY OF DEBT SECURITIES

The following table presents the distribution of the balance sheet value of debt securities net of impairment (except past due securities) at 31 December 2010 and 2009 by the Standard & Poor's rating or similar, by guarantee or issuer and by their respective geographical region:

	2010				
	Portugal	Rest of European Union	North America	Other	Total
Financial assets held for trade					
AAA	-	570 259	-	-	570 259
AA- to AA+	89 105	21 231	-	-	110 336
A- to A+	328 961	86 485	9 611	3 135	428 192
Lower than A-	90 899	52 582	1 079	77 441	222 001
No Rating	43	-	-	-	43
	509 008	**730 557**	**10 690**	**80 576**	**1 330 831**
Issued by:					
Corporates	82 488	28 918	235	11 359	123 000
Government and local authorities	414 399	660 299	-	30 955	1 105 653
Financial institutions	12 121	41 340	10 455	13 556	77 472
Other issuers	-	-	-	24 706	24 706
	509 008	**730 557**	**10 690**	**80 576**	**1 330 831**
Financial assets at fair value through profit or loss (Fair Value Option)					
AAA	1 251	97	-	-	1 348
AA- to AA+	12 531	68 579	726	-	81 836
A- to A+	29 620	61 326	8 211	2 791	101 948
Lower than A-	20 066	8 523	-	166 977	195 566
No Rating	15 777	4 894	5 263	2 023	27 957
	79 245	**143 419**	**14 200**	**171 791**	**408 655**
Issued by:					
Corporates	14 944	6 266	-	-	21 210
Government and local authorities	11 590	-	-	164 348	175 938
Financial institutions	44 536	78 646	14 200	7 443	144 825
Other issuers	8 175	58 507	-	-	66 682
	79 245	**143 419**	**14 200**	**171 791**	**408 655**
Available-for-sale financial assets (net of impairment)					
AAA	432 503	2 274 729	110 149	13 426	2 830 807
AA- to AA+	5 438 885	2 001 218	106 662	353 429	7 900 194
A- to A+	3 932 846	4 202 767	359 047	162 523	8 657 183
Lower than A-	322 378	1 391 590	46 918	544 939	2 305 825
No Rating	187 113	108 936	2 427	51 729	350 205
	10 313 725	**9 979 240**	**625 203**	**1 126 046**	**22 044 214**
Issued by:					
Corporates	446 936	1 050 564	77 250	43 506	1 618 256
Government and local authorities	4 718 376	2 116 234	81 930	336 020	7 252 560
Financial institutions	5 066 319	6 499 057	464 406	716 069	12 745 851
Other issuers	82 094	313 385	1 617	30 451	427 547
	10 313 725	**9 979 240**	**625 203**	**1 126 046**	**22 044 214**

	2009				
	Portugal	Rest of European Union	North America	Other	Total
Financial assets held for trade					
AAA	71 395	951 347	27 330	-	1 050 073
AA- to AA+	4 331	327 775	2 910	-	335 016
A- to A+	926 052	134 297	5 304	10 831	1 076 484
Lower than A-	2 465	187 715	-	43 913	234 093
No Rating	-	-	-	4 045	4 045
	1 004 243	**1 601 135**	**35 544**	**58 789**	**2 699 710**
Issued by:					
Corporates	1 041	44 531	2 910	5 851	54 333
Government and local authorities	676 940	663 750	-	30 447	1 371 137
Financial institutions	183 855	887 620	32 634	18 447	1 122 557
Other issuers	142 406	5 232	-	4 045	151 683
	1 004 243	**1 601 134**	**35 544**	**58 790**	**2 699 710**
Financial assets at fair value through profit or loss (Fair Value Option)					
AAA					-
AA- to AA+	4 182	3 479	-	-	7 661
A- to A+	21 059	46 269	-	-	67 328
Lower than A-	377	10 173	-	18 524	29 074
No Rating	35 238	42 893	-	9 492	87 623
	60 856	**102 814**	**-**	**28 016**	**191 686**
Issued by:					
Corporates	27 226	-	-	-	27 226
Government and local authorities	-	-	-	25 522	25 522
Financial institutions	-	29 649	-	2 494	32 143
Other issuers	33 630	73 165	-	-	106 795
	60 856	**102 814**	**-**	**28 016**	**191 686**
Available-for-sale financial assets (net of impairment)					
AAA	544 129	1 915 824	138 959	11 684	2 610 596
AA- to AA+	43 350	2 354 401	154 580	315 806	2 868 137
A- to A+	966 219	4 617 545	393 114	183 405	6 160 283
Lower than A-	46 646	1 471 433	66 033	205 493	1 789 605
No Rating	531 948	162 450	1 466	150 824	846 688
	2 132 293	**10 521 652**	**754 152**	**867 212**	**14 275 308**
Issued by:					
Corporates	831 572	975 838	103 706	44 423	1 955 539
Government and local authorities	211 555	2 184 776	100 022	222 013	2 718 366
Financial institutions	1 012 687	7 264 745	517 557	594 752	9 389 741
Other issuers	76 479	96 293	32 867	6 023	211 663
	2 132 293	**10 521 652**	**754 152**	**867 211**	**14 275 308**

EXPOSURE TO CREDIT RISK AFFECTED BY THE FINANCIAL TURMOIL

On 31 December 2010 and 2009, the Group portfolios of available-for-sale financial assets and financial assets at fair value through profit or loss, include securities particularly affected by the financial turmoil that characterised the financial markets since 2008, and comprise the following:

Type	Rating	Seniority level of the tranche held	Geographical area of the issuer
Available-for-sale financial assets			
Commercial mortgage-backed securities			
	AAA	Senior	European Union
	AA- to AA+	Senior	European Union
	Lower than A-	Senior	European Union
		Mezzanine	European Union
Residential mortgage-backed securities			
	AAA	Senior	European Union
		Senior	North America
			Other
	AA- to AA+	Senior	European Union
		Mezzanine	European Union
	A- to A+	Mezzanine	European Union
	Lower than A-	Mezzanine	European Union
	CCC	Mezzanine	North America
Asset-backed securities			
	AAA	Senior	European Union
	AA- to AA+	Senior	North America
		Mezzanine	European Union
	Lower than A-	Mezzanine	European Union
Collateralized Loan obligations			
	AAA	Senior	European Union
			Other
	AA- to AA+	Senior	Other
			European Union
		Mezzanine	European Union
	A- to A+	Mezzanine	European Union
	Lower than A-	Mezzanine	European Union
	CCC	Mezzanine	European Union

...continued

31.12.2010			31.12.2009		
Book value (net of impairment)	Accumulated impairment	Fair value reserve	Book value (net of impairment)	Accumulated impairment	Fair value reserve
14 451	-	(1 732)	15 427	-	(4 019)
17 098	-	(2 381)	20 543	-	(6 407)
3 045	-	(521)	3 451	-	(718)
3 256	-	(1 331)	18 590	-	(2 498)
37 850	**-**	**(5 965)**	**58 012**	**-**	**(13 642)**
94 726	-	(6 398)	140 307	-	(6 633)
-	-	-	3 280	-	(1)
-	-	-	2 964	-	84
89	-	(37)	107	-	(29)
196	-	(6)	33 517	-	(2 557)
6 896	-	(3 928)	15 681	-	(7 615)
18 014	-	(17 787)	34 247	-	(26 575)
415	(9 202)	262	151	(8 527)	-
120 336	**(9 202)**	**(27 894)**	**230 254**	**(8 527)**	**(43 326)**
41	-	(0)	2 733	-	(9)
-	-	-	3 475	-	3
1 413	-	(162)	1 568	-	(295)
-	-	-	285	-	(128)
1 454	**-**	**(163)**	**8 061**	**-**	**(430)**
6 565	-	(739)	21 126	-	(2 090)
13 426	-	(1 021)	11 684	-	(1 663)
21 128	-	(819)	18 556	-	(1 755)
86	-	(11)	5 318	-	(710)
-	-	-	3 611	-	(2 400)
5 175	-	(1 014)	11 434	-	(8 969)
48 548	-	2 747	40 906	-	(22 962)
6 236	-	(230)	2 333	-	(3 995)
101 165	**-**	**(1 087)**	**114 969**	**-**	**(44 545)**

...continued

Type	Rating	Seniority level of the tranche held	Geographical area of the issuer
Collateralized Debt obligations			
	Lower than A-	Other	European Union
	C	Other	North America
	CCC	Other	North America
Other financial instruments			
	A- to A+	Other	European Union
	No rating	Senior	European Union
		Mezzanine	North America
	n.a	Funds	European Union
Financial assets at fair value through profit or loss			
Residential mortgage-backed securities			
	AA- to AA+	Senior	European Union
	Lower than A-	Mezzanine	European Union
Asset-backed securities			
	AA- to AA+	Senior	European Union
		Mezzanine	European Union
Other financial instruments			
	AA- to AA+	Senior	European Union

...continued

31.12.2010			31.12.2009		
Book value (net of impairment)	Accumulated impairment	Fair value reserve	Book value (net of impairment)	Accumulated impairment	Fair value reserve
680	-	(6 109)	2 676	-	(4 113)
-	-	-	-	(2 500)	-
-	-	-	198	(6 063)	-
680	**-**	**(6 109)**	**2 874**	**(8 563)**	**(4 113)**
12 815	-	(7 115)	9 320	-	(10 372)
8 970	(33 426)	-	11 820	(30 576)	-
-	-	-	1 045	(3 814)	-
90 681	(10 537)	(3 270)	79 583	(10 537)	(11 558)
112 466	**(43 963)**	**(10 385)**	**101 767**	**(44 928)**	**(21 930)**
373 951	**(53 165)**	**(51 603)**	**515 936**	**(62 017)**	**(127 985)**
1 167	-	-	-	-	-
1 560	-	-	-	-	-
2 727	**-**	**-**	**-**	**-**	**-**
412	-	-	-	-	-
925	-	-	-	-	-
1 338	**-**	**-**	**-**	**-**	**-**
47 067	-	-	42 893	-	-
51 131	**-**	**-**	**42 893**	**-**	**-**
425 083	**(53 165)**	**(51 603)**	**558 829**	**(62 017)**	**(127 985)**

In the preparation of the table above the securities whose change in fair value directly affected the Group results for the year were considered.

In 2010 and 2009, the changes in these securities were as follows:

Type	Rating (a)	Seniority level of the tranche held	Geographical area of the issuer	Net book value at 31.12.2009
Available-for-sale financial assets				
Commercial mortgage-backed securities				
	AAA	Senior	European Union	15 427
	AA- to AA+	Senior	European Union	20 543
	Lower than A-	Senior	European Union	3 451
	Lower than A-	Mezzanine	European Union	18 590
Residential mortgage-backed securities				
	AAA	Senior	European Union	140 307
	AAA	Senior	North America	3 280
	AAA	Senior	Other	2 964
	AA- to AA+	Senior	European Union	107
	AA- to AA+	Mezzanine	European Union	33 517
	A- to A+	Mezzanine	European Union	15 681
	Lower than A-	Mezzanine	European Union	34 247
	CCC	Mezzanine	North America	151
Asset-backed securities				
	AAA	Senior	European Union	2 733
	AA- to AA+	Senior	North America	3 475
	AA- to AA+	Mezzanine	European Union	1 568
	Lower than A-	Mezzanine	European Union	285
Collateralised Loan obligations				
	AAA	Senior	European Union	21 126
	AAA	Senior	Other	11 684
	AA- to AA+	Senior	Other	18 556
	AA- to AA+	Senior	European Union	5 318
	AA- to AA+	Mezzanine	European Union	3 611
	A- to A+	Mezzanine	European Union	11 434
	Lower than A-	Mezzanine	European Union	40 906
	CCC	Mezzanine	European Union	2 333
Collateralised Debt obligations				
	Lower than A-	Other	European Union	2 676
	C	Other	North America	-
	CCC	Other	North America	198
Other financial instruments				
	A- to A+	Other	European Union	9 320
	No rating	Senior	European Union	11 820
	No rating	Mezzanine	North America	1 045
	n.a.	Funds	European Union	79 583
				515 936
Financial assets at fair value through profit or loss				
Residential mortgage-backed securities				
	AA- to AA+	Senior	European Union	-
	Lower than A-	Mezzanine	European Union	-
Asset-backed securities				
	AA- to AA+	Senior	European Union	-
	AA- to AA+	Mezzanine	European Union	-
Other financial instruments	AA- to AA+	Senior	European Union	42 893
				42 893
				558 829

(a) Securities presentation in accordance with ratings available on 31.12.2010.
n.a. – Not available.

...continued

2010

Amortisations	Acquisitions	Impact in results for the year: Capital gains/(losses) recognised against results	Impact in results for the year: Impairment for the year	Change in the fair value reserve	Changes in consolidation perimeter	Net book value at 31.12.2010
(2 610)	-	(654)	-	2 287	-	14 451
(7 787)	-	315	-	4 026	-	17 098
(563)	-	(39)	-	197	-	3 045
(18 209)	-	1 708	-	1 167	-	3 256
(47 129)	-	1 314	-	235	-	94 726
(3 550)	-	269	-	1	-	0
(3 494)	-	614	-	(84)	-	0
(10)	-	(0)	-	(8)	-	89
(35 989)	-	117	-	2 552	-	196
(12 411)	-	(61)	-	3 687	-	6 896
(25 129)	-	107	-	8 789	-	18 014
-	-	12	(9)	262	-	415
(2 704)	-	4	-	9	-	42
(3 749)	-	276	-	(3)	-	(0)
(288)	-	0	-	133	-	1 413
(400)	-	(13)	-	128	-	0
(16 214)	-	302	-	1 351	-	6 565
-	-	1 100	-	642	-	13 426
-	-	1 637	-	935	-	21 128
(5 919)	-	(12)	-	700	-	86
(6 000)	-	(11)	-	2 400	-	-
(17 039)	-	2 824	-	7 955	-	5 175
(18 797)	-	730	-	25 709	-	48 548
-	-	138	-	3 766	-	6 236
-	-	1	-	(1 996)	-	680
-	-	-	-	-	-	-
-	-	(198)	-	-	-	-
-	-	239	-	3 256	-	12 815
-	-	0	(2 850)	-	-	8 970
(2 541)	-	1 496	-	-	-	(0)
(6 358)	6 358	2 810	-	8 289	-	90 681
(236 891)	**6 358**	**15 026**	**(2 859)**	**76 382**	-	**373 952**
-	-	-	-	-	1 167	1 167
-	-	-	-	-	1 560	1 560
-	-	-	-	-	412	412
-	-	-	-	-	925	925
(5 842)	-	10 007	-	-	9	47 067
(5 842)	-	**10 007**	-	-	**4 074**	**51 131**
(242 733)	**6 358**	**25 034**	**(2 859)**	**76 382**	**4 074**	**425 084**

Type	Rating (a)	Seniority level of the tranche held	Geographical area of the issuer	Net book value at 31.12.2008
Available-for-sale financial assets				
Commercial mortgage-backed securities				
	AAA	Senior	European Union	14 939
	AA- to AA+	Senior	European Union	19 252
	Lower than A-	Senior	European Union	4 013
	Lower than A-	Mezzanine	European Union	16 177
Residential mortgage-backed securities				
	AAA	Senior	European Union	168 605
	AAA	Senior	North America	5 238
	AAA	Senior	Other	13 291
	AA- to AA+	Senior	European Union	5 489
	AA- to AA+	Mezzanine	European Union	30 388
	A- to A+	Mezzanine	European Union	14 787
	Lower than A-	Mezzanine	European Union	35 292
	CCC	Mezzanine	North America	783
Asset-backed securities				
	AAA	Senior	North America	3 415
	AAA	Senior	European Union	3 719
	AA- to AA+	Senior	North America	2 407
	AA- to AA+	Mezzanine	European Union	-
	Lower than A-	Mezzanine	European Union	385
Collateralised Loan obligations				
	AAA	Senior	European Union	11 638
	AAA	Senior	Other	15 120
	AA- to AA+	Senior	Other	16 359
	AA- to AA+	Senior	European Union	-
	AA- to AA+	Mezzanine	European Union	234
	A- to A+	Mezzanine	European Union	5 270
	Lower than A-	Mezzanine	European Union	23 589
	CCC	Mezzanine	European Union	2 624
Collateralised Debt obligations				
	Lower than A-	Other	European Union	-
	C	Other	North America	-
	CCC	Other	North America	-
Other financial instruments				
	A- to A+	Other	European Union	10 998
	C	Senior	Other	-
	No rating	Senior	European Union	16 042
	No rating	Mezzanine	North America	1 308
	n.a.	Funds	European Union	48 645
				490 007
Financial assets at fair value through profit or loss				
Other financial instruments	AA- to AA+	Senior	European Union	51 983
				541 991

(a) Securities presentation in accordance with ratings available on 31.12.2009.
n.a. – Not available.

...continued

2009

		Impact in results for the year				
Amortisations	Acquisitions	Capital gains/(losses) recognised against results	Impairment for the year	Change in the fair value reserve	Changes in consolidation perimeter	Net book value at 31.12.2009
(294)	-	(241)	-	(3 061)	4 085	15 427
(274)	-	(143)	-	(4 161)	5 868	20 543
(54)	-	(18)	-	(490)	-	3 451
(289)	-	1 069	-	1 633	-	18 590
(35 498)	-	(2 404)	-	3 427	1 703	135 832
(1 775)	-	(188)	-	5	-	3 280
(9 956)	-	161	-	(531)	-	2 964
(1 309)	-	(210)	-	612	-	4 582
(1 439)	-	(304)	-	1 965	7 625	38 236
(5 623)	-	36	-	379	7 507	17 087
(16 845)	-	847	-	1 750	7 078	28 123
-	-	(5)	(627)	-	-	151
(3 596)	-	-	-	181	-	(0)
(3 169)	1 987	(30)	-	86	139	2 733
-	-	(124)	-	1 192	-	3 475
-	-	-	-	-	1 568	1 568
-	-	(4)	-	(97)	-	285
(2 334)	-	339	-	1 251	10 319	21 213
(1 565)	-	(852)	-	(1 019)	-	11 684
-	-	(2 825)	-	5 022	-	18 556
					5 231	5 231
-	-	(3)	-	(51)	7 444	7 623
-	-	46	-	(2 427)	10 605	13 495
-	-	(107)	-	7 104	4 248	34 834
-	-	(46)	-	(246)	-	2 333
-	-	-	-	-	2 676	2 676
-	-	-	-	-	-	-
-	-	-	-	-	198	198
-	-	236	-	(1 913)	-	9 320
				-	120	120
(1 140)	-	(1 252)	(1 950)	-	-	11 700
-	-	(37)	(226)	-	-	1 045
-	10 399	1 436	(10 537)	29 640	-	79 583
(85 159)	**12 386**	**(4 622)**	**(13 340)**	**40 251**	**76 413**	**515 936**
(5 384)	715	(4 421)	-	-	-	42 893
(90 543)	**13 101**	**(9 043)**	**(13 340)**	**40 251**	**76 413**	**558 829**

The "Capital gains / (losses) recognised against results" heading includes accrued interest and the result of foreign exchange revaluation.

In 2010, the changes in consolidation perimeter refer to the inclusion of Fundo de Investimento Mobiliário Aberto Caixagest Renda Mensal.

QUALITY OF LOANS AND ADVANCES TO CUSTOMERS

The gross amount of loans and advances to customers at 31 December 2010 and 2009 comprises the following:

2010

	Loans with collective analysis – Performing loans	Loans with collective analysis – Non--performing loans	Loans with collective analysis – Default loans	Loans with specific impairment analysis	Other balances	Total	Fair value of collateral of default operations or with individual impairment
Corporate loans							
Collective analysis							
Due for payment	8 395 007	434 316	214 206	-	881 229	9 924 758	
Past due	13 412	72 538	702 322	-	23 584	811 856	
Individual analysis							
Due for payment	26 853 870	304 594	117 965	4 239 210	582 105	32 097 743	
Past due	23 170	5 241	72 084	533 852	6 825	641 173	
	35 285 459	**816 688**	**1 106 578**	**4 773 062**	**1 493 743**	**43 475 529**	**2 930 348**
Mortgage loans							
Due for payment	35 019 816	1 035 100	1 041 734	2 860	368 735	37 468 246	
Past due	3 259	4 706	874 765	166	14 463	897 360	
	35 023 076	**1 039 806**	**1 916 499**	**3 027**	**383 199**	**38 365 606**	**2 189 686**
Consumer loans							
Due for payment	1 667 600	106 893	36 380	34	102 162	1 913 068	
Past due	166	4 412	63 027	10	3 910	71 525	
	1 667 766	**111 305**	**99 407**	**44**	**106 072**	**1 984 593**	**80 524**
Other loans							
Due for payment	173 511	9 708	10 895	317	133 195	327 626	
Past due	2 658	3 848	41 630	115	7 649	55 900	
	176 168	**13 556**	**52 525**	**432**	**140 843**	**383 525**	**7 215**
Total loans due for payment	**72 109 803**	**1 890 610**	**1 421 180**	**4 242 421**	**2 067 426**	**81 731 440**	
Total past due loans	**42 665**	**90 745**	**1 753 829**	**534 144**	**56 431**	**2 477 814**	
Total loans	**72 152 468**	**1 981 355**	**3 175 009**	**4 776 565**	**2 123 857**	**84 209 254**	

2009

	Loans with collective analysis – Performing loans	Loans with collective analysis – Non--performing loans	Loans with collective analysis – Default loans	Loans with specific impairment analysis	Other balances	Total	Fair value of collateral of default operations or with individual impairment
Corporate loans							
Collective analysis							
Due for payment	9 983 851	404 266	201 617	-	1 168 591	11 758 325	
Past due	11 717	51 795	524 275	-	43 921	631 708	
Individual analysis							
Due for payment	23 278 907	291 890	97 593	3 141 865	187 631	26 997 887	
Past due	37 785	1 092	30 253	522 986	13 480	605 596	
	33 312 260	**749 044**	**853 737**	**3 664 852**	**1 413 623**	**39 993 516**	**3 204 260**
Mortgage loans							
Due for payment	33 405 547	907 336	1 192 092	2 734	319 849	35 827 558	
Past due	2 797	39 757	834 755	197	20 432	897 938	
	33 408 343	**947 093**	**2 026 847**	**2 931**	**340 281**	**36 725 495**	**2 380 370**
Consumer loans							
Due for payment	1 349 842	89 176	28 303	-	153 580	1 620 901	
Past due	100	2 991	34 936	-	5 335	43 362	
	1 349 942	**92 167**	**63 239**	**-**	**158 915**	**1 664 263**	**88 215**

...continued

	2009						
	Loans with collective analysis						
	Performing loans	Non--performing loans	Default loans	Loans with specific impairment analysis	Other balances	Total	Fair value of collateral of default operations or with individual impairment
Other loans							
Due for payment	603 245	22 128	2 635	-	221 041	849 050	
Past due	1 733	52 004	30 917	-	19 981	104 636	
	604 979	74 132	33 551	-	241 023	953 685	2 294
Total loans due for payment	68 621 393	1 714 797	1 522 239	3 144 600	2 050 693	77 053 721	
Total past due loans	54 132	147 640	1 455 135	523 183	103 149	2 283 239	
Total loans	68 675 525	1 862 436	2 977 374	3 667 783	2 153 841	79 336 959	

In the preparation of the tables above, the following classifications were considered:

- "Performing loans"– loans with no past due instalments or balances less than 30 days overdue;
- "Non-performing loans" – loans with past due balances between 30 and 90 days;
- "Default loans" – loans with past due balances over 90 days. Concerning corporate loans, if the customer presents, at least, one operation with instalments more than 90 days overdue, the total exposure of the Group will be reclassified in this category.

The column "Other balances" includes the following amounts:

- Gross book value of loans granted by Group entities not included in the analysis in the scope of the impairment model developed by the Group;
- Gross book value of consumer loans to CGD's employees (head office).

Overdue loans with no impairment within the scope of the individual analysis that are included in the table above in "Loans with individual impairment – Collective analysis" at 31 December 2010 and 2009 comprise the following:

2010

Live Credit	Overdue loans	Total	Attributed impairment - collective analysis	Fair value of collateral
228 181	9 239	237 420	(6 490)	128 786

2009

Live Credit	Overdue loans	Total	Attributed impairment - collective analysis	Fair value of collateral
370 694	21 643	392 337	(9 268)	145 417

At 31 December 2010 and 2009 book value, net of impairment of:

- Loans granted to customers whose maturity was postponed in 2010 for a period over 6 months (loans granted to customers that in the course of the year presented instalments over 90 days overdue during 2009) and relative to which the intervention of CGD structure bodies, responsible for the recovery of non-performing loans, was requested; or,
- Corporate loans with book value over EUR 100 thousand identified by the respective Commercial Departments responsible for the follow up of these operations which were object to negotiation in these periods.

Amounted to EUR 889 754 thousand and EUR 873 635 thousand, respectively.

LIQUIDITY RISK

Liquidity risk corresponds to the risk of CGD having difficulty in obtaining sufficient funds to meet its commitments. Liquidity risk may for example, be reflected in Caixa's inability to rapidly sell a financial asset at a price close to its fair value.

In compliance with the requirements of IFRS 7, the residual contractual maturities of financial instruments at 31 December 2010 and 2009 are as follows:

	2010				
	Residual periods to maturity				
	Up to 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 3 years
Assets					
Cash and cash equivalents at central banks	1 468 701	-	-	-	-
Cash balances at other credit institutions	1 259 142	-	2 570	-	-
Loans and advances to credit institutions	1 611 228	623 747	306 062	420 062	485 984
Securities					
Trading	16 042	25 728	146 762	32 319	168 362
Other	1 269 329	1 316 005	748 110	2 796 189	6 390 309
Investments associated to unit-linked products	-	-	-	-	-
Loans and advances to customers (gross)	4 822 817	5 157 964	7 640 411	6 527 968	18 159 739
Investments to be held up to maturity	-	-	-	-	-
Hedging derivatives	-	-	-	-	-
	10 447 258	**7 123 445**	**8 843 914**	**9 776 538**	**25 204 395**
Liabilities					
Resources of central banks and credit institutions	(8 088 784)	(6 648 062)	(120 148)	(55 338)	(1 046)
Customer resources	(30 084 468)	(8 389 927)	(7 829 640)	(5 406 504)	(9 102 797)
Liabilities associated with unit-linked products	-	-	-	-	-
Debt securities	(472 897)	(1 410 522)	(372 670)	(3 102 499)	(7 175 459)
Financial liabilities at fair value through profit or loss	(3 173)	(890)	-	-	(336)
Hedging derivatives	-	-	-	-	-
Subordinated liabilities	(12 827)	(16 035)	(11 451)	(390 379)	(1 555 159)
Consigned resources	(1 136)	(28 998)	(28 295)	(59 638)	(660 709)
	(38 663 284)	**(16 494 433)**	**(8 362 205)**	**(9 014 358)**	**(18 495 504)**
Derivatives	5 858	45 829	31 305	66 400	162 442
Difference	**(28 210 169)**	**(9 325 159)**	**513 014**	**828 580**	**6 871 333**

...continued

3 to 5 years	5 to 10 years	More than 10 years	Unspecified	Total
-	-	-	-	1 468 701
-	-	-	6	1 261 718
11 021	15 854	9 282	(3 364)	3 479 877
396 950	696 754	12 493	2 225 850	3 721 260
4 886 306	4 039 756	3 418 661	4 081 663	28 946 328
-	-	-	732 512	732 512
13 208 898	21 126 081	24 404 462	(268 976)	100 779 363
-	-	-	3	3
-	-	-	114 867	114 867
18 503 175	25 878 445	27 844 898	6 882 561	140 504 629
(58)	-	(1 617)	271 893	(14 643 160)
(6 199 496)	(2 754 769)	(1 786 465)	(55 185)	(71 609 251)
-	-	-	(732 512)	(732 512)
(5 140 453)	(3 183 528)	(687 197)	19 718	(21 525 507)
-	-	-	(1 707 719)	(1 712 117)
-	-	-	(166 048)	(166 048)
(159 164)	(890 853)	(286 596)	37 550	(3 284 913)
(518 174)	(365 931)	(216 262)	(1 804)	(1 880 945)
(12 017 344)	(7 195 082)	(2 978 137)	(2 334 106)	(115 554 453)
8 869	15 054	5 559	-	341 316
6 494 700	18 698 417	24 872 321	4 548 455	25 291 492

	2009				
	Residual periods to maturity				
	Up to 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 3 years
Assets					
Cash and cash equivalents at central banks	1 926 870	-	-	-	-
Cash balances at other credit institutions	1 235 054	-	-	-	-
Loans and advances to credit institutions	4 136 229	2 701 689	281 815	1 105 203	181 075
Securities					
Trading	255 957	158 976	204 153	206 989	927 854
Other	466 059	574 358	896 985	1 293 896	5 468 830
Investments associated to unit-linked products	-	-	-	-	-
Loans and advances to customers (gross)	4 790 166	4 469 780	5 767 784	5 187 941	18 020 345
Investments to be held up to maturity	-	-	-	-	-
Hedging derivatives	-	-	-	-	-
	12 810 336	7 904 803	7 150 737	7 794 029	24 598 104
Liabilities					
Resources of central banks and credit institutions	(2 413 062)	(1 211 071)	(257 847)	(2 576 475)	(119 082)
Customer resources	(27 692 788)	(8 658 153)	(10 585 010)	(3 343 598)	(9 017 935)
Liabilities associated with unit-linked products	-	-	-	-	-
Debt securities	(2 698 625)	(3 546 163)	(3 167 421)	(447 405)	(6 113 723)
Financial liabilities at fair value through profit or loss	(1 658)	(210)	-	-	-
Hedging derivatives	-	-	-	-	-
Subordinated liabilities	(631)	(2 171)	(4 579)	(122 267)	(1 458 381)
Consigned resources	(80)	(26 921)	(22 689)	(48 610)	(394 057)
	(32 806 844)	(13 444 690)	(14 037 548)	(6 538 356)	(17 103 177)
Derivatives	(3 200)	76 254	32 882	162 296	514 605
Difference	(19 999 709)	(5 463 633)	(6 853 929)	1 417 969	8 009 532

...continued

3 to 5 years	5 to 10 years	More than 10 years	Unspecified	Total
-	-	-	-	1 926 870
-	-	-	-	1 235 054
36 453	-	-	(22 362)	8 420 102
629 228	629 583	39 980	2 376 090	5 428 811
3 984 777	2 189 180	2 031 719	5 406 989	22 312 793
-	-	-	867 967	867 967
11 916 084	16 833 427	22 264 199	(25 094)	89 224 633
-	-	-	3	3
-	-	-	179 623	179 623
16 566 543	19 652 190	24 335 899	8 783 217	129 595 856
-	-	-	54 572	(6 522 965)
(5 701 038)	(1 112 480)	(853 813)	(124 967)	(67 089 783)
-	-	-	(867 967)	(867 967)
(4 775 579)	(4 359 757)	(816 466)	309 957	(25 615 183)
-	-	-	(1 900 110)	(1 901 977)
-	-	-	(270 773)	(270 773)
(384 518)	(1 098 880)	(267 798)	1 781	(3 337 445)
(769 323)	(312 631)	(253 348)	(331)	(1 827 991)
(11 630 458)	(6 883 747)	(2 191 426)	(2 797 838)	(107 434 084)
295 021	148 421	61 281	-	1 287 561
5 231 106	12 916 864	22 205 754	5 985 379	23 449 333

The table above comprises the estimated cash flows relative to principal and interest. Therefore, they cannot be compared with the accounting balances at 31 December 2010 and 2009.

The following tables show the information relative to structural liquidity risk of CGD at 31 December 2010 and 2009. The following assumptions have been considered to prepare the said tables:

- Term and savings deposits (CGD head office) – estimated terms other than residual periods to maturity were determined based on which the respective reclassification of balances by bucket, took place;
- Customer sight deposits – reclassification of core deposits (stable amount of sight deposits considering a broad historical horizon) from "up to 1 month" to "over 10 years";
- Securities portfolio – reclassification of debt securities and shares considered to have high liquidity for the "up to 1 month" maturity period, except securities given as collateral, which were reclassified as "Unspecified";
- Mortgage loans – the distribution of capital flows took into account the expectations relative to early repayment of contracts, based on the analysis of the historical information.

In addition, the amounts presented correspond to the capital balances not due and do not include estimated interest or accrued interest.

2010

Remaining maturity	Up to 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 3 years
Assets					
Cash and cash equivalents at central banks	1 468 092	-	-	-	-
Cash balances at other credit institutions	1 261 711	-	-	-	-
Loans and advances to credit institutions	1 604 647	594 979	294 484	407 317	465 591
Securities					
Trading	564 366	4 470	35 529	3 637	14 344
Other (net of impairment)	10 799 429	170 001	92 466	420 538	1 003 266
Investments associated to unit-linked products	-	-	-	-	-
Loans and advances to customers (gross)	4 624 242	4 500 853	6 783 514	5 298 923	14 436 138
Investments to be held up to maturity	-	-	-	-	-
	20 322 487	5 270 303	7 205 993	6 130 415	15 919 338
Liabilities					
Resources of central banks and credit institutions	(8 034 885)	(6 654 151)	(114 312)	(54 695)	(1 024)
Customer resources	(7 158 089)	(5 208 219)	(5 401 176)	(7 296 776)	(16 237 742)
Liabilities associated with unit-linked products	-	-	-	-	-
Debt securities	(417 812)	(1 300 002)	(203 336)	(2 830 988)	(6 250 743)
Financial liabilities at fair value through profit or loss	(3 173)	(890)	-	-	(336)
Subordinated liabilities	(11 372)	(6 445)	-	(315 396)	(1 431 334)
Consigned resources	(1 134)	(22 591)	(25 183)	(50 254)	(627 425)
	(15 626 466)	(13 192 297)	(5 744 007)	(10 548 109)	(24 548 604)
Difference	4 696 021	(7 921 994)	1 461 986	(4 417 693)	(8 629 266)

2009

Remaining maturity	Up to 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 3 years
Assets					
Cash and cash equivalents at central banks	1 925 616	-	-	-	-
Cash balances at other credit institutions	1 235 054	-	-	-	-
Loans and advances to credit institutions	4 133 202	2 684 159	276 577	1 089 826	177 627
Securities					
Trading	2 300 763	111 650	105 398	11 471	192 969
Other (net of impairment)	6 765 742	462 029	714 584	960 261	4 088 702
Investments associated to unit-linked products	-	-	-	-	-
Loans and advances to customers (gross)	4 635 878	4 120 714	5 177 627	4 451 569	15 477 505
Investments to be held up to maturity	-	-	-	-	-
	20 996 255	7 378 553	6 274 186	6 513 127	19 936 804
Liabilities					
Resources of central banks and credit institutions	(2 409 525)	(1 207 483)	(255 277)	(2 547 247)	(116 611)
Customer resources	(9 514 435)	(9 489 291)	(10 948 578)	(4 548 755)	(8 571 581)
Liabilities associated with unit-linked products	-	-	-	-	-
Debt securities	(2 692 151)	(3 533 564)	(3 150 917)	(430 428)	(6 033 000)
Financial liabilities at fair value through profit or loss	(1 658)	(210)	-	-	-
Subordinated liabilities	-	-	-	(114 891)	(1 432 420)
Consigned resources	(79)	(21 026)	(20 108)	(40 240)	(362 870)
	(14 617 848)	(14 251 575)	(14 374 880)	(7 681 561)	(16 516 482)
Difference	6 378 408	(6 873 022)	(8 100 694)	(1 168 434)	3 420 322

...continued

3 to 5 years	5 to 10 years	More than 10 years	Unspecified	Total
-	-	-	-	1 468 092
-	-	-	6	1 261 717
10 404	15 295	9 005	(3 364)	3 398 358
50 599	91 605	1 809	2 674 547	3 440 906
723 568	922 436	328 063	11 909 934	26 369 701
-	-	-	732 512	732 512
10 246 180	16 165 112	20 120 072	(443 593)	81 731 441
-	-	-	3	3
11 030 751	**17 194 447**	**20 458 949**	**14 870 044**	**118 402 730**
(58)	-	(1 617)	271 893	(14 588 850)
(8 871 028)	(4 620 977)	(12 924 189)	268 846	(67 449 349)
-	-	-	(732 512)	(732 512)
(4 626 674)	(2 789 487)	(663 574)	19 718	(19 062 899)
-	-	-	(1 707 719)	(1 712 117)
(109 425)	(769 552)	(238 058)	37 550	(2 844 031)
(502 913)	(345 529)	(209 967)	(1 804)	(1 786 800)
(14 110 098)	**(8 525 545)**	**(14 037 405)**	**(1 844 027)**	**(108 176 558)**
(3 079 347)	**8 668 902**	**6 421 544**	**13 026 018**	**10 226 171**

3 to 5 years	5 to 10 years	More than 10 years	Unspecified	Total
-	-	-	-	1 925 616
-	-	-	-	1 235 054
36 367	-	-	(22 362)	8 375 397
61 008	308 932	2 780	1 967 282	5 062 253
3 051 888	1 238 285	689 704	2 027 275	19 998 471
-	-	-	867 967	867 967
10 205 578	14 027 729	18 982 215	(25 094)	77 053 721
-	-	-	3	3
13 354 840	**15 574 946**	**19 674 699**	**4 815 072**	**114 518 482**
-	-	-	54 570	(6 481 574)
(5 289 192)	(1 701 827)	(13 876 390)	(108 940)	(64 048 990)
				-
(4 745 421)	(4 287 729)	(711 251)	309 957	(25 274 504)
-	-	-	(1 900 110)	(1 901 977)
(369 045)	(1 054 260)	(212 646)	1 781	(3 181 481)
(748 589)	(294 718)	(246 541)	(331)	(1 734 501)
(11 152 247)	**(7 338 534)**	**(15 046 828)**	**(1 643 073)**	**(102 623 027)**
2 202 593	**8 236 412**	**4 627 872**	**3 171 999**	**11 895 455**

INTEREST RATE RISK

Interest rate risk corresponds to the risk of the fair value or cash flows associated with a determined financial instrument changing as a result of a change in market interest rates.

The development of nominal value of interest rate risk sensitive financial instruments, based on maturity or repricing dates at 31 December 2010 and 2009 is summarised in the following table:

	2010			
	Repricing dates / Maturity dates			
	<= 7 days	> 7 days <= 1 month	> 1 month <= 3 months	> 3 months <= 6 months
Assets				
Cash and cash equivalents at central banks	1 086 439	91 733	-	-
Cash balances at other credit institutions	572 779	33 444	-	-
Loans and advances to credit institutions	1 589 356	257 465	987 865	523 066
Securities				
Trading	2 000	12 497	25 260	134 269
Other	445 872	2 419 178	5 368 933	1 057 520
Investments associated to unit-linked products	-	-	-	-
Loans and advances to customers (gross)	3 035 627	19 555 071	25 961 230	21 169 785
Investments to be held up to maturity	-	-	-	-
	6 732 072	22 369 388	32 343 288	22 884 640
Liabilities				
Resources of central banks and credit institutions	(1 823 501)	(5 653 545)	(6 718 750)	(535 376)
Financial liabilities at fair value through profit or loss	(3 173)	(104)	(244)	(542)
Liabilities associated with unit-linked products	-	-	-	-
Customer resources	(19 223 011)	(9 014 872)	(10 217 333)	(10 015 301)
Debt securities	(105 000)	(673 596)	(5 964 216)	(959 542)
Subordinated liabilities	(108 800)	(27 463)	(707 948)	(61 000)
Consigned resources	(23)	(84)	(22 591)	(22 675)
	(21 263 508)	(15 369 663)	(23 631 080)	(11 594 437)
Derivatives				
Interest rate swaps (IRSs)	399 588	(1 188 910)	(3 776 391)	597 750
Interest rate futures	-	-	(1 043 940)	(1 925 544)
Forward rate agreements (FRAs)	-	-	-	20 000
Interest rate options	-	-	-	(80 000)
	399 588	(1 188 910)	(4 820 332)	(1 387 793)
Net exposure	(14 131 849)	5 810 814	3 891 877	9 902 409

...continued

> 6 months <= 12 months	> 12 months <= 3 years	> 3 years	Unspecified	Total
-	-	-	289 921	1 468 092
-	-	-	655 494	1 261 717
36 580	259	9 014	(5 247)	3 398 358
-	81 867	927 909	2 257 105	3 440 906
4 970 087	2 927 997	5 739 055	3 441 058	26 369 701
-	-	-	732 512	732 512
2 774 858	1 770 835	7 660 226	(196 190)	81 731 441
-	-	-	3	3
7 781 525	4 780 958	14 336 204	7 174 655	118 402 730
(51 858)	(1 841)	(1 675)	197 696	(14 588 850)
-	(336)	-	(1 707 719)	(1 712 117)
-	-	-	(732 512)	(732 512)
(4 807 592)	(8 167 099)	(5 241 060)	(763 081)	(67 449 349)
(1 841 723)	(4 222 780)	(5 362 850)	66 807	(19 062 899)
(129 969)	(1 055 258)	(787 651)	34 056	(2 844 031)
(50 254)	(627 425)	(1 058 409)	(5 338)	(1 786 800)
(6 881 395)	(14 074 738)	(12 451 644)	(2 910 091)	(108 176 558)
198 440	2 730 735	1 233 155	(49 623)	144 745
-	-	-	-	(2 969 484)
-	-	-	-	20 000
(4 084)	10 000	(16 712)	47 470	(43 326)
194 356	2 740 735	1 216 443	(2 153)	(2 848 065)
1 094 486	(6 553 045)	3 101 003	4 262 411	7 378 107

	2009			
	Repricing dates / Maturity dates			
	<= 7 days	> 7 days <= 1 month	> 1 month <= 3 months	> 3 months <= 6 months
Assets				
Cash and cash equivalents at central banks	526 007	1 091 613	-	-
Cash balances at other credit institutions	821 485	32 945	-	-
Loans and advances to credit institutions	2 229 970	2 087 423	2 854 180	170 705
Securities				
Trading	250	246 624	196 482	194 376
Other	563 211	1 941 972	4 566 767	1 152 926
Investments associated to unit-linked products	-	-	-	-
Loans and advances to customers (gross)	3 420 226	21 935 091	25 853 699	20 297 834
Investments to be held up to maturity	-	-	-	-
	7 561 150	27 335 667	33 471 127	21 815 841
Liabilities				
Resources of central banks and credit institutions	(1 235 629)	(1 250 438)	(1 271 393)	(216 286)
Financial liabilities at fair value through profit or loss	(1 658)	-	(210)	-
Liabilities associated with unit-linked products	-	-	-	-
Customer resources	(18 941 181)	(8 579 612)	(10 616 423)	(11 279 141)
Debt securities	(925 974)	(2 325 419)	(8 975 097)	(3 495 080)
Subordinated liabilities	(104 891)	(262 470)	(607 981)	(21 000)
Consigned resources	-	(676)	(1 731 803)	(332)
	(21 209 333)	(12 418 615)	(23 202 907)	(15 011 838)
Derivatives				
Interest rate swaps (IRSs)	580 544	(2 703 296)	(5 537 617)	(3 698 730)
Interest rate futures	-	-	(493 810)	(197 190)
Forward rate agreements (FRAs)	-	-	-	140 000
Interest rate options	-	-	-	(30 800)
	580 544	(2 703 296)	(6 031 427)	(3 786 720)
Net exposure	(13 067 639)	12 213 756	4 236 793	3 017 283

...continued

> 6 months <= 12 months	> 12 months <= 3 years	> 3 years	Unspecified	Total
-	-	-	307 996	1 925 616
-	-	-	380 624	1 235 054
1 061 355	18 551	1 711	(48 498)	8 375 397
162 499	779 896	1 128 566	2 353 561	5 062 253
925 795	2 279 673	3 672 137	4 895 989	19 998 471
-	-	-	867 967	867 967
1 390 531	1 016 339	3 197 565	(57 564)	77 053 721
-	-	-	3	3
3 540 180	4 094 459	7 999 979	8 700 079	114 518 482
(2 547 247)	(12 745)	-	52 164	(6 481 574)
-	-	-	(1 900 110)	(1 901 977)
-	-	-	(867 967)	(867 967)
(3 655 759)	(7 890 960)	(3 039 991)	(45 923)	(64 048 990)
(228 367)	(2 092 390)	(7 541 135)	308 957	(25 274 504)
(30 000)	(800 068)	(1 364 952)	9 879	(3 181 481)
-	-	-	(1 690)	(1 734 501)
(6 461 373)	(10 796 162)	(11 946 077)	(2 444 689)	(103 490 994)
(941 963)	5 365 789	6 884 081	31 021	(20 171)
(201 345)	(14 000)	(495 512)	-	(1 401 857)
12 500	-	-	-	152 500
-	-	-	6 836	(23 964)
(1 130 808)	5 351 789	6 388 569	37 857	(1 293 492)
(4 052 000)	(1 349 915)	2 442 471	6 293 247	9 733 997

In producing the above table, cash and cash equivalents at central banks were classified in the "7 days to 1 month" column.

The tables above comprise the amounts of principal not due, excluding accrued interests and value adjustments.

FAIR VALUE

The following table includes a comparison between the fair value and book value of the principal assets and liabilities recognised at amortised cost at 31 December 2010 and 2009:

2010	Balances analysed			Balances not analysed	
	Book value	Fair value	Difference	Book value	Total book value
Assets					
Cash and cash equivalents at central banks	1 468 751	1 469 210	459	1	1 468 752
Cash balances at other credit institutions	1 264 884	1 264 884	-	89	1 264 973
Loans and advances to credit institutions	3 315 863	3 499 107	183 244	108 379	3 424 242
Loans and advances to customers	80 478 328	76 985 228	(3 493 100)	1 428 876	81 907 204
	86 527 826	83 218 429	(3 309 397)	1 537 345	88 065 171
Liabilities					
Resources of central banks and other credit institutions	14 511 998	15 067 060	(555 062)	91 671	14 603 669
Customer resources	66 305 056	67 667 912	(1 362 855)	1 374 988	67 680 045
Debt securities	19 308 394	20 134 821	(826 426)	(1 647)	19 306 748
Subordinated liabilities	2 768 523	2 569 926	198 597	31 642	2 800 164
Consigned resources	1 781 751	1 786 297	(4 546)	5 049	1 786 800
	104 675 722	107 226 015	(2 550 293)	1 501 703	106 177 425

2009	Balances analysed			Balances not analysed	
	Book value	Fair value	Difference	Book value	Total book value
Assets					
Cash and cash equivalents at central banks	1 926 256	1 926 621	365	5	1 926 261
Cash balances at other credit institutions	1 238 188	1 238 188	-	14	1 238 202
Loans and advances to credit institutions	8 377 723	8 390 810	13 087	(24 509)	8 353 214
Loans and advances to customers	75 110 752	75 285 552	174 800	2 111 256	77 222 008
	86 652 920	86 841 172	188 252	2 086 766	88 739 686
Liabilities					
Resources of central banks and other credit institutions	6 490 958	6 507 445	(16 487)	(12 325)	6 478 633
Customer resources	63 436 688	63 407 740	28 948	819 007	64 255 695
Debt securities	25 488 443	25 923 582	(435 139)	(306 130)	25 182 313
Subordinated liabilities	3 205 925	3 331 288	(125 363)	(4 327)	3 201 598
Consigned resources	1 732 811	1 736 531	(3 720)	1 690	1 734 501
	100 354 825	100 906 586	(551 761)	497 915	100 852 740

Fair value was determined using the following assumptions:

- The book value of balances payable / receivable on demand corresponds to their fair value;
- Caixa determined the fair value of the remaining instruments using discounted cash flow models, taking into consideration the contractual terms of the operations for both fixed and variable interest rate instruments. In 2009 cash flows of variable interest rate instruments were discounted up to the next interest rate review;
- For this purpose the operations' contractual terms were taken into consideration and interest rates curves appropriate to the type of instrument were used, including:

> Market interest rates for applications and resources of other credit institutions;

> Market interest rates incorporating average spreads on Caixa's loan operations granted in December 2010, for comparable credit and retail operation types;

> Interest rates incorporating Caixa's risk spread, for liabilities issued for institutional investors, based on the type of instrument and respective maturity;

- The "Balances not analysed" column includes essentially:

> Overdue credit, net of impairment;

> Balances of entities not included in Caixa's calculations.

The calculation of the fair value of variable interest rate financial instruments up until 31 December 2009, was made, as mentioned before, considering the discount of the respective financial cash flows up to the next interest rate fixing. If this calculation had been made considering the estimated cash flows up to the respective maturity, in accordance with the criteria used in calculating fair value at 31 December 2010, the results would have been the following:

	2009				
	Balances analysed			Balances not analysed	
	Book value	Fair value	Difference	Book value	Total book value
Assets					
Cash and cash equivalents at central banks	1 926 256	1 926 621	365	5	1 926 261
Cash balances at other credit institutions	1 238 188	1 238 188	-	14	1 238 202
Loans and advances to credit institutions	8 377 723	8 497 537	119 814	(24 509)	8 353 214
Loans and advances to customers	75 110 752	73 321 867	(1 788 886)	2 111 256	77 222 008
	86 652 920	84 984 213	(1 668 707)	2 086 766	88 739 686
Liabilities					
Resources of central banks and other credit institutions	6 490 958	6 507 443	(16 485)	(12 325)	6 478 633
Customer resources	63 436 677	63 342 553	94 125	819 018	64 255 695
Debt securities	25 488 443	26 617 746	(1 129 303)	(306 130)	25 182 313
Subordinated liabilities	3 205 925	3 322 540	(116 615)	(4 327)	3 201 598
Consigned resources	1 732 811	1 749 894	(17 083)	1 690	1 734 501
	100 354 815	101 540 175	(1 185 361)	497 925	100 852 740

At 31 December 2010 and 2009 the calculation of fair value of financial instruments reflected in the financial statements at fair value, was as follows:

	2010			
	Measurement techniques			
	Level 1 Market prices	Level 2 Market inputs	Level 3 Other measurement tchniques	Total
Financial assets held for trading	1 196 550	358 255	-	1 554 805
Other financial assets at fair value through profit or loss	1 056 131	402 214	164 470	1 622 815
Available-for-sale financial assets	7 635 089	16 614 420	311 238	24 560 746
Trading derivatives	553	173 430	-	173 983
Hedging derivatives	-	(51 181)	-	(51 181)
	9 888 323	17 497 138	475 708	27 861 169

	2009			
	Measurement techniques			
	Level 1 Market prices	Level 2 Market inputs	Level 3 Other measurement tchniques	Total
Financial assets held for trading	1 998 857	868 746	-	2 867 603
Other financial assets at fair value through profit or loss	619 639	369 580	158 100	1 147 319
Available-for-sale financial assets	5 280 392	12 963 339	412 575	18 656 306
Trading derivatives	436	292 237	-	292 673
Hedging derivatives	-	(91 151)	-	(91 151)
	7 899 324	14 402 751	570 675	22 872 750

In producing the above table the following assumptions were used:

- **Level 1 – Market prices** – this column includes the financial instruments measured based on prices in active markets;
- **Level 2 – Measurement techniques** – market inputs – this column also includes financial instruments measured based on models using market inputs (interest rates, foreign exchange rates, risk ratings awarded by external entities, other). This column also includes bid-price valued financial instruments provided by external counterparties;
- **Level 3 – Other measurement techniques** – this column includes financial instruments measured through valuation techniques that use one or more relevant non-observable market parameters.

In 2010 and 2009, the changes in the financial instruments classified in column "Other measurement techniques" are as follows:

	2010					
Type	Book value (net) at 31.12.2009	Changes in consolidation perimeter	Acquisitions	Sales	Gains / (losses) recognised as against results – – sold instruments	Gains / (losses) recognised as against results – – portfolio instruments
Trading securities	-	-	-	-	-	-
Securities at fair value through profit or loss						
Equity instruments	129 340	-	27 263	(8 940)	-	4 298
Debt instruments						
Corporate bonds	28 760	-	-	(14 250)	-	(8)
	158 100		27 263	(23 190)	-	4 290
Available-for-sale financial assets						
Equity instruments	283 859	13 851	771	(2 308)	(1 168)	52
Debt instruments						
Corporate bonds	128 716	-	607	(382)	(678)	(53)
	412 575	13 851	1 378	(2 690)	(1 846)	(2)
	570 675	13 851	28 641	(25 880)	(1 846)	4 288

	2009		
Type	Book value (net) at 31.12.2008	Acquisitions	Gains / (losses) recognised as against results
Trading securities	183 960	-	336
Securities at fair value through profit or loss			
Equity instruments	53 047	12 670	16 917
Debt instruments			
Corporate bonds	35 289	(16 300)	(578)
	88 336	(3 630)	16 339
Available-for-sale financial assets			
Equity instruments	206 806	80 548	666
Debt instruments			
Corporate bonds	37 804	87 841	1 228
	244 610	168 389	1 894
	516 907	164 759	18 568

...continued

Impairment of the period	Gains / (losses) recognised as against fair value reserves	Transfers from / / (to) other levels (Levels 1 and 2)	Transfers from / / to other classes of financial instruments	Other	Book value (net) at 31.12.2010
-	-	-	-	-	-
-	-	-	-	500	152 461
-	-	(2 493) [a]	-	-	12 009
-	**-**	**(2 493)**	**-**	**500**	**164 470**
(136)	(16 442)	(4 801) [c]	-	(19 290)	254 387
-	200	28 758 [b]	(99 979) [d]	(339)	56 850
(136)	**(16 241)**	**23 957**	**(99 979)**	**(19 629)**	**311 238**
(136)	**(16 241)**	**21 464**	**(99 979)**	**(19 129)**	**475 708**

Gains / (losses) recognised as against fair value reserves	Transfers from / (to) other levels (Levels 1 and 2)	Transfers from / to other classes of financial instruments	Book value (net) at 31.12.2009
-	(184 296) [a]	-	-
-	-	46 706	129 340
-	10 349 [b]	-	28 760
-	**10 349**	**46 706**	**158 100**
(4 161)	-	-	283 859
1 843	-	-	128 716
(2 318)	**-**	**-**	**412 575**
(2 318)	**(173 947)**	**46 706**	**570 675**

Transfers between the various levels of the fair value hierarchy have the following bases:

(a) Transfer between levels 3 and 2 in the fair value hierarchy as a result of the provision by counterparties of indicative prices reflecting the evolution of the securities market;

(b) Transfer from level 2 to level 3 in the fair value hierarchy relating to debt securities of non-financial institutions for which there are no active market quotations nor indicative prices provided by external entities and which are being measured by the Group based on a discounted future cash flows model, using as a discount rate, market interest rates plus a spread defined based on the characteristics and credit risk of the issuer, considered appropriate;

(c) Transfer from level 2 to level 3 in the fair value hierarchy relating to participations held in trust funds for which valuation has been provided by the respective manager;

(d) During first half 2010, transfers refer to the reclassification made of securitised credit issues on non financial institutions subscribed by Caixa, from the available-for-sale financial assets category to loans and advances to customers, explained in greater detail in Note 8.

At 31 December 2010 and 2009, a positive shift of 100 b.p. in the interest rate curve used to discount estimated future flows of debt instruments measured based on internally developed models, would result in a decrease of EUR 29 thousand and EUR 161 thousand in their fair value and revaluation reserves respectively. At 31 December 2010 and 2009, the book value of these debt instruments, recognised in "Available-for-sale financial assets – debt instruments – corporate bonds" amounted to EUR 28 758 thousand and EUR 99 699 thousand.

DEBT INSTRUMENTS OF FINANCIAL AND NON-FINANCIAL ENTITIES

Whenever possible, securities are valued at market prices, in accordance with an algorithm developed internally. This algorithm searches for the most appropriate price for each security in accordance with a hierarchy of contributors defined internally by CGD. Price changes are analysed on a daily basis in order to monitor the quality of the prices used.

There are some securities for which market prices cannot be obtained: assets classified in levels 2 and 3 of the fair value hierarchy. The price of these securities can be obtained by resorting to internal / external theoretical measurements. In general, the valuations include the discount of estimated future cash flows. This estimate can be the result of a more or less complex model ranging from the simple discount of cash flows resulting from forward rates (based on the most appropriate interest rate curve, which in turn is constructed by resorting to money market rates and swaps rates, the money market part being adjusted to interest rate future prices) to a CLO (collaterised loan obligations) cascade payment (an estimate made based information disclosed by Investor Reports).

For discount purposes, internal valuations use a listed credit curve referring to the currency / sector / rating trinomial of the issue in order to consider the risk for each issue. The separation between levels 2 and 3, basically refers to the origin of the rating considered: level 2 for ratings from agencies, level 3 for internal rating.

Internal ratings are only used where there is no risk classification for the issue, issuer or guarantor. Level 2 also includes the valuations granted by the stucturers, issuers or counterparties (external measurements).

In general, inputs used in internal measurements are obtained through Bloomberg and Reuters systems.

Interest rate curves are calculated based on money market interest rates and swaps quotations. In the case of EUR, GBP and USD interest rate curves, an adjustment is made using the quotations for interest rate futures.

At 31 December 2010, the values of the curves referring to currencies with major exposure were as follows:

	EUR	USD	GBP
Overnight	0.3300	0.4500	0.5800
1 month	0.7500	0.6500	0.9250
2 months	0.8700	0.7000	0.9750
3 months	0.9216	0.6722	0.9865
6 months	0.9978	0.5185	0.8965
9 months	1.0573	0.5068	0.9130
1 year	1.1189	0.5376	0.9706
2 years	1.5830	0.8595	1.5440
3 years	1.9160	1.3455	2.0060
5 years	2.5010	2.2555	2.7150
7 years	2.9110	2.9000	3.1880
10 years	3.3070	3.4530	3.6280
15 years	3.6580	3.8980	3.9630
20 years	3.7200	4.0630	4.0330
25 years	3.6390	4.1270	4.0330
30 years	3.5190	4.1860	3.9980

The values of credit curves are obtained through the Bloomberg system. At 31 December 2010 the values of the credit curve of the Portuguese and German governments were as follows:

	Portuguese Government	German Government
3 months	3.5434	0.3257
6 months	3.8314	0.4621
9 months	4.0495	0.5377
1 year	4.2699	0.6141
2 years	4.5771	0.8553
3 years	4.9188	1.1244
5 years	5.7591	1.9765
7 years	6.2389	2.5746
10 years	6.6015	2.9605
15 years	6.9621	3.4396
20 years	6.7315	3.5616
25 years	6.6549	3.5246
30 years	6.5735	3.4110

The values of the European Central Bank fixings are used as foreign exchange rates. The following table presents the foreign exchange rates of some of the significant currencies.

	31.12.2010
EUR / USD	1.33620
EUR / GBP	0.86075
EUR / CHF	1.25040
EUR / AUD	1.31360
EUR / JPY	108.65000
EUR / BRL	2.21770

EQUITY INSTRUMENTS HELD IN VENTURE CAPITAL BUSINESS

Unlisted own equity instruments held in the venture capital business are valued based on the following criteria:

i) Prices of significant transactions made by independent entities in the last six months;

ii) Multiples of comparable companies in terms of business sector, size and profitability;

iii) Discounted cash flows;

iv) Liquidation value corresponding to the net value of the investee' s assets;

v) Acquisition cost (only in the case of participations acquired in the twelve month period prior to the valuation date).

MARKET RISK

The market risk corresponds to the risk of a change in the fair value or the cash flows of the financial instruments based on the changes of market prices including the following risks: foreign exchange, interest and price risks.

Market risk assessment is based on the following methodologies:

- Value at Risk (VaR) relative to the following portfolios:
  - > Trading portfolio – comprises securities and trading derivatives;
  - > Investment portfolio – comprises the remainder securities of Caixa's own portfolio, except equity participation and securitised loans;
  - > Treasury management – funding in the money market, derivatives associated with treasury management and debt issues with market risk exposure.

Reference should be made to the fact that the VaR analysis excludes financial instruments managed in the scope of the insurance activity. The risk management policies applicable to these financial instruments are referred to in Note 43.

- Sensitivity analysis to all financial instruments sensitive to interest rate risk recorded in the separate financial statements of CGD and in the following Group units:
  - > Macau Offshore Branch;
  - > Caixa – Banco de Investimento;
  - > Debt issue vehicles.

VaR ANALYSIS – MARKET RISK

The VaR corresponds to an estimate of maximum potential loss for a certain portfolio of assets in a given period of time and considering a given confidence level assuming normal market patterns.

The methodology used is the historical simulation, i.e. future events are totally explained by past events based on the following assumptions:

- Period of time: 10 days (investment portfolio) and 1 day (trading portfolio and treasury management);
- Confidence level: 99% (investment portfolio) and 95% (trading portfolio and treasury management);
- Price sample period: 720 calendar days;
- Decay factor =1 which means that past observations all have the same weight.

For regarding options, the theoretical price is calculated through the use of adequate models and applying the implicit volatility. Given the methodology used, calculation for correlations is not made; i.e. correlations are empirical.

At 31 December 2010 and 2009, VaR can be broken down as follows (amounts in thousand of Euro):

• Activity of Caixa Geral de Depósitos (head office and branches):

INVESTMENT PORTFOLIO
(VaR 99%, 10 DAYS)

	2010			
	Dec. 10	Maximum	Minimum	Dec. 09
VaR by type of risk				
Interest rate	18 128	49 759	18 128	23 178
Foreign exchange rate	2 118	5 926	1 312	3 353
Price	25 590	39 694	25 000	33 631
Volatility				
Diversification effect	-20 125			-28 522
	25 712	**49 404**	**25 045**	**31 640**

TRADING PORTFOLIO
(VaR 95%, 1 DAY)

	2010			
	Dec. 10	Maximum	Minimum	Dec. 09
VaR by type of risk				
Interest rate	1 788	4 080	1 096	1 660
Foreign exchange rate	25	124 108	8	10
Price	55	3 645	38	38
Volatility		1		
Diversification effect	-102			-41
	1 767	**126 376**	**1 209**	**1 667**

TREASURY MANAGEMENT
(VaR 95%, 1 DAY)

	2010			
	Dec. 10	Maximum	Minimum	Dec. 09
VaR by type of risk				
Interest rate	195	1 956	159	1 264
Foreign exchange rate	1 069	102 555	820	1 674
Price				
Volatility				
Diversification effect	-125			-527
	1 139	**102 134**	**986**	**2 410**

Investment banking activity:

CAIXABI
(VaR 99%, 10 DAYS)

	2010			
	Dec. 10	Maximum	Minimum	Dec. 09
VaR by type of risk				
Interest rate	17 210	19 548	2 260	2 492
Foreign exchange rate	768	4 776	291	428
Price	1 309	11 974	1 143	2 089
Volatility	77	114	71	107
Diversification effect	-1 692			-1 873
	17 672			**3 244**

The diversification effect is calculated implicitly. Total VaR refers to the joint effect of interest rate, price, foreign exchange rate and volatility risks.

SENSITIVITY ANALYSIS – INTEREST RATE

At 31 December 2010 and 2009, the impact in fair value of financial instruments sensitive to the interest rate risk (excluding derivatives), resulting from parallel displacements in the interest rates curve from 50, 100 and 200 bps, respectively, can be verified in the following tables:

2010

	-200 bp	-100 bp	-50 bp	+50 bp	+100 bp	+200 bp
Cash and cash equivalents at central banks	292	153	126	(126)	(252)	(504)
Cash balances at other credit institutions	2 902	2 762	1 572	(1 570)	(3 137)	(6 259)
Securities						
Trading	142 735	70 142	34 521	(33 434)	(65 825)	(127 635)
Other	787 893	407 606	201 541	(196 039)	(386 823)	(753 540)
Loans and advances to customers (gross)	415 631	277 612	143 758	(140 579)	(278 150)	(544 503)
Total sensitive assets	**1 349 453**	**758 276**	**381 518**	**(371 748)**	**(734 187)**	**(1 432 440)**
Resources of other credit institutions	(14 120)	(14 064)	(8 528)	8 527	9 911	12 673
Customer resources	(802 614)	(465 518)	(234 026)	226 777	449 813	883 229
Debt securities	(781 875)	(409 114)	(204 245)	198 693	391 899	762 919
Subordinated liabilities	(155 574)	(76 757)	(37 471)	35 329	68 714	130 411
Total sensitive liabilities	**(1 754 183)**	**(965 454)**	**(484 271)**	**469 325**	**920 338**	**1 789 232**
Total Profit / Loss	**(404 730)**	**(207 178)**	**(102 753)**	**97 577**	**186 151**	**356 792**

2009

	-200 bp	-100 bp	-50 bp	+50 bp	+100 bp	+200 bp
Cash and cash equivalents at central banks	243	243	243	(268)	(537)	(1 073)
Cash balances at other credit institutions	12 791	11 569	7 039	(7 321)	(14 621)	(29 156)
Securities						
Trading	168 287	88 511	44 256	(43 326)	(85 390)	(166 289)
Other	444 847	198 759	73 208	(173 531)	(289 686)	(510 062)
Loans and advances to customers (gross)	354 517	226 340	127 271	(125 594)	(248 507)	(487 170)
Total sensitive assets	**980 684**	**525 422**	**252 018**	**(350 040)**	**(638 742)**	**(1 193 750)**
Resources of other credit institutions	(22 546)	(19 779)	(10 379)	10 810	21 578	42 986
Customer resources	(569 306)	(317 132)	(163 762)	164 198	324 080	635 846
Debt securities	(843 098)	(446 596)	(234 944)	228 264	449 408	871 880
Subordinated liabilities	(203 532)	(114 936)	(62 940)	59 633	116 139	220 899
Total sensitive liabilities	**(1 638 482)**	**(898 443)**	**(472 025)**	**462 904**	**911 205**	**1 771 610**
Total Profit / Loss	**(657 798)**	**(373 021)**	**(220 007)**	**112 864**	**272 463**	**577 860**

Reference should also be made to the fact that, at 31 December 2010 and 2009, the analysis presented in the table above excludes the effect on fair value of the parallel displacements in the interest rates curves for operations of Caixa Leasing e Factoring, IFIC, SA, Mercantile Bank, Banco Comercial do Atlântico, SA, Banco Comercial e de Investimento, SARL and Banco Interatlântico, SA.

The impact of a displacement of 50, 100 and 200 bps in the reference interest rates curves of sensitive assets and liabilities corresponds to the scenarios used in-house by the management bodies of Caixa Group in the follow up and monitoring of exposure to interest rate risk.

The following table presents the effect in the Group's estimated net interest income for 2011 and 2010, respectively, of the parallel displacement of the interest rates curve of 50, 100 and 200 bps that index the financial instruments sensitive to interest rates changes:

2011

	-200 bp	-100 bp	-50 bp	+50 bp	+100 bp	+200 bp
Interest income	(834 723)	(671 386)	(337 490)	338 051	675 958	1 348 468
Interest cost	569 620	424 196	230 898	(257 683)	(493 926)	(971 033)
Net interest income	**(265 103)**	**(247 190)**	**(106 592)**	**80 368**	**182 032**	**377 435**

2010

	-200 bp	-100 bp	-50 bp	+50 bp	+100 bp	+200 bp
Interest income	(863 243)	(690 116)	(367 611)	369 419	738 880	1 477 870
Interest cost	504 098	390 350	219 869	(227 543)	(455 916)	(912 583)
Net interest income	**(359 144)**	**(299 766)**	**(147 742)**	**141 875**	**282 965**	**565 287**

In the calculation of the impacts presented in the table above, it was considered that the assets and liabilities sensitive to interest rate in the reference dates of the calculation would be stable during 2011 and 2010, respectively. The referred to asdsets and liabilities would be renewed, whenever applicable, considering the market conditions in force at the referred to renewal dates and the average spread of the outstanding operations at 31 December 2010 and 2009.

In addition, it should be mentioned that the information of the tables above does not take into account changes in the strategy and policies of the interest rate risk management that Caixa may adopt as a result of the changes in the reference interest rates.

FOREIGN EXCHANGE RISK

BREAKDOWN OF FINANCIAL INSTRUMENTS BY CURRENCY

At 31 December 2010 and 2009 the financial instruments are broken down by currency as follows:

	2010					
	Currency					
	Euros	US Dollars	Pounds Sterling	Yen	Macau Patacas	Hong Kong Dollar
Assets						
Cash and cash equivalents at central banks	901 968	58 413	2 069	531	5 186	157 109
Cash balances at other credit institutions	643 663	17 906	3 511	15 610	352 579	109 423
Loans and advances to credit institutions	2 293 611	787 911	12 006	4 281	18 463	227 736
Financial assets at fair value through profit or loss	2 850 982	146 860	-	-	-	-
Available-for-sale financial assets	24 361 411	403 241	26 023	-	253	-
Investments associated with unit-linked products	732 093	65	187	7	-	-
Investments held to maturity	3	-	-	-	-	-
Loans and advances to customers (gross)	80 102 536	1 472 025	338 944	10 660	231 755	733 746
Other assets	1 681 522	642 360	(259 904)	747 250	278 861	32 150
Accumulated impairment	(3 143 945)	(87 154)	(1 913)	()	(32 164)	(42)
	110 423 844	**3 441 626**	**120 923**	**778 341**	**854 933**	**1 260 121**
Liabilities						
Resources of central banks and other credit institutions	(12 696 308)	(1 737 040)	(37 657)	(706)	(32 899)	(3 878)
Customer resources	(61 815 681)	(1 637 456)	(48 106)	(146 007)	(1 091 392)	(657 211)
Liabilities associated with unit-linked products	(732 512)	-	-	-	-	-
Debt securities	(18 705 736)	(73 656)	(6 971)	(487 794)	-	(22 545)
Financial liabilities at fair value through profit or loss	-	-	-	-	-	-
Subordinated liabilities	(2 639 318)	(9 279)	-	(138 235)	-	-
Other liabilities						
Consigned resources	(1 781 751)	-	-	-	-	-
Other	(1 558 474)	62 385	(430)	(1 172)	(375 303)	(35 883)
	(99 929 780)	**(3 395 047)**	**(93 164)**	**(773 914)**	**(1 499 594)**	**(719 518)**
Derivatives (Notional)						
Currency swaps	(126 615)	92 912	(178 896)	(15 647)	-	197 387
Interest rate swaps	(894 030)	238 363	6 971	764 381	-	29 849
Futures	(2 921 778)	(1 871)	-	-	-	-
Forward Rate Agreements	20 000	-	-	-	-	-
Options and Caps & Floors	(43 326)	-	-	-	-	-
Forward foreign exchange transactions	(35 000)	111 542	5 201	64 479	-	63 416
	(4 000 750)	**440 945**	**(166 724)**	**813 213**	**-**	**290 652**
Net exposure	**6 493 314**	**487 525**	**(138 964)**	**817 641**	**(644 661)**	**831 255**

...continued

Mozambican Meticais	South African Rand	Cape Verde Escudo	Other	Book value of derivatives	Total
81 645	16 575	76 082	169 173		1 468 752
1 709	34 483	778	85 311		1 264 973
301	29 122	51 119	88 624		3 513 175
-	24 345	-	158 119	1 886 101	5 066 407
45 547	6 797	71 123	312 862		25 227 257
-	-	-	160		732 512
-	-	-	-		3
410 141	435 422	525 115	256 686		84 517 028
18 229	10 071	17 171	261 368		3 429 078
(16 201)	(7 634)	(30 459)	(13 755)		(3 333 267)
541 371	**549 181**	**710 929**	**1 318 548**	**1 886 101**	**121 885 917**
(24 412)	(26 332)	(298)	(44 139)		(14 603 669)
(463 556)	(478 532)	(622 485)	(719 617)		(67 680 045)
-	-	-	-		(732 512)
-	-	-	(10 045)		(19 306 748)
-	-	-	-	(1 712 117)	(1 712 117)
(4 793)	-	(8 539)	-		(2 800 164)
(5 026)	-	(23)	-		(1 786 800)
(13 969)	(124 698)	(36 385)	(364 846)		(2 448 776)
(511 758)	**(629 562)**	**(667 729)**	**(1 138 648)**	**(1 712 117)**	**(111 070 830)**
-	-	-	28 711	-	(2 147)
-	-	-	(788)	-	144 745
-	-	-	-	-	(2 923 649)
-	-	-	-	-	20 000
-	-	-	-	-	(43 326)
-	145	-	(52 027)	-	157 756
-	**145**	**-**	**(24 104)**	**-**	**(2 646 622)**
29 613	**(80 236)**	**43 200**	**155 795**	**173 983**	**8 168 465**

2009

	Currency					
	Euros	US Dollars	Pounds Sterling	Yen	Macau Patacas	Hong Kong Dollar
Assets						
Cash and cash equivalents at central banks	1 472 057	51 737	2 420	506	7 284	208 888
Cash balances at other credit institutions	761 578	26 804	7 940	7 361	334 327	39 507
Loans and advances to credit institutions	6 229 510	1 397 256	43 018	133 001	57 057	127 597
Financial assets at fair value through profit or loss	3 787 666	75 442	1 146	-	-	1 280
Available-for-sale financial assets	17 918 185	954 918	43 834	-	1 955	9 868
Investments associated with unit-linked products	867 401	1	193	6	-	-
Investments held to maturity	3	-	-	-	-	-
Loans and advances to customers (gross)	75 668 687	1 560 128	315 138	14 538	243 895	696 119
Other assets						
Debtor for direct insurance and reinsurance	296 070	-	-	-	-	-
Other	2 298 276	1 486 329	5 191	72 101	231 484	180
Accumulated impairment	(2 893 417)	(136 625)	(499)	(95)	(28 181)	(1)
	106 406 017	5 415 990	418 382	227 419	847 821	1 083 438
Liabilities						
Resources of central banks and other credit institutions	(4 269 646)	(2 152 141)	-	(2 472)	(7 495)	(5 671)
Customer resources	(58 578 008)	(2 167 792)	-	(169 198)	(1 040 202)	(540 763)
Liabilities associated with unit-linked products	(867 967)	-	-	-	-	-
Debt securities	(20 923 486)	(3 344 082)	-	(513 019)	-	(48 728)
Financial liabilities at fair value through profit or loss	-	-	-	-	-	-
Subordinated liabilities	(2 857 558)	(218 659)	-	(112 646)	-	-
Other liabilities						
Creditors for direct insurance and reinsurance	(312 586)	-	-	-	-	-
Consigned resources	(1 733 142)	(33)	-	-	-	-
Other	(2 527 122)	(11 542)	(33 915)	(1 103)	(348 009)	(15 032)
	(92 069 514)	(7 894 249)	(33 915)	(798 439)	(1 395 706)	(610 193)
Derivatives (Notional)						
Currency swaps	(2 862 700)	3 099 259	152 573	(145 728)	-	68 929
Interest rate swaps	(1 098 774)	(9 777)	6 756	790 027	-	-
Futures	1 452 312	18 086	-	-	-	-
Forward Rate Agreements	152 500	-	-	-	-	-
Options and Caps & Floors	(23 964)	(690)	-	-	-	-
Forward foreign exchange transactions	(518 381)	537 374	111 825	52 658	-	36
	(2 899 007)	3 644 252	271 154	696 957	-	68 966
Net exposure	11 437 496	1 165 993	655 621	125 936	(547 885)	542 210

...continued

Mozambican Meticais	South African Rand	Cape Verde Escudo	Other	Book value of derivatives	Total
57 740	11 780	101 169	12 680	-	1 926 260
4	46 317	2 181	12 184	-	1 238 202
240	17 989	15 954	491 154	-	8 512 777
-	24 381	-	125 007	2 194 651	6 209 573
60 462	9 108	93 112	194 743	-	19 286 185
-	-	-	365	-	867 967
-	-	-	-	-	3
261 651	349 366	467 616	50 094	-	79 627 233
-	-	284	-	-	296 355
4 053	2 921	22 008	(417 328)	-	3 705 217
(14 488)	(27 153)	(35 848)	(20 320)	-	(3 156 626)
369 662	**434 709**	**666 476**	**448 579**	**2 194 651**	**118 513 144**
(7 697)	(25 003)	(455)	(8 053)	-	(6 478 633)
(328 056)	(364 649)	(565 972)	(501 044)	-	(64 255 685)
-	-	-	-	-	(867 967)
-	-	(4 018)	(348 980)	-	(25 182 313)
-	-	-	-	(1 901 977)	(1 901 977)
(12 734)	-	-	-	-	(3 201 598)
-	-	-	-	-	(312 586)
(1 303)	-	(23)	-	-	(1 734 501)
(4 341)	(121 006)	(51 439)	(56 412)	-	(3 169 921)
(354 131)	**(510 658)**	**(621 907)**	**(914 489)**	**(1 901 977)**	**(107 105 181)**
-	(375)	-	(244 513)	-	67 446
-	-	-	291 598	-	(20 171)
-	-	-	-	-	1 470 398
-	-	-	-	-	152 500
-	-	-	(364)	-	(25 017)
-	(26 062)	-	99 795	-	257 244
-	**(26 437)**	**-**	**146 515**	**-**	**1 902 399**
15 531	**(102 387)**	**44 569**	**(319 395)**	**292 673**	**13 310 362**

VaR ANALYSIS – FOREIGN EXCHANGE RISK

In order to ensure the control and assessment of foreign exchange risk, Caixa calculates values and limits in terms of Value at Risk (VaR) by total open position and open currency position.

At 31 December 2010 and 2009, VaR (at 10 days with 99% confidence gap) by currency of CGD may be described in the following table:

	VaR			
	Banking		Insurance	
	2010	2009	2010	2009
Hong Kong Dollar	40 346	47 493	-	-
Macau Pataca	37 280	41 663	38	50
South African Rand	13 418	24 737	-	-
US Dollar	2 381	2 729	61	305
Mozambican Meticais	33 085	22 730	-	-
Pound Sterling	8	457	932	1 192
Japanese Yen	69	80	-	-
Other currencies	15 421	(6 618)	513	1 603
Diversification effect	(115 180)	(115 453)	(613)	(1 334)
Total	27 507	31 053	1 300	1 817

The diversification effect is calculated implicitly.

Information relative to the insurance activity presented in the previous tables refers to Fidelidade Mundial.

43. DISCLOSURES ON INSURANCE RISKS

The following summarises the acceptance and risk management policy for the CGD Group's insurance business in Portugal, namely of the Caixa Seguros companies (Company).

43.1. RISK ACCEPTANCE

Risk acceptance and management is structured on three major levels, based on a model for delegating competencies.

Each level has specific methodologies and procedures, in accordance with its competencies, allowing interconnection and harmonisation between them.

The third level, specific to the commercial networks, includes the delegation of standard risk acceptance competencies, in accordance with a framework of written standards and procedures, based particularly on the following criteria:

- Standard clauses;
- Risks and activities with low or very low claim ratio track records;
- A homogenous, easy to identify risk universe;
- Small amounts of insured capital, allowing high risk dilution:
- Risks in respect of which accumulation both in terms of coverage and/or geographical dispersion is known and controllable;
- Premiums in accordance with the premium rate adjustable through small range delegated discount.

Available instruments include: standardised rates, simulators, risk acceptance and delegation of authority regulations, product manuals, standard insurance policies and insurance proposals, standard declarations, technical questionnaires and rules on circuits and procedures.

The second level includes several multidisciplinary technical units that support the commercial networks, to which competencies to accept and analyse specific risks have been delegated.

Notwithstanding the fact that these risks are within a properly delimited framework, the risk acceptance units, when necessary, have additional instruments for assessing risks, namely risk analysis performed by specialised companies.

These instruments are aimed especially at assessing in loco, the deviations from the average standards of a specific risk, thus allowing the maximum expected losses and the weak and strong points of the proposing entity or object of the risk to be assessed. It also allows the specific assessment of certain coverage or limits on capital acceptance thus establishing an adequate, balanced contract between the parties.

The acceptance units have at their disposal technical and actuarial reports and analysis that enable them to have acknowledge of the development of the insurance products and risk behaviour.

The first risk acceptance level is the responsibility of the insurance product's Technical Areas, which are responsible for the acceptance of risks, which have not been delegated to the two abovementioned levels and for the technical management of the insurance product.

In certain pre-defined situations, the risk acceptance with high level of uncertainty, surpasses the technical unit. The Acceptance Committee will be then responsible for the risk acceptance.

The first risk acceptance level is provided with a multidisciplinary technical team, which is highly specialised in terms of insurance activities and/or products, assisted by risk analysis and actuarial specialists. Whenever risk characteristics justify specialised analysis companies are involved.

Risk acceptance is based on stringent technical standards, designed to identify risks with high loss potential (seriousness and frequency) in order to achieve sustained portfolio growth and a balanced technical result, with the use of facultative reinsurance when the risks cannot be included in the Treaties. All the risks not included in the reinsurance treaties are analysed with resource to the Facultative Reinsurance contract, whenever it is considered that risk can be accepted.

Whenever risks are not covered by reinsurance tariff handbooks on the company's automatic acceptance conditions, they are sent to the reinsurers' underwriting offices for the proposal of acceptance conditions relating to those risks.

43.2. TECHNICAL MANAGEMENT

Technical management of the various insurance products involves the definition of the insurance policies' prices and clauses, definition and control of the subscription policy and the control and monitoring of premiums, claims and technical results.

This management function is performed periodically. Reports are made with management indicators and information is also prepared for the reinsurance area, to facilitate the annual negotiation of reinsurance treaties.

43.3. RISK CONTROL MANAGEMENT INSTRUMENTS

ORGANISATION'S INTERNAL RISKS

In order to control and minimise the organisation's internal risk, the standards and procedures have been published, and are accessible and generally known, their application being adequately monitored by the competent areas.

PORTFOLIO PROFILE STUDIES

Regular portfolio risk profile studies are performed on risk portfolios, by class of capital / liability assumed, by activity and type of coverage.

Regular studies are performed on claim behaviour based on the most dominant characteristics for the definition of risk.

This type of study allows a qualitative and quantitative analysis of claim rates on specific risk classes (insured capital amounts, insured objects, activities, and coverage) to be made, to assess the existing delegation of authority and correction of any distortions, correlating the main pricing factors and changing current products or creating new ones.

PERIODIC ANALYSIS OF THE PORTFOLIO EVOLUTION

Evolution of the portfolio under management is monitored periodically, through specific analysis of insurance policy behaviour, both in terms of number of policies and new and cancelled premiums, changes in premium / average rates and changes in distribution of contracts by various business segments.

These studies also include analyses of claim behaviour, monitoring their respective frequency and rate. This analysis is made, not only by product groups, but mainly by Products under management.

In the specific case of car insurance, extensive and detailed diagnoses are performed on the portfolio evolution, trying to identify problems and causes in the business area, both in a commercial and technical perspective. Proposals are developed as a result of those analyses. The presentation of diagnosis, discussion of the adjustment proposals and other issues relative to car insurance business are performed in frequent meetings designated War Rooms, where board members and officers responsible for the different departments involved in the that business area participate.

PORTFOLIO SELECTION AND RESTRUCTURING

The purpose of this function is to improve the profitability of the portfolio under management, both by restructuring risks with negative results (frequency and/or high claims rate), or by introducing changes to contractual terms (coverage, limits, premiums) as well as providing customer advisory services (recommendations for the implementation of prevention and security measures to improve risk quality).

This function also includes the assessment of the irregular features detected in contracts or claims which may lead to the implementation of measures that, depending on the seriousness of the irregularities, may result in the annulment of the contract or the policy holder portfolio.

INSURANCE RISK CONCENTRATIONS

Regular studies on portfolio risk profile, by class of insured capital / assumed liability, activity, insured object and coverage, provide management information that enables the impact of possible changes in coverage, reinsurance treaties and retention policies to be estimated. In some cases, specific studies are developed to assess these impacts.

These studies also focus on specific coverage, geographical area, type of liability assumed or insured object, allowing the maximum risk limit per class to be determined and quantified, in addition to assessment of the impact on the portfolio, of catastrophic claim scenarios.

43.4. REINSURANCE POLICIES

Determining factors for limiting or transferring insured risk lie in the nature of the business and insured risk amounts. These can be differentiated between "mass insurance" (motor, labour and personal accident) and property insurance business (the different component parts of fire and other risks, engineering and machinery and marine risks, general third party liability and miscellaneous risks).

Compliance with subscription rules is associated with the available reinsurance cover in force, this being a determining factor for the acceptance or rejection of certain types of risk.

Risks involving high amounts of insured capital or serious situations are analysed previously and their acceptance is strictly dependent on and supported by the reinsurance area.

The Group has based its reinsurance policy on the existence of proportional, non-proportional and facultative reinsurance treaties, and other types of reinsurance that may be necessary to obtain adequate reinsurance protection for accepted risks.

Reinsurance cover for the principal property insurance products, as well as respective retention, is based on the ratio between portfolio structure in terms of insured capital and respective premium volume for each product and on the statistical monitoring of profitability and retention / premiums ratio at the end of the year or cycle and the company's financial capacity to absorb frequent claims.

In determining retention per event, the fact that catastrophes do not occur frequently is taken into account. Retention reflects what is technically expected in terms of the impact of the same catastrophe on the company's capital and its absorption over a defined period, using a conservative scenario of a return period of 500 years, which is unusual with respect to markets subject to catastrophic risks.

As mentioned, risk retention is adapted to existing portfolios and is based on negotiated capacity and balance between premium ceding operations and that capacity.

As regards Fire and other risks, Engineering and Marine and Air insurance, the Group operates with proportional treaties.

Mass insurance risks (motor, personal and labour accident) are covered by an Excess of Loss treaty, which is more adequate to these types of risk and portfolios and to the Group's financial capacity. The statistical evolution of claims and bids received for the different levels that this may have are taken into account in defining this priority.

The "Maximum cumulative risk" on retentions, included those related to "Coverage of Earthquake and Natural Risk Phenomena", is protected by adequate Excess of Loss treaties for each situation.

The selection criteria for reinsurers are based on their reliability and financial solvency, ability to provide services. Our reinsurers are followed and monitored in their performance, their ratings being attributed by international rating agencies. The minimum rating required to a reinsurer to be part of our reinsurers' panel is A-.

43.5. ASSET AND LIABILITY MANAGEMENT (ALM) TECHNIQUES USED BY THE COMPANY

The company functions differently depending on the type of product in question.

ASSET AND LIABILITY ADEQUACY PROCEDURES

Immunised Products

These are typically products with a fixed rate, defined at inception, that do not entitle the policyholders any type of profit sharing. These products are covered by investments with similar maturity and payment dates to obtain a return on the investments that covers the company's margin and contracted interest payable to the clients.

Temporary mismatches may occur between assets and liabilities, usually due to early redemptions. For this reason, the investment policy is restricted to highly liquid investments in "investment grade" rated securities admitted to listing on OECD markets.

Profit Sharing Products with Guaranteed Principal and Income

The composition of the investment portfolio of these products depends of the applicable management strategy and definition of the individual product benchmarks.

The benchmarks are based on market interest rates, liability maturity and guaranteed return for clients. To minimise risk as the maturity of liabilities approaches, the relative weight of the investment in variable yield securities is gradually reduced and replaced by investment in fixed return securities.

A diversity of relevant information is considered for projecting future cash flows, namely that relating to current contracts, contract maturity dates, current liabilities capitalised by profit participation and guaranteed income rate.

Cash flows on investments in fixed income or fixed rate securities are projected using the assets rate or scenarios, in accordance the yield curve, depending on which is expected to be more in line with the expected future reality. Cash flow projections are not performed for equity securities, their current market value being used instead.

Policy for Allocating Investments to Products

In the case of products with profit sharing and unit-linked products in which the investment risk is borne by the policyholder, the respective investment portfolios are placed in autonomous funds. An autonomous fund is managed for each product, with the purpose of ensuring independence of the respective portfolios and avoiding contamination resulting from placing the investments covering different products in a single portfolio.

Products without profit-sharing are recorded in globally managed portfolios as the performance of these portfolios does not affect income payable to the clients. However, despite the existence of greater management flexibility, a prudent approach of matching assets and liabilities has been adopted.

Assets are allocated to portfolios based on their market value, especially in the case of portfolios in which the policyholders are entitled to a share of its results. An autonomous fund associated with each portfolio is also set up in these cases.

For each type of asset, maximum exposure limits are also defined:

Type of assets	Maximum limit (% of global amount of portfolio)
Fixed income – Long rates (*)	70.0 %
Government	70.0 %
Corporate	50.0 %
Fixed income – Short rates (**)	100.0 %
Alternative (***)	2.0 %
Variable income	30.0 %
Gross variable income	6%
(Private equity and other)	(20% of investment in variable income)
Property	15.0 %

(*) Long rates are all fixed rate issues with maturity over one year.
(**) Short rates are all fixed rate issues with residual maturity below one year, and variable rate issues.
(***) Includes hedge funds and investment in commodities.

In addition to the restrictions imposed under current legislation, the companies' portfolio management also takes the following points into consideration:

I. The maximum exposure on securities which have not been admitted to trading on the stock exchange on other regulated markets of European Union member states, or in markets in OECD countries legally defined as equivalent, amounts to 15% of the total portfolio value and must always be expressly approved by the Board of Directors;

II. Foreign currency investments must be consistent with the respective liabilities in at least 95%;

III. Derivatives, Repos and Security Lending Operations – Derivatives may be used for hedging, trading, speculation or decreasing investment costs, in accordance with the legislation in force.

Repos and security lending operations are permitted under the conditions defined by current legislation, provided that they do not compromise the allocation limits defined for each of the respective asset classes. These operations require specific approval although general approval may be given for market derivatives.

Derivatives risk assessment models:

There is a generic model for assessing expected return/risk based on the composition of the asset classes. The expected portfolio returns are subject to a sensitivity analysis based on the volatility of their assets. This type of assessment is used for asset allocation decisions, in an endeavour to set up risk controlled portfolios to optimise return within the current market environment.

Risk assessment is performed internally by the Investment Department with the involvement, whenever necessary, of the Caixa's Risk Management Department. Various risks are monitored, namely:

> Market risk;

> Interest rate risk;

> Credit risk by issuer and financial group;

> Liquidity risk.

IV. Investment on fixed income assets

Bonds eligible for acquisition must comply with the following matrix which incorporates both residual terms to credit quality. The rating to be considered for acquisition should be determined by the S&P rating agency or, in its absence, a similar rating by Moody's or Fitch. No investment should be made in assets with a rating lower than BBB-. Exception to this rule may be approved by CAD.

	Corporate debt	Sovereign Debt (Countries outside the Eurozone)	Limited per issuer
Up to 1.5 years	BBB-	BBB-	Min (0.5% ; EUR 250 million)
From 1.5 to 5.5 years	A-	A-	Min (3% ; EUR 250 million)
From 5.5 to 15.5 years	AA-	A+	
From 15.5 to 30.5 years	Non authorised	A+	Min (6% ; EUR 250 million)
More than 30.5 years	Non authorised	AAA	

There are no rating limits for the sovereign debt of the Eurozone countries.

Investment in other unspecified classes of assets must be specifically approved by the Board of Directors.

Current regulations also impose limitations on investments.

43.6. LIFE INSURANCE

There are three major types of life insurance contracts that fall within the scope of IFRS 4, in which the nature of the risk covered is as follows:

RISK PRODUCTS

The greatest risk on these products is mortality, although a large number of contracts also cover disability risk. A significant part of these risks is transferred to reinsurance companies.

Profit sharing is typically based on the following type of technical / financial account:

(Premiums + Income – Claims – Management charges – Change in mathematical provision – Any existing negative balance from the preceding year) x Profit sharing coefficient

The discretionary nature of such profit sharing is associated with its use in determining income and profit sharing coefficient, as only minimums are defined in profit sharing schemes.

ANNUITY PRODUCTS

The greatest risk on these products is longevity.

Profit sharing is typically based on the following type of technical / financial account:

(Premiums + Income – Claims – Management charges – Change in mathematical provision – Any existing negative balance from the preceding year) x Percentage of profit sharing

The discretionary nature of such profit sharing is associated with its use in determining income and profit sharing coefficient, as only minimums are defined in profit sharing schemes.

CAPITALISATION PRODUCTS

Interest risk rate is the principal risk factor in these products.

Profit sharing contracts only are covered by IFRS 4 and so income allocated to policyholders has a fixed component and a variable component that depends on the profitability of a specific portfolio of assets partly dependent on the Group's discretion.

Profit sharing is typically based on the following type of technical / financial account:

(Percentage of income – Technical income – Management charges – Any existing negative balance from the preceding year) x Percentage of profit sharing

The discretionary nature of such profit sharing is associated with its use in determining income and profit sharing coefficient, as only minimums are defined in profit sharing schemes.

The following table presents a forecast of cash inflows and outflows for each of these product types (PS – profit sharing), over the next three years.

FIDELIDADE MUNDIAL

(EUR thousand)

	Risk		Annuities		Capitalisation with PS	
Year	Inflow	Outflow	Inflow	Outflow	Inflow	Outflow
2011	149 401	89 347	0	5 156	21 701	915 388
2012	132 438	78 171	0	5 085	18 603	355 345
2013	122 642	72 644	0	5 004	16 210	194 833

IMPÉRIO BONANÇA

(EUR thousand)

	Annuities		Capitalisation with PS	
Year	Inflow	Outflow	Inflow	Outflow
2011	0	11 096	19 385	81 388
2012	0	10 571	17 220	64 757
2013	0	10 062	15 311	59 805

The following tables show the change in these cash inflows and outflows resulting from a 5% increase in expected early redemptions.

FIDELIDADE MUNDIAL

(EUR thousand)

	Risk		Annuities		Capitalisation with PS	
Year	Inflow	Outflow	Inflow	Outflow	Inflow	Outflow
2011	145 639	87 507	0	5 156	21 127	986 649
2012	122 309	72 508	0	5 085	17 184	389 970
2013	107 289	63 821	0	5 004	14 205	220 545

IMPÉRIO BONANÇA

(EUR thousand)

	Annuities		Capitalisation with PS	
Year	Inflow	Outflow	Inflow	Outflow
2011	0	11 096	18 863	100 975
2012	0	10 571	15 858	77 836
2013	0	10 062	13 348	67 936

The following tables show the estimated change in liabilities recorded in the balance sheet at 31 December 2010 as a result of changes in some of the assumptions used.

FIDELIDADE MUNDIAL

(EUR thousand)

Assumption	Change in assumption	Change in liability
Mortality rate	+25% (*)	1 385
Asset yield rate	+0.5%	407
Inflation rate	+1%	5
Redemption rate	+5%	-21

(*) In terms of annuities, the change of the mortality rate was negative.

IMPÉRIO BONANÇA

(EUR thousand)

Assumption	Change in assumption	Change in liability
Mortality rate	+25% (*)	33
Asset yield rate	+0.5%	-
Inflation rate	+1%	-
Redemption rate	+5%	-

(*) In terms of annuities, the change of the mortality rate was negative.

43.7. INTEREST RATE RISK

Interest rate risk management policy is based on a twofold approach. In the case of immunised portfolios and fixed-rate capitalisation insurance, coverage is adjusted to the liabilities assumed. In this case, the cash flow profile of the investment in assets and the outflow of liabilities on maturity, are matched. There is practically no active management of interest rate risk during the product's life.

Interest rate risk on benchmark management model portfolios is managed actively in accordance with target exposure levels, defined by benchmarks, using tactical underweight / overweight management based on the expectation of changes on the curve structure, in order to optimise the return on assets.

In this context and for risk monitoring, companies use the services of CGD's risk control unit, which discloses its own indicators.

The following table shows that the exposure level to longer periods in quantitative terms is not significant:

Maturity Risk	Amount	%	Mod. Dur.
Fixed income	11 960 233 643	100.0%	
Fixed rate bonds	6 549 323 929	54.8%	3.76
Maturity 1–3	3 627 384 197	55.4%	2.37
Maturity 4–5	1 505 397 774	23.0%	4.19
Maturity 6–7	764 534 961	11.7%	5.56
Maturity 8–10	476 630 549	7.3%	7.17
Maturity 11–19	73 938 174	1.1%	10.10
Maturity 20–35	101 438 274	1.5%	12.72
Variable rate bonds	3 924 857 236	32.8%	0.30
Inflation-linked bonds	126 432 877	1.1%	4.90
Perpetual (fixed rate)	136 542	0.0%	
Non-performing	2 428 497	0.0%	
Bonds with maturity < 1 year	1 357 054 563	11.3%	0.57

This risk is also being monitored by supervisory bodies, a specific stress-test having been made on the asset portfolio, in last years, to quantify the impact of adverse shocks.

The use of derivatives for risk management purposes is currently limited to the occasional use of interest rate swaps in portfolios to reduce interest rate risk or in cases in which this instrument has been considered more efficient than the direct use of assets.

At 31 December 2010, Caixa Seguros had a number of interest rate swaps to cover financial risks of unit-linked and life insurance fixed rate products, as summarised in the following table:

Nocional Value (EUR)	Currency	Linked products	Maturity	Rate granted	Rate taken
20 000 000.00	EUR	Postal 4%	2012	Euribor_3M_360	Euribor_3M_360+0.180%
45 000 000.00	EUR	Postal 4%	2012	Euribor_3M_360	Euribor_3M_360+0.230%
11 000 000.00	EUR	K investe	2013	4.000%	4.300%
125 000 000.00	EUR	Caixa Seguro 2x4.15	2013	Euribor_3M_360	Euribor_3M_360+0.318%
76 500 000.00	EUR	Caixa Seguro Euro Campeão	2013	Euribor_3M_360-0.250%	Euribor_1A_360
50 000 000.00	EUR	Levexpert PPR Série B	2013	Euribor_3M_360	Euribor_1A_360-0.140%
30 000 000.00	EUR	Pst Top Rend. CS Invest Mais	2013	Euribor_3M_360	Euribor_1A_360-0.180%
65 000 000.00	EUR	Pst Top Rend. CS Invest Mais	2013	Euribor_3M_360	Euribor_1A_360-0.250%
110 000 000.00	EUR	Pst Top Rend. CS Invest Mais	2013	Euribor_3M_360	Euribor_1A_360-0.190%
17 500 000.00	EUR	Postal 12.2%	2011	3.910%	3.991%
15 000 000.00	EUR	Postal PPR 20%	2013	3.710%	3.923%
50 000 000.00	EUR	Levexpert PPR Série A	2013	4.500%	4.781%
30 000 000.00	EUR	Postal Valorização Garantida	2011	4.400%	4.498%
16 000 000.00	EUR	Postal PPR Valor Premium	2013	4.730%	5.010%
125 000 000.00	EUR	Caixa Seguro Duplo Invest	2013	Euribor_3M_360	Euribor_3M_360+0.040%
5 200 000.00	EUR	VANTAGEM DUPLA 2003	2013	Euribor_6M_360+0.450%	4.670%
4 000 000.00	EUR	VANTAGEM DUPLA 2003	2013	Euribor_6M_360+0.450%	4.710%
100 000.00	EUR	VANTAGEM DUPLA 2003	2013	Euribor_6M_360+0.450%	4.250%
14 373 348.00	EUR	REFORMA PPR/E MAIS	2012	5.238%	5.207%
12 000 000.00	EUR	Garantido 4%	2013	4.000%	4.300%
4 000 000.00	EUR	PPR 4.28	2012	Euribor_3M_360	Euribor_1A_360+0.230%
9 500 000.00	EUR	Garantido 4.14%	2013	4.140%	4.382%
15 000 000.00	EUR	Garantido 4.65%	2011	4.650%	4.758%

Risk management / counterparty analysis policy is based essentially on the selection table at the time the asset is purchased, disclosed in the "Asset separation requirements" item, designed to protect the policyholders through restrictions in the use of the company's assets.

The risk is however, monitored continuously by analysing international rating agencies' opinions / outlooks in order to prevent a downgrade of the rating of the securities held. On the other hand, the definition of internal limits by counterparty, not authorising the accumulation of risk, ensures good risk level dilution over time.

The following table describes the economic groups of exposure positions equal to or more than EUR 50 million:

ASSETS FOR COUNTERPARTY RISK

Economic Group	Accumulated capital	%
Total	11 960 233 643	100.00%
Public debt – European Union	3 720 583 224	31.11%
Portugal	1 868 455 998	15.62%
Italy	653 096 546	5.46%
Germany	281 238 795	2.35%
France	242 311 490	2.03%
Greece	210 005 945	1.76%
Spain	166 804 262	1.39%
Belgium	161 147 766	1.35%
Netherlands	60 159 701	0.50%
Other	77 362 720	0.65%
Caixa Geral de Depósitos, SA	1 511 748 557	12.64%
Espírito Santo Financial Group	216 676 560	1.81%
Barclays PLC	176 288 869	1.47%
Banco Comercial Português, SA	170 093 112	1.42%
Banco Santander, SA	166 286 647	1.39%
General Electric Co	162 060 307	1.35%
ING Groep NV	151 216 280	1.26%
EDP – Energias de Portugal, SA	140 231 179	1.17%
Intesa Sanpaolo SpA	130 254 835	1.09%
DnB NOR ASA	130 191 417	1.09%
Banco BPI, SA	116 920 530	0.98%
BNP Paribas	115 812 324	0.97%
Enel SpA	112 731 486	0.94%
HSBC Holdings PLC	111 002 182	0.93%
Royal Bank of Scotland Group PLC	110 820 818	0.93%
SNS REAAL NV	110 477 033	0.92%
Parpública	109 537 583	0.92%
Fortis	108 494 795	0.91%
UniCredit SpA	108 389 658	0.91%
Danske Bank A/S	108 106 892	0.90%
Lloyds Banking Group PLC	107 444 659	0.90%
Unione di Banche Italiane SCPA	105 855 352	0.89%
Svenska Handelsbanken AB	104 360 517	0.87%
Bayerische Motoren Werke AG	104 264 143	0.87%
National Australia Bank Ltd	104 007 522	0.87%
Dexia, SA	102 984 295	0.86%
Bank of America Corp	100 186 529	0.84%
Banco Bilbao Vizcaya Argentaria	98 833 872	0.83%
Nordea Bank AB	98 809 475	0.83%
Citigroup Inc	89 097 927	0.74%
Westpac Banking Corp	87 045 306	0.73%
Groupe Credit Mutuel	85 651 767	0.72%
Rabobank Nederland NV	78 380 455	0.66%

...continued

Economic Group	Accumulated capital	%
Montepio Geral Associação Mutualista	77 709 896	0.65%
E.ON AG	74 198 435	0.62%
Deutsche Bank AG	74 098 081	0.62%
OP–Pohjola Group Central Cooperative	72 685 846	0.61%
J. P. Morgan Chase & Co	72 299 073	0.60%
Société Générale	70 672 708	0.59%
Banco de Sabadell, SA	68 337 052	0.57%
Crédit Suisse Group AG	66 852 450	0.56%
Anglo Irish Bank Corp PLC	66 218 116	0.55%
Skandinaviska Enskilda Banken	64 784 540	0.54%
Volkswagen AG	64 569 356	0.54%
Gdf Suez	58 083 442	0.49%
ENI SpA	56 999 265	0.48%
National Grid PLC	54 880 210	0.46%
UBS AG	53 054 485	0.44%
Veículos	52 081 759	0.44%
Diageo PLC	50 740 861	0.42%
Other	1 807 121 962	15.11%

44. CAPITAL MANAGEMENT

Capital management objectives, in Caixa Geral de Depósitos, are guided by the following general principles:

- To comply with the rules established by the supervisory authorities namely the Bank of Portugal and the National Council of Financial Supervisors;
- To generate an adequate level of return for the company, creating value for its shareholder and return on capital;
- To sustain the development of the operations that CGD is legally authorised to perform, maintaining a solid capital structure, capable of providing for the growth of operations and adequate risk profile for the institution;
- To ensure the good name of both the institution and the group through the maintenance ofintegrity of the operations performed.

To achieve the above referred to objectives Caixa Geral de Depósitos plans its short and medium term capital requirements considering the financing of its operations, specially using its own resources and other procured resources. This planning is based on in-house estimates of growth of balance sheet operations, considering that funding obtained through other sources is carried out mainly by the issue of subordinated debt which within certain limits is included in complementary own funds.

Current regulatory requirements are based on the “RGICSF” (General Credit Institutions and Financial Companies Regime), approved by Decree Law 298/1992 of 31 December, in accordance with the latest text of Decree Law 317/2009 of 30 October, which is central to Portuguese prudential regulations and which, to a large extent, reflects Community directives relating to the financial system. With Decree Law 298/1992, the Bank of Portugal considered convenient to compact in one single text the main rules relative to own funds, the Office Notice 19/1992 being published for that purpose.

During its lifetime, Official Notice 12/19 suffered several changes, some of substancial nature, namely, the changes through Official Notice 2/2005 (relative to the regulatory framework of own funds and solvency ratio further to the adoption of the International Accounting Standards) and the changes introduced by Decree Laws 103/2007 and 104/2007, both of 3 April, and consolidated in Official Notice 4/2007 relative to the transposition to the Portuguese law of Directives 2006/48/CE and 2006/49/CE of the the European Parliament and Council, and the so called Basel II Capital Acord.

In practise this resulted in the substitution of “Basel I” as from 1 January 2008, by the so called “Basel II Capital Accord” which considers, besides the new methodologies for calculation requirements of minimum own funds more sensitive to risk, (Pilar I), a set of requirements relative to self-assessment and determination by the credit institutions of the internal capital level considered appropriate for their risk profile (Pilar II), that amount being the bank’s economic capital. Operational risk was also introduced, creating the need for institutions to calculate additional own fund requirements to cover it.

The year 2008 was particularly marked by regulatory interventions of the Bank of Portugal with the issue of a broad set of Official Notices and Letters related to matters of prudential nature. Reference should be made to the following changes to the calculation of own funds:

- Transition impacts, comprising the costs of employee benefits on the introduction of the IAS (Healthcare Plan and other health-related costs) whose deductions from own funds were deferred for 5 or 7 years. These deferral periods were extended to 3 more years by the Bank of Portugal Official Notice 7/2008 of 14 October and so these impacts will only end in December 2012 and December 2014;

- Unrealised capital gains and losses on debt securities classified as available-for-sale are no longer included in Tier 1 and Tier II, respectively, as from October 2008 (Notice 6/2008, of 14 October);

- The 10% limit for the inclusion of deferred tax assets in Tier 1 was eliminated (Bank of Portugal Notice 9/2008, of 28 October).

Bank of Portugal authorised Caixa Geral de Depósitos Group to adopt the standard method (in substitution of the basic method) in calculating own funds requirements for operational risk hedging purposes. This authorisation was effective as from 30 June 2009, inclusive, also covering, on an individual basis, Caixa – Banco de Investimento, Caixa Leasing e Factoring and Caixagest, which will be subject to the eligibility criteria applicable to that method.

In 2009, and following the international financial crisis, the Basel Committee on Banking Supervision developed a reform programme targeted to reinforce the global regulation on capital and liquidity.

The objective of this reform package is to improve the capacity of the banking sector to absorb the impacts deriving from financial and economic stress, from whatever source, thus reducing the risk of contamination of real economy by the financial sector and, on the other hand, to improve quality, consistency and transparency of the capital base.

This set of reforms is mainly focused on Pilar I (Determination of minimum own funds requirements) of Basel II Acord, but it also includes a number of guidelines and recommendations for Pilar II (Assessment Process by the Supervisory Authority) and Pilar III (Market Discipline).

The set of reforms agreed and published by the Committee between July 2009 and September 2010, known as “Basel III”, can be summarised by as follows:

- To improve the quality of capital to ensure that banks have greater capacity to absorb losses both on going concern and on a gone concern basis;

- To increase risk hedging particularly for trading and securitisation operations, exposure to off-balance sheet vehicles and exposure to counterparty credit risk resulting from derivatives;

- To increase the minimum capital requirements:

  > Core Tier 1 ratio (common equity capital) – definition of a minimum of 4.5% in 2015 – currently it is 2%. The change will be phased: 3.5% in 2013, 4% in 2014 and 4.5% in 2015;

  > Tier 1 ratio increases from 4% to 6% in the abovementioned period: 4.5% in 2013, 5.5% in 2014 and 6% in 2015;

  > Capital ratio remains at 8%;

  > Capital conservation buffer – creation of a security margin of 2.5%, which will be also phased: 0.625% in 2016, 1.25% in 2017, 1.875% in 2018 and 2.5% in 2019. These values are added to ratios referred to above. The purpose of the creation of the buffer is to ensure that the banks will keep a margin that can be used to cover losses arising in periods of economic and financial stress;

- To establish transition periods to absorb deductions non-eligible capital elements in accordance with Basel III and new deductions to capital base;

- To promote the accumulation of capital buffers in favourable scenarios, that can be used in periods of crisis, including a capital conservation buffer as a countercyclical buffer to protect the banking sector from periods of excessive credit growth;

- To introduce a internationally harmonised leverage ratio to support the capital measure weighted by risk and to sustain excessive leverage in the system;

• To introduce minimum global liquidity standards consisting of a short term liquidity coveraged ratio (LCR), as well as a long term structural net stable funding ratio (NSFR);

• To raise the standards for the supervision process (Pilar II) and market discipline (Pilar III), along with additional guidelines in the area of best valuation practices, stress tests, liquidity risk management, corporate governance and remunerations.

Reference should be made to the fact that, at European level, the incorporation and timing of the proposed reviews have not been transposed to the EU legislation and so there is the possibility of some differences in the final approach.

Other additional measures to be apllied to the so called systemic financial institutions (too-big-to fail companies) are also being analysed.

The Group accompanied the work carried out under the regulatory changes called Basel III, and actively participated in public consultations on the matter. In addition, the Group performed in-house studies to assess the impact of the known proposals, in order to identify measures and strategies to respond to the new regulatory requirements.

The composition of regulatory capital of Caixa Geral de Depósitos, at end of 2010 and 2009 for consolidated operations, as follows:

CONSOLIDATED SOLVENCY RATIO

(EUR million)

	31.12.2009 (1)	31.12.2010 (2)	Change (2)-(1)
A – BASIS OWN FUNDS (TIER I)	6,037	6,844	807
Share Capital	4 500	5 050	550
Reserves and retained earnings	1 233	1 162	(71)
Net income for the year	54	312	258
Minority shareholders' interests	1 117	1 273	156
Impacts of the adoption of IAS (transitional regime)	119	94	(25)
Dedutions to basis own funds (*)	(986)	(1 048)	(61)
B – COMPLEMENTARY OWN FUNDS (TIER II)	2,966	2,682	(284)
Subordinated liabilities with unspecified maturity	174	156	(18)
Subordinated liabilities with specified maturity	2 999	2 680	(319)
Revaluation reserves	238	243	5
Other (*)	(445)	(397)	48
C – DEDUCTIONS TO TOTAL BASIS OWN FUNDS	(37)	(40)	(3)
D – TOTAL ELEGIBLE OWN FUNDS (A+B+C)	8 966	9 486	521
E – WEIGHTED RISK POSITIONS	71 041	76 989	5 948
Credit risk	64 080	67 660	3 580
Market risk	2 819	5 098	2 279
Operational risk	4 142	4 232	90
RATIOS			
TIER I (A/E)	8.5%	8.9%	0.4%
CORE TIER I	8.3%	8.8%	0.5%
TIER II (B/E)	4.2%	3.5%	-0.7%
DEDUCTIONS (C/E)	-0.1%	-0.1%	0.0%
SOLVENCY RATIO (D/E)	12.6%	12.3%	-0.3%

(*) Include deductions of investments in insurance companies and credit institutions in which equity investment is ≥ 10%.

45. NOTE ADDED FOR TRANSLATION

The accompanying financial statements are a translation of financial statements originally issued in Portuguese in accordance with generally accepted accounting principles in Portugal. In the event of discrepancies, the Portuguese language version prevails.

Caixa Geral de Depositos

2.2. CEBS REPORTS

www.cgd.pt

ADOPTION OF FINANCIAL STABILITY FORUM (FSF) AND COMMITTEE OF EUROPEAN BANKING SUPERVISORS (CEBS) RECOMMENDATIONS ON INFORMATION TRANSPARENCY AND ASSET VALUATION

BANK OF PORTUGAL CIRCULAR LETTER 97/2008/DSB OF 03 DECEMBER

I. BUSINESS MODEL

1.	Description of business model (i.e. reasons for the development of activities / businesses and their respective contribution to the value creation process) and, if applicable, the changes made (e.g. as a result of the period of turmoil);	See Board of Directors' Report - Chapters: • Chairman's Statement; • Strategy and Business Model. See Corporate Governance Report.
2.	Description of strategies and objectives (including strategies and objectives specifically related with securitisation operations and structured products);	See I.1. above. See Board of Directors' Report – Chapters: • Strategic Vision 2008–2010; • Financial Analysis – Balance Sheet Evolution (on securitisation operations). See Annex to the Consolidated Financial Statements: • Notes 11. and 22. on securities issued under securitisation operations and structured products.
3.	Description of the importance of the activities performed and their respective contribution to the business (including a quantitative approach);	The Board of Directors' Report contains a detailed description of CGD Group's activity, its objectives and results, contribution to business, consequences of the turmoil in the Financial Statements, both in quantitative and qualitative terms. Particular note should be taken of the Chapters referred to in item I.1. above. See Notes 28. and 40. of the Annex to the Consolidated Financial Statements.
4.	Description of the type of activities performed, including a description of the instruments used, their operation and qualification criteria with which the products / investments must comply;	See items I.1. to I.3. above. See Board of Directors' Report – Chapter on Risk Management. See Note 2.7. of the Annex to the Consolidated Financial Statements.
5.	Description of the objective and amplitude of the institution's involvement (i.e. commitments and obligations assumed) for each activity performed.	See items I.1. to I.3. above.

...continued

II. RISKS AND RISK MANAGEMENT

6.	Description of the nature and amplitude of the risks incurred on activities performed and instruments used;	See Board of Directors' Report – Chapter on Risk Management. See Annex to the Consolidated Financial Statements: • Note 42.: containing a detailed description of the financial risk management policies inherent to the Group's activity, the monitoring thereof, maximum exposure to credit risk, credit quality, liquidity risk, interest rate risk, foreign exchange risk, market risk and VaR analyses and sensitivity to interest rate; • Note 43: describing risk management for Insurance and Reinsurance Contracts.
7.	Description of risk management practices relevant to the activities (particularly including liquidity risk in the present context), description of any fragilities / weaknesses identified and the corrective measures taken.	See II.6. above.

III. IMPACT OF PERIOD OF FINANCIAL TURMOIL IN RESULTS

8.	A qualitative and quantitative description of the results, particularly losses (when applicable) and impact of write-downs in results;	See Board of Directors' Report – Chapter: • Financial Analysis – Results and Profitability. See Notes 6., 8. and 19. of the Annex to the Consolidated Financial Statements.
9.	Breakdown of write-downs / losses by types of products and instruments affected by the period of turmoil, namely: commercial mortgage-backed securities (CMBS), residential mortgage-backed securities (RMBS), collateralised debt obligations (CDO), asset-backed securities (ABS);	See Board of Directors' Report – Chapter: • Financial Analysis – Results and Profitability. See Note 42. of the Annex to the Consolidated Financial Statements.
10.	Description of the reasons and factors responsible for the impact;	See Board of Directors' Report – Reference is made, in the various chapters, to the consequences of the turmoil in financial markets on the banking system and on CGD, in particular, namely in the following chapters: • Chairman's Statement; • Macroeconomic background; • Financial Analysis. See items III.8. and III.9. above.
11.	Comparison of: i) impacts between (relevant) periods; ii) financial statements before and after the impact of the period of turmoil;	See contents of items III.8. to III.10. above.
12.	Breakdown of "write-downs" between realised and unrealised amounts;	See contents of items III.8 to III.10 above, particularly Notes 33. and 42. of the Annex to the Consolidated Financial Statements.

13.	Description of the influence of the financial turmoil on the entity's share prices;	N.a.
14.	Disclosure of maximum loss risk and description of how the institution's situation could be affected by the prolongation or worsening of the period of turmoil or market recovery;	See Board of Directors' Report, particularly the Chapter on Financial Analysis – Principal Risks and Uncertainties. See contents of III.10. above.
15.	Disclosure of impact of the evolution of the spreads associated with the institution's own liabilities in results in addition to the methods used to determine this impact;	See Board of Directors' Report – Chapter: • Financial Analysis – Results and Profitability. Liabilities issued by CGD Group are recognised at amortised cost.

IV. LEVELS AND TYPES OF EXPOSURES AFFECTED BY THE PERIOD OF TURMOIL

16.	Nominal (or amortised cost) and fair value of "live" exposures;	See Board of Directors' Report – Chapter: • Risk Management. See Annex to the Consolidated Financial Statements: • Note 2.7.; • Note 42., setting out a comparison between the fair and book value of assets and liabilities recognised at amortised cost .
17.	Information on credit risk mitigating factors (e.g. credit default swaps) and respective effect on present exposures;	See Annex to the Consolidated Financial Statements: • Note 2.7., describes the accounting policies for derivatives and hedge accounting; • Notes 10., 42. and 43., setting out detailed information on derivatives, notional amounts and book values of Caixa operations using such instruments for which there are exposure limits per product and per customer and daily monitoring of results.
18.	Detailed disclosure of exposures, broken down by: • Level of seniority of exposures / tranches held; • Level of credit quality (e.g. ratings, vintages); • Geographic areas of origin; • Sector of activity; • Origin of exposures (issued, retained or acquired); • Product characteristics: e.g. ratings, weight / proportion of associated sub-prime assets, discount rates, spreads, finance; • Characteristics of underlying assets: e.g. vintages, loan-to-value ratio, credit rights; weighted average life of underlying asset, presuppositions on the evolution of prepayment situations, expected losses;	See Board of Directors' Report. See Note 42. of the Annex to the Consolidated Financial Statements.
19.	Movements occurring in exposures between relevant reporting periods and reasons underlying such changes (sales, write-downs, purchases, etc.);	See Board of Directors' Report on exposure of assets affected by the period of turmoil. • See items III.8 to III.15 above.
20.	Explanations of exposures (including "vehicles" and, in this case, respective activities) which have not been consolidated (or which have been recognised during the crisis) and associated reasons;	N.a.

...continued

21.	Exposure to monoline type insurance companies and quality of insured assets: • Nominal amount (or amortised cost) of insured exposures in addition to the amount of credit protection acquired; • Fair value of "live" exposures and respective credit protection; • Value of write-downs and losses, split up between realised and unrealised amounts; • Breakdown of exposures by rating or counterparty.	CGD does not have any exposure to monoline type insurance companies.

V. ACCOUNTING POLICIES AND VALUATION METHODS

22.	Classification of transactions and structured products for accounting and respective processing purposes;	See Annex to the Consolidated Financial Statements: • Note 2., setting out a description of the financial instruments and how they are processed in the accounts.
23.	Consolidation of Special Purpose Entities (SPEs) and other "vehicles" and their reconciliation with the structured products affected by the period of turmoil;	N.a.
24.	Detailed disclosure of the fair value of financial instruments : • Financial instruments at fair value; • Fair value ranking (breakdown of all exposures measured at fair value in the fair value ranking and breakdown between liquid assets and derivative instruments in addition to disclosure of information on migration between ranking levels); • Processing of "day 1 profits" (including quantitative information); • Use of fair value option (including conditions of use) and respective amounts (with an adequate breakdown);	See Notes 7. and 42. of the Annex to the Consolidated Financial Statements. See item IV.16. above, particularly the presentation of the determination of the fair value of the financial instruments.
25.	Description of modelling techniques used to value financial instruments, including information on: • Modelling techniques and instruments on which they are applied; • Valuation processes (particularly including the assumptions and inputs upon which the models are based); • Types of adjustment applied to reflect the modelling risk and other valuation uncertainties; • Sensitivity of fair value (namely changes to assumptions and key inputs); • Stress Scenarios.	See Annex to the Consolidated Financial Statements: • Note 2.7., setting out information and processes applied by CGD in the valuation of financial instruments; • Notes 42. and 43.

VI. OTHER RELEVANT DISCLOSURE ASPECTS

26.	Description of disclosure policies and principles used for reporting disclosures and financial reporting.	See Note 2. of the Annex to the Consolidated Financial Statements.

N.a. – Not available.

2.3. AUDIT REPORTS AND OPINIONS

2.3. AUDIT REPORTS AND OPINIONS

2.3.1. STATUTORY AUDIT CERTIFICATE

ISSUE OF STATUTORY AUDIT CERTIFICATE

INTRODUCTION

1. We have examined the separate financial statements of CAIXA GERAL DE DEPÓSITOS, SA comprising its balance sheet, at 31 December 2010 (showing a total balance sheet value of EUR 112 902 810 thousand and total shareholders' equity of EUR 6 202 424 thousand, including net income of EUR 47 256 thousand), income statement, statement of comprehensive income, changes to shareholders' equity and cash flows for the year then ended and corresponding notes to the financial statements.

RESPONSIBILITIES

2. The board of directors is responsible for preparing the financial statements with a view to presenting a true and appropriate description of the company's financial position and the income generated by its operations in addition to using adequate accounting policies and criteria and maintaining appropriate internal control systems.

3. It is our responsibility to express a professional, independent opinion thereon, based on our examination of the said financial statements.

SCOPE

4. Our examination was performed in accordance with the technical standards and revision / audit directives issued by the Ordem dos Revisores Oficiais de Contas (Order of Statutory Auditors) which require that the examination be planned and performed with the objective of obtaining an acceptable degree of assurance as to whether the financial statements are free from any materially relevant distortions. Our examination therefore included:

- Verification of samples of the supporting documents upon which the amounts and information disclosed in the financial statements are based and an assessment of estimates based on judgements and criteria defined by the board of directors and used for the preparation thereof;
- An assessment of whether the accounting policies used and disclosure thereof are adequate, based on the circumstances;
- Verification of the applicability of the going-concern principle; and
- An assessment of whether the global presentation of the financial statements, is adequate.

5. Our examination also included verification of concordance between the financial information contained in the board of directors' report and the financial statements.

6. We consider that our examination has provided us with an acceptable basis upon which to base our opinion.

OPINION

7. In our opinion, the referred to financial statements provide a true and appropriate description of the financial situation of CAIXA GERAL DE DEPÓSITOS, SA at 31 December 2010, in all materially relevant aspects, the results of its operations and cash flows for the year then ended, in conformity with the International Financial Reporting Standards.

EMPHASIS OF MATTERS

8. As described in item 7 to the notes to the financial statements at 31 December 2010, CGD's exposure to Banco Português de Negócios, SA (BPN) includes:

i) EUR 745.9 million in investments on the interbank money market without a Declaration of Guarantee issued by the Directorate General for the Treasury and Finance, with it being CGD's board of directors' understanding that they benefit from the personal guarantee of the state under the terms of no. 9 of article 2 of Law 62–A/2008 of 11 November under which BPN was nationalised;

ii) EUR 795.1 million in loans to the entities Parvalorem, SA, Parups, SA and Parparticipadas SA made by BPN under the scope of the respective reprivatisation process which were guaranteed by assets of the companies themselves.

REPORT ON OTHER LEGAL REQUIREMENTS

9. It is also our opinion that the information set out in the board of directors' report is in conformity with the financial statements for the year.

Lisbon, 22 March 2011

Oliveira Rego & Associados
Sociedade de Revisores Oficiais de Contas (Statutory Auditors)
Represented by Manuel de Oliveira Rego (partner)

2.3.2. AUDIT REPORT – CONSOLIDATED FINANCIAL STATEMENTS

(Amounts expressed in thousands of Euro – EUR thousand)

(Translation of a report originally issued in Portuguese – see Note 45.)

INTRODUCTION

1. Pursuant to Article 245 of the Portuguese Securities Market Code (Código dos Valores Mobiliários), we present our Audit Report on the consolidated financial information included in the Directors' Report and the accompanying consolidated financial statements of Caixa Geral de Depósitos, SA and subsidiaries ("Caixa" or "CGD") for the year ended 31 December 2010, which comprise the consolidated balance sheet as of 31 December 2010, that reflects a total of EUR 125 861 974 thousand and total equity of EUR 7 839 996 thousand, including net income attributable to the shareholder of CGD of EUR 250 582 thousand, the Consolidated Statements of Income, Comprehensive Income, Changes in Shareholders' Equity and Cash Flows for the year then ended and the corresponding Notes.

RESPONSIBILITIES

2. The Board of Directors of Caixa is responsible for: (i) the preparation of consolidated financial statements that present a true and fair view of the financial position of the companies included in the consolidation, the consolidated income and comprehensive income from their operations, the changes in consolidated shareholders' equity and their consolidated cash flows; (ii) the preparation of historical financial information in accordance with the International Financial Reporting Standards as endorsed by the European Union, which is complete, true, up-to-date, clear, objective and licit as required by the Portuguese Securities Market Code; (iii) the adoption of adequate accounting policies and criteria and the maintenance of appropriate systems of internal control; and (iv) the disclosure of any significant facts that have influenced the operations of the companies included in the consolidation, their financial position and their net income and comprehensive income.

3. Our responsibility is to examine the financial information contained in the documents of account referred to above, including verification that, in all material respects, the information is complete, true, up-to-date, clear, objective and licit, as required by the Portuguese Securities Market Code, and to issue a professional and independent report based on our examination.

SCOPE

4. Our examination was performed in accordance with the auditing standards ("Normas Técnicas e Directrizes de Revisão / Auditoria") issued by the Portuguese Institute of Statutory Auditors ("Ordem dos Revisores Oficiais de Contas"), which require the examination to be planned and performed with the objective of obtaining reasonable assurance about whether the consolidated financial statements are free of material misstatement. Our examination included verifying, on a sample basis, evidence supporting the amounts and disclosures in the financial statements and assessing the estimates, based on judgements and criteria defined by Caixa's Board of Directors, used in their preparation. Our examination also included verifying the consolidation procedures used and the application of the equity method, and verifying that the financial statements of the companies included in the consolidation were adequately examined, assessing the adequacy of the accounting principles used, their uniform application and their disclosure considering the circumstances, verifying the applicability of the going concern concept, assessing the adequacy of the overall presentation of the consolidated financial statements, and assessing if, in all material respects, the financial information is complete, true, up-to-date, clear, objective and licit. Our examination also included verifying that the consolidated financial information included in the Directors' Report is consistent with the other consolidated documents of account as well as the verifications set out in paragraphs 4 and 5 of Article 451 of the Commercial Companies Code ("Código das Sociedades Comerciais"). We believe that our examination provides a reasonable basis for expressing our opinion.

OPINION

5. In our opinion, the consolidated financial statements referred to in paragraph 1 above present fairly, in all material respects, the consolidated financial position of Caixa Geral de Depósitos, SA and its subsidiaries as of 31 December 2010, the consolidated income and comprehensive income from their operations, the changes in their consolidated shareholders'

equity and their consolidated cash flows for the year then ended in conformity with the International Financial Reporting Standards as endorsed by the European Union and the information included therein is complete, true, up-to-date, clear, objective and licit in accordance with the definitions included in the standards referred to in paragraph 4 above.

EMPHASIS

6. As explained in Note 6. to the consolidated financial statements, at the end of 2010 there was a reorganization of the liquidity assistance operations of Caixa to Banco Português de Negócios, SA (BPN), under which three special purpose vehicles (SPV) were set up. These SPVs acquired from BPN, at their nominal value or original cost, a pool of assets, including overdue or impaired loans, properties received as settlement of loans and participating interests. At 31 December 2010 the capital of the SPVs was still fully owned by BPN. As a result of these operations, at 31 December 2010 Caixa's exposure to BPN and to the above SPVs, excluding accrued interest, was as follows:

	Exposure	
	Total	Part guaranteed by the Portuguese State
BPN		
Loans and advances to credit institutions – Commercial Paper	400 000	400 000
Loans and advances to credit institutions – Interbank Money Market	745 852	-
Parvalorem, SA, Parups, SA and Parparticipadas, SA (SPVs)		
Financial assets available-for-sale – Bonds	3 100 000	3 100 000
Loans and advances to customers	795 112	-

The loans granted to the SPVs not guaranteed by the Portuguese State, amounting to EUR 795 112 thousand, are collateralized by the assets of the SPVs. Although the liquidity assistance operations through the Interbank Money Market do not have a warranty statement issued by the General Directorate of Treasury and Finance ("Direcção Geral do Tesouro e Finanças"), Caixa's Board of Directors believes that these operations benefit from personal guarantee of the Portuguese State under the terms of paragraph 9, Article 2 of Law 62–A/2008 of November 11, which nationalized BPN.

REPORT ON OTHER LEGAL REQUIREMENTS

7. It is also our opinion that the consolidated financial information included in the Directors' Report is consistent with the consolidated financial statements for the year and the report on corporate governance practices includes the information required from Caixa under Article 245–A of the Portuguese Securities Market Code.

Lisbon, 22 March 2011

Deloitte & Associados, SROC, SA
Represented by João Carlos Henriques Gomes Ferreira

2.3.3. STATUTORY AUDIT CERTIFICATE ON THE CONSOLIDATED ACCOUNTS

ISSUE OF STATUTORY AUDIT CERTIFICATE ON THE CONSOLIDATED ACCOUNTS

INTRODUCTION

1. We have examined the consolidated financial statements of CAIXA GERAL DE DEPÓSITOS, SA comprising its balance sheet, at 31 December 2010 (showing a total balance sheet value of EUR 125,861,974 thousand and total shareholders' equity of EUR 7,839,996 thousand, including net income of EUR 250,582 thousand), income statement, statement of comprehensive income, changes to shareholders' equity and cash flows for the year then ended and corresponding notes to the financial statements.

RESPONSIBILITIES

2. The board of directors is responsible for preparing the consolidated financial statements with a view to presenting a true and appropriate description of the financial position of the companies included in the consolidation, the consolidated income generated by their operations and their consolidated cash flows, in addition to using adequate accounting policies and criteria and maintaining appropriate internal control systems.

3. It is our responsibility to express a professional, independent opinion thereon, based on our examination of the said financial statements.

SCOPE

4. Our examination was performed in accordance with the technical standards and revision / audit directives issued by the Ordem dos Revisores Oficiais de Contas (Order of Statutory Auditors) which require that the examination be planned and performed with the objective of obtaining an acceptable degree of assurance as to whether the consolidated financial statements are free from any materially relevant distortions. Our examination therefore included:

- Verification of whether the financial statements of the companies included in the consolidation have been appropriately examined and, for significant cases in which this has not been the case, verification of samples of the supporting documents upon which the amounts and information disclosed therein are based and an assessment of estimates based on judgements and criteria defined by the board of directors and used for the preparation thereof;

- Verification of the consolidation operations and application of the equity accounting method;

- An assessment of whether the accounting policies used and disclosure thereof are adequate, based on the circumstances;

- Verification of the applicability of the going-concern principle; and

- An assessment of whether the global presentation of the consolidated financial statements, is adequate.

5. We consider that our examination has provided us with an acceptable basis upon which to base our opinion.

OPINION

6. In our opinion, the referred to consolidated financial statements provide a true and appropriate description of the consolidated financial situation of CAIXA GERAL DE DEPÓSITOS, SA at 31 December 2010, in all materially relevant aspects, the consolidated results of its operations and consolidated cash flows for the year then ended, in conformity with the International Financial Reporting Standards.

EMPHASIS OF MATTERS

7. In terms of Caixa Geral de Depósitos's consolidation perimeter, our company operates as the statutory auditor for the Caixa Leasing e Factoring – Instituição Financeira de Crédito SA, Caixagest Técnicas de Gestão de Fundos, SA, Caixanet –

Telemática e Comunicações, SA and Credip – Instituição Financeira de Crédito, SA companies and has used the information supplied by the inspectors / auditors of the other companies included in the said consolidation perimeter, to form the opinion we have expressed in this document.

8. As described in item 6 to the notes to the financial statements at 31 December 2010, CGD's exposure to Banco Português de Negócios, SA (BPN) includes:

i) EUR 745.9 million in investments on the interbank money market without a Declaration of Guarantee issued by the Directorate General for the Treasury and Finance, with it being CGD's board of directors' understanding that they benefit from the personal guarantee of the state under the terms of no. 9 of article 2 of Law 62–A/2008 of 11 November under which BPN was nationalised;

ii) EUR 795.1 million in loans to the entities Parvalorem, SA, Parups, SA and Parparticipadas, SA made by BPN under the scope of the respective reprivatisation process which were guaranteed by assets of the companies themselves.

REPORT ON OTHER LEGAL REQUIREMENTS

10. It is also our opinion that the information set out in the board of directors' report is in conformity with the financial statements for the year.

Lisbon, 22 March 2011

Oliveira Rego & Associados
Sociedade de Revisores Oficiais de Contas (Statutory Auditors)
Represented by Manuel de Oliveira Rego (partner)

2.3.4. REPORT AND OPINION OF AUDIT BOARD

Statement to Shareholders

1. Under articles 420 and 508–D of the Commercial Companies Code, the audit board is responsible for producing a report on its inspection and issuing an opinion on the separate and consolidated accounting documents of CAIXA GERAL DE DEPÓSITOS, SA, (hereinafter referred to as Caixa or CGD) for the year ended 31 December 2010.

2. The inspection of CGD is the responsibility of an audit board and a statutory auditor or statutory audit company, which is not a member of the said body, as provided for in sub-paragraph b) of no.1 of article 413 of the Commercial Companies Code and CGD's articles of association.

3. The audit board, within the sphere of its competences and taking the governance model adopted by CGD into consideration, monitored and inspected the board of director's management acts, having been provided with access to the minutes of the weekly meetings held by this body and the documentation upon which the resolutions adopted were based, as prepared by the various internal services, task forces and external entities (consultants / auditors) and arranged for periodic meetings to be held with the statutory audit company providing it with assistance, in its capacity as a technical specialist and with Caixa's external auditors.

4. The audit board also ascertained that the law and CGD's articles of association were complied with, having issued the quarterly report referred to in no. 2 of article 6 of Decree Law 287/1993 of 20 August, which was sent to the offices of the Ministers of State and Finance and Secretary of State for the Treasury and Finance with the chairman of CGD's board of directors having been duly informed.

5. The audit board, under the terms of the Bank of Portugal's official notice 5/2008 of 25 June, issued its opinions on the adequacy and efficacy of CGD's (separate and Group) internal control system, on 30 June 2010.

In general terms, the audit board considers that the adequacy of CGD's internal control system is in line with the dimension and nature of the risk involved in the performance of its activities although several aspects whose evolution the audit board will continue to monitor during the course of 2011, require improvement.

6. The audit board took note of the reports on the interim financial statements, issued by the statutory auditor, for the purposes of the monthly inclusion of the positive, provisional results assessed in own funds, in accordance with official notice 12/1992 of 22 December and circular letter 17/1995/DSB of 07 March, both issued by the Bank of Portugal.

7. The audit board took note of the impairment reports on CGD's loans portfolio, produced every six months by the external auditors, as established by the Bank of Portugal in its circulars 17/2002/DSB of 14 February and 38/2008/DSB of 29 May.

8. The audit board, at the start of 2011, issued an opinion, certifying that CGD Group's candidature for the use of internal credit risk models complies with the requirements of the Bank of Portugal's instruction 11/2007 and is not aware of any situation which could call the veracity and comprehensiveness of the information sent into account.

9. The audit board wishes to make special reference to the following situations, in terms of decisions made and/or implemented last year:

(i) Caixa approved an increase in Banco Caixa Geral Brasil, SA's share capital to 400 million reais in January 2010, in two tranches of 138.5 million reais each in January and July 2010, with the cost of the equity investment having risen by EUR 107.4 million;

(ii) CGD sold off 7 727 420 Kento Holding Limited shares comprising 2.5% of the share capital of Zon – Serviços de Telecomunicações e Multimédia, SGPS, SA at a unit price of EUR 5.3 in first quarter 2010 making capital gains of EUR 11.9 million on this operation;

(iii) A resolution was passed at CGD's annual shareholders' meeting of 22 April 2010 approving the transfer of 20% (EUR 48.2 million) of net income for 2009 from CGD's separate operations to the legal reserve, EUR 22.7 million to retained earnings and EUR 170.2 million to dividends payable to its state shareholder;

(iv) Banco Caixa Geral, SA realised capital increases of EUR 46 million subscribed for by CGD and fully paid up at 31 December 2010;

(v) As a result of the resolution adopted by the shareholders' meeting of La Seda Barcelona, a share capital increase of EUR 300 million was realised through the issue of 3 billion shares at a unit price of EUR 0.1 in which CGD Group reinforced its holding in La Seda by subscribing for 490 450 377 shares of which 422 392 839 shares were paid up in cash and 68 055 538 in the form of debt-to-equity. CGD Group's equity investment in the company's share capital at 31 December 2010 was 14.77%;

(vi) CGD sold two blocks of shares comprising 5% of the equity capital of EDP – Energias de Portugal, SA for the amount of EUR 575.9 million to Parpública – Participações Públicas, SGPS, SA, making net gains of EUR 26.7 million. CGD had an equity investment of 0.1% in this company at 31 December 2010;

(vii) CGD disposed of a part of its mortgage loans portfolio to Tagus – Sociedade de Titularização de Créditos, SA (Tagus) for the amount of EUR 5.3 billion in November 2010, in the form of the "Nostrum Mortgages II" securitisation operation. Tagus issued EUR 5.4 billion in bonds fully subscribed for by CGD as a form of finance;

(viii) Loans made by CGD for the purchases of shares of listed companies continued to merit the audit board's particular attention as set out in the quarterly reports issued to the supervisory authority;

Notwithstanding CGD's decision to reinforce the specific impairment on such operations, the audit board has systematically recommended the re-establishing of contractual guarantees with the aim of protecting CGD's exposure;

(ix) CGD acquired and disposed of Portugal Telecom, SGPS, SA shares in 2010 on whose operations accounting gains of EUR 31.7 million were recognised;

(x) The EUR 100 million loan contract, entered into between CGD and Banco Finantia, SA, on 17 October 2008, was renewed up to 18 October 2012 with EUR 20 million having been paid off in 2010, as agreed in the repayments schedule;

(xi) Recognition of impairment losses on available for sale financial assets in the separate accounts particularly included EDP – Energias de Portugal, SA (EUR 93.1 million), ZON – Serviços de Telecomunicações e Multimédia, SGPS, SA, (EUR 28.7 million), BCP – Banco Comercial Português, SA (EUR 26.4 million), the Goldman Sachs International Infrastructure Fund (EUR 52.8 million) and for unit trust investment funds managed by CGD Group companies (EUR 59.5 million). This recognition resulted from the prolonged depreciation of market value in comparison to the cost price and assessment of potential capital losses on investments upon which impairment was recognised in past periods;

(xii) CGD sold its headquarters building to the CGD Employees' Pension Fund for the amount of EUR 251.8 million, in 2010, making capital gains of EUR 103.9 million. Under the terms of this operation, CGD will rent the said building for an initial period of 20 years, renewable for equal, successive 5 years periods and will retain a purchase option on the building at the end of each rental period;

(xiii) The Portuguese State, as CGD's sole shareholder, subscribed for and fully realised a EUR 550 million increase in share capital, comprising the issue of 110 million new nominative shares at EUR 5 each, approved by a *Unanimous Resolution set out in Writing*, on 31 December 2010 under the terms of no. 1 of article 54 of the Commercial Companies Code. The share capital increase was approved by the Bank of Portugal, in accordance with the dispositions of article 6 of ministerial order 493–A/2009 of 8 May and with the consent of CGD's audit board, as provided for by no.1 of article 9 of Law 63–A/2004 of 24 November;

(xiv) CGD had secured EUR 6.6 billion in European Central Bank funding by 31 December 2010. This increase of EUR 4.1 billion over the same period of the preceding year derives from the deterioration of funding conditions, in 2010;

(xv) Loans made to Banco Português de Negócios, SA (BPN) under the state-backed commercial paper programme at 31 December 2010 totalled EUR 400 million. On the same date the loans made by CGD in the international market without a Declaration of Guarantee issued by the Directorate General for the Treasury and Finance totalled EUR 745.9 million, with it being CGD's board of directors' understanding that such loans benefit from the personal guarantee of the State under the terms of no. 9 of article 2 of Law 62–A/2008 of 11 November under which BPN was nationalised;

(xvi) In December 2010, as part of the reorganisation process involving the liquidity assistance operations for BPN, Caixa subscribed for a series of bond loans issued by Parvalorem, SA, Parups, SA and Participadas, SA of which BPN continues to be the sole shareholder for a global amount of EUR 3.1 billion, which issues were also covered by the guarantee issued by the Portuguese State. Loans of EUR 795.1 million, guaranteed by assets belonging to the said vehicles were also made;

(xvii) CGD's retirement pension and healthcare liabilities, at 31 December 2010, totalled EUR 1.3 billion (down 1.8% over the preceding year) and EUR 0.4 billion (down 5.1% over the preceding year) respectively, as set out in the actuarial study prepared by an external entity. 108.9% of CGD's pension fund liabilities are covered by CGD's Pension Fund with healthcare liabilities being fully provisioned;

(xviii) The value of Cimpor – Cimentos de Portugal, SGPS, SA (Cimpor), shares at 31 December 2010 comprising 9.584% of the capital and voting rights in the company which were acquired in February 2009 from Investifino – Investimentos e Participações, SGPS, SA, in an operation realised outside the regulated market, totalled EUR 326.5 million. The vendor has a purchase option on CGD's investment at the cost price, capitalised at a Euribor indexed rate.

10. Reference should be made to the following indicators, characterising the company's separate accounts for the year:

(i) Net assets were up 6.7% by EUR 7.1 billion to EUR 112.9 billion over the preceding year, essentially deriving from securities investments and loans and advances to customers;

(ii) Growth on the liabilities side mainly derived from the increases recorded in central banks' and credit institutions' resources and financial liabilities associated with asset transfers;

(iii) The EUR 356.9 million increase in shareholders' equity to EUR 6.2 billion over the preceding year mainly derived from the EUR 550 million increase in share capital and EUR 193.8 million decrease in net income for the year;

(iv) There was a 1.1 p.p. increase in the solvency ratio, calculated under the Basel II regulatory framework and Bank of Portugal regulations, to an end of year figure of 15.0%. Tier I totalled 9.5% against the preceding year's 8.4%;

(v) The 80.4% decrease of EUR 193.8 million in separate net income to EUR 47.3 million over the preceding year particularly derived from the significant reduction in net interest income, growth of provisions for loans and recognition of impairment on CGD's financial investments.

11. Reference should be made to the following indicators in respect of CGD's consolidated accounts for the year:

(i) CGD Group's net assets were up 4.0% by EUR 4.9 billion over the preceding year to EUR 125.9 billion, essentially on the back of securities investments and loans and advances to customers;

(ii) Growth on the liabilities side essentially derived from increases in central banks' and credit institutions' resources;

(iii) Shareholders' equity was up EUR 683.1 million over the preceding year to EUR 7.8 billion, owing to the EUR 550 million increase in share capital;

(iv) The cost-to-income ratio was 63.3% against the preceding year's 64.7%. The decrease particularly derived from the increase in net operating income from banking and insurance activities;

(v) The solvency ratio, on a consolidated basis, calculated under the Basel II regulatory framework and Bank of Portugal regulations was down 0.3 p.p. to 12.3% at the end of the year. Tier I totalled 8.9% in comparison to 8.5% in the same period of the preceding year;

(vi) Consolidated net income was down 10.2% by EUR 28.3 million to EUR 250.6 million, in comparison to the preceding year, particularly deriving from the significant decrease in net interest income and recognition of impairment on securities.

12. In the period following the year end closing of the accounts and pursuant to its functions as provided for in the Commercial Companies Code, the audit board analysed the separate and consolidated annual report and accounts submitted by the board of directors, which it has articulated, in technical terms with the statutory auditor.

13. The audit board examined the contents of the "Statutory Audit Certificate" issued on the separate and consolidated accounts by the statutory auditor and the "Audit Report" on the separate and consolidated accounts issued by the external auditor under the terms of article 245 of the Securities Market Code.

14. OPINION

Taking all of the above into consideration, it is the audit board's opinion that the general meeting should:

a) Approve the board of directors' presentation of CGD's separate and consolidated management report and accounts for 2010;

b) Consider the proposal for the appropriation of net income which is an integral part of the management report;

c) Undertake a general assessment of the company's management and inspection, drawing the conclusions referred to in article 455 of the Commercial Companies Code.

Lisbon, 31 March 2011

AUDIT BOARD

Eduardo Manuel Hintze da Paz Ferreira
(Chairman)

Maria Rosa Tobias Sá
(Member)

Pedro António Pereira Rodriques Felício
(Member)

Caixa Geral de Depositos

3. CORPORATE GOVERNANCE REPORT

www.cgd.pt

ASSESSMENT OF LEVEL OF COMPLIANCE WITH GOOD GOVERNANCE PRINCIPLES BINDING UPON CGD UNDER COUNCIL OF MINISTERS' RESOLUTION 49/2007

GGP	Recommendations	Level of compliance (1)	References in report
Mission, objectives and general operating principles	**Obligation of compliance, respect and disclosure, of mission, objectives and policies**, both for the company and for the subsidiaries it controls, established in an economically, financially, socially and environmentally efficient manner, based on demanding quality parameters, designed to safeguard and expand competitiveness, in due respect for established social responsibility, sustainable development and satisfying collective principles and needs;	Accomplished	3.1.1. to 3.1.3.
	To produce adequate activity plans and budgets in accordance with available resources and sources of finance based on its mission and the established objectives;	Accomplished	3.1.4.
	Adoption of equality plans to achieve effective equality of treatment and opportunities for men and women, eliminating gender-based discrimination and permitting conciliation between employees' personal, family and professional lives;	Accomplished	3.2.4.1. and 3.2.4.2
	Reporting of annual information to the supervisory body and the general public, on how its mission has been performed, level of compliance with objectives, means of compliance with the social responsibility and sustainable development policy and means of safeguarding competitiveness (through research, innovation, development and integration of new technologies in production terms);	Accomplished	3.1.3. and 3.9.
	Compliance with legislation and regulations, adopting an ethically irreproachable behaviour to the application of fiscal regulations, anti-money laundering operations, competition, consumer protection, environment and labour relations;	Accomplished	3.2.3.1. to 3.2.3.5
	Obligation to treat all workers with respect and integrity, contributing towards their personal advancement;	Accomplished	3.2.4.3.
	Obligation to treat customers, suppliers and other lawfully entitled persons with equity, establishing and disclosing the procedures adopted for the acquisition of goods and services, adopting adjudication criteria geared to principles of economy and efficacy, ensuring the efficiency of transactions made, guaranteeing equality of opportunities to all interested parties, providing annual information on all transactions which have not been made under market conditions and a list of suppliers representing more than 5% of external supplies and services (if the percentage exceeds EUR 1 million);	Accomplished	3.3. and 3.4.
	To manage the company's business affairs with integrity (having or **subscribing to a code of ethics** which involves demanding ethical and deontological behaviour and the disclosure of information thereon).	Accomplished	3.2.2.

GGP	Recommendations	Level of compliance (1)	References in report
Administration and Inspection structures	**Number of members should not exceed the number in private companies** of a similar dimension operating in the same sector;	Accomplished	3.5.2.
	The governance model should ensure an effective division between administration and inspection functions (with larger more complex companies spinning off the supervisory function by creating an audit committee or a committee for financial issues);	Accomplished	3.5.
	Issue of annual assessment report on the performance of executive managers and a global assessment of the governance structures and mechanisms in force in the company, by members of the inspection body;	Accomplished	3.5.3.1.
	The accounts of the larger, more complex companies should be audited by independent entities with identical standards to those used for companies admitted to trading in regulated markets, with the members of the inspection body being responsible for the selection, confirmation and contracting of the auditors, the approval of any services outside the scope of the audit function and liaising between the company and auditors;	Accomplished	3.5.4.
	Implementation of control system, protecting the company's investments and assets, including all relevant risks assumed by the company;	Accomplished	3.7.1. and 3.7.2.
	Promotion of the rotation and limiting of terms of offices of members of the inspection bodies.	Accomplished	3.5.
Remuneration and other rights	**Annual disclosure of information on total remuneration** (fixed and variable) earned by **each member of the board of directors**;	Accomplished	3.6. and Annex II
	Annual disclosure of information on remuneration earned **by each member of the inspection body**;	Accomplished	3.6. and Annex II
	Annual disclosure of information on other benefits and incentives (healthcare insurance, use of vehicles and other corporate benefits).	Accomplished	3.6. and Annex II
Prevention of conflicts of interest	**Obligation of members of statutory bodies** not to be involved in decisions in which they have a personal interest;	Accomplished	3.5.7.
	Obligation of members of statutory bodies to declare any important financial investments they may have in the company;	Accomplished	3.5.7.
	Obligation of members of statutory bodies to declare any relevant relationships with suppliers, customers, credit institutions or others which may create a conflict of interest.	Accomplished	3.5.7.

GGP	Recommendations	Level of compliance (1)	References in report
Disclosure of relevant information	**To publicly and immediately disclose all information** of which they are aware, **which may have a relevant effect on the company's economic and financial situation and net worth;**	Accomplished	3.8.1. to 3.8.3.
	To provide for the disclosure of information on the state's business websites on all of the company's above referred to financial, historical and current information and the identity and résumés of all members of its statutory bodies in a clear, relevant and up-to-date manner;	Accomplished	3.8.5.
	To include an item on corporate governance in the board of directors' report (internal and external regulations binding on the company, information on relevant transactions with related entities, remuneration of members of statutory bodies, sustainability analysis and assessment of level of compliance with GGP);	Accomplished	3.8.6.
	Nomination of ombudsman, when justified.	Not applicable	3.10.

(1) Level of compliance – accomplished, accomplished in part, not accomplished, not applicable.

3.1. MANAGEMENT, MISSION, OBJECTIVES AND CORPORATE POLICIES GUIDELINES

3.1.1. INFORMATION ON MANAGEMENT GUIDELINES APPLICABLE TO CGD, NOTABLY STRATEGIC GUIDELINES ON COMPANIES OPERATING IN THE STATE'S BUSINESS SECTOR, AS A WHOLE, GENERAL GUIDELINES ON THE FINANCIAL SECTOR AND SPECIFIC GUIDELINES ON THE INSTITUTION AS A SEPARATE ENTITY, DEFINED BY THE MINISTER OF FINANCE

CGD, in addition to the strategic guidelines defined for the State's business sector ("SEE") as a whole in the form of Council of Minister's Resolution 70/2008 of 22 April, is subject to specific management guidelines defined by the Portuguese State as CGD's sole shareholder.

The shareholder did not establish management objectives and guidelines for 2010, as provided for in article 11 of Decree Law 300/2007 of 23 August, having, however, established objectives for the three year period 2008–2010, in the form of a unanimous written resolution of 11 July 2008 as set out below:

> **"Objectives for 2008–2010**
>
> The objectives for the three year period 2008–2010 globally refer to the objectives and strategic guidelines set out in 'Strategic Priorities for CGD for the three year period 2008–2010', in respect of which the shareholders attaches particular importance to the following: i) 25% growth in lending to small and medium sized Portuguese enterprises and a 25% increase in the SMEs market share: ii) 50% growth in venture capital business during the three year period iii) maintenance of the lead of the largest 5 Portuguese banking groups in terms of net assets, total net income, resource-taking, mortgage loans and insurance (life and non-life); iv) 25% increase in the international area's contribution to Group results through organic growth."

The shareholder did not issue any additional recommendation at the time of the approval of the annual accounts for 2009.

3.1.2. MISSION

CGD has the following mission:

- To consolidate its position as a Portuguese financial system structuring group, based on the major relevance and responsibility of its contribution to:
  - > Economic development;
  - > Reinforcement of the competitiveness, innovation capacity and internationalisation of Portuguese companies;
  - > The stability and strength of the national financial system.
- As the market leader, the demand for a balanced evolution between profitability, growth and financial strength, always pursuant to a prudent risk management approach.

3.1.3. PRINCIPAL STRATEGIC OBJECTIVES

The strategic directives for its operations are set out below:

I. To consolidate the evolution of profitable growth (in Portugal and in its main international markets), contributing to economic development;
II. To align with best practice in terms of operational efficiency and quality of service;
III. To reinforce risk management control capacities and mechanisms;
IV. To develop a human resources policy based on the company's values and culture, knowledge, communication and performance;
V. To support cultural and social development, promote sustainability and operate as a good governance benchmark operator, in Portugal;
VI. To restructure the corporate model.

These six directives, in turn, comprise 19 management priorities:

1. To achieve retail growth, maintaining its lead in resource-taking, reinforcing cross-selling through commercial stimulus and developing its asset management and specialised credit offer, becoming the bank of choice of the best companies;
2. To develop investment banking and venture capital operations, guaranteeing support for the domestic economy;
3. To grow in international markets;
4. To maintain its leading position in the insurance market;
5. To guarantee a high level of quality and service in the healthcare sector;
6. To renew its brand image, reinforcing its position;
7. To optimise the productivity and efficiency of its operating processes;
8. To control the costs of external supplies and services;
9. To improve the quality of customer service;
10. To optimise capital management under the transition to the Basel II Advanced IRB (internal rating based approach), consolidating the adequacy of its credit risk pricing;
11. To consolidate its performance in terms of credit recovery;
12. To integrate risk management with international operations;
13. To reinforce assets and liability management capacities in order to maintain financial strength;
14. To implement adequate operational risk management procedures;
15. To develop and dignify the Group's human resources, by introducing active performance-geared talent management processes;
16. To develop strategic planning capacities in macro and sectoral research and financial markets;
17. To stimulate cultural and social activities and promote sustainability;
18. To adopt a proactive approach to the development of best governance practice and ethical conduct;
19. To develop the Group, releasing resources for business development in priority areas.

After defining and communicating this strategic framework, CGD started work on a strategy operationalisation process, under which several of the Group's divisions and companies produced the respective "Operating Strategy Visions" document, comprising a collection of duly prioritised and scheduled strategic initiatives, appointing officers in charge of concrete actions and goals to be achieved.

Lastly, an "Operating Strategic Visions" consolidation process was implemented, resulting in the creation of a collection of transversal structuring projects, for implementation by 2010:

1 To promote commercial operations with individual customers and small businesses;
2. To promote commercial operations with SMEs;
   2.a) To stimulate foreign commercial business activities;
3. To execute a multichannel strategy;
4. To leverage assurfinance;
5. To develop international business;
6. To optimise the bank's risk and capital management;
7. To focus on the Group's credit recovery over the whole of the value chain;
8. To develop venture capital business;
9. To promote cost reduction;
10. To reinforce procedural efficiency and quality of service;
11. To develop talent;
12. To optimise technological infrastructure.

The context in which CGD performed its activity was profoundly changed during the three year period 2008–2010, which is the period of application of the strategic reference framework.

There was a marked fall in Euribor market rates to historically low levels with a strong impact on the profitability of an institution with the profile of Caixa Geral de Depósitos, together with a liquidity crisis in the financial markets.

The economic context was also marked by a recession in the main economies in 2009, owing to the end of the concerted implementation of the anti-crisis measures which, however, caused budget and financial imbalance in the public accounts of Euro Area countries.

Reference should be made during the period, in regulatory terms, to consumer protection measures, increase in minimum Tier I levels to 8%, reinforcement of Basel II requirements and the approval of a staged version of Basel III.

Notwithstanding the less favourable economic environment, CGD's global performance was highly positive, as shown in the following table:

KPIs contractualised	Objectives for the three-year period 2008–2010	Results until 2010
Loans to SMEs	+25% credit granted	• +18.8% in credit granted (EUR 13.3 billion at Dec 07; EUR 15.8 billion at Dec. 10).
Venture capital turnover	+50%	• 25% increase in assets under management (EUR 455.2 million at Dec. 07; EUR 569.8 million approximately at Dec. 10); • 90% expansion of the no. of affiliated companies (from 27 to 51); • 216 evaluated projects; • Accumulated investment of EUR 165.5 million, corresponding to 50% of current portfolio.
Market share *vis-à-vis* the 5 major Portuguese banks considering		
• Total net assets (EUR billion)	Maintenance of the lead	• Dec. 10: 1st (CGD: 126);
• Resources taken (EUR billion)	Maintenance of the lead	• Dec. 10: 1st (CGD: 84);
• Mortgage loans (EUR billion)	Maintenance of the lead	• Dec. 10: 1st (CGD: 33.5);
• Insurance (market share)	Maintenance of the lead	• Dec. 10: 1st Life (CGD: 37%); • Dec. 10: 1st Non-life (CGD: 27%).
• Total net income (EUR million)	Maintenance of the lead	• Dec. 10: 4th (CGD: 251); • Accumulated – three-year period: 3rd (CGD: 989).
Contribution of international area to group results	+25% (organic growth)	Contribution +196%.

3.1.4. INFORMATION ON THE ANNUAL PRODUCTION OF AN ACTIVITIES PLAN AND A REPORT PROVIDING INFORMATION ON COMPLIANCE WITH THE COMPANY'S MISSION, OBJECTIVES AND POLICIES, INTEGRATING SOCIAL RESPONSIBILITY AND SUSTAINABLE DEVELOPMENT POLICIES AND SAFEGUARDING COMPETITIVENESS THROUGH RESEARCH, INNOVATION AND THE INTEGRATION OF NEW TECHNOLOGIES IN TERMS OF PRODUCTION

CGD undertakes an annual planning process on the consolidated accounts of the Group's diverse business units. The objectives deriving from CGD's current mission and strategic reference framework are defined in this exercise.

A management information system, comprising a vast range of periodic reports on various areas of activity comprises part of the execution of the approved activity plan and budget.

An annual assessment of CGD's activity is presented in its annual report.

3.2. GENERAL OPERATING PRINCIPLES

3.2.1. INTERNAL AND EXTERNAL REGULATIONS BINDING UPON THE COMPANY

CGD's activity is governed by all legal regulations binding upon public limited liability companies i.e. the Commercial Companies Code and those deriving from its status as a state owned company, of which special reference should be made to Council of Ministers' Resolution 49/2007 of 28 March, approving the good governance principles for companies in the State's business sector (acronym "SEE") whose legal regime are set out in Decree Law 558/1999 of 17 December and republished in Decree Law 300/2007 of 23 August.

CGD is, in general terms, governed by European and national legislation on its operations, of which special reference should be made, in terms of internal law, to the General Credit Institutions and Financial Companies Regime (acronym "RGICSF"), approved by Decree Law 298/1992 of 31 December (republished by Decree Law 1/2008 of 3 January and changed by Decree Law 126/2008 of 21 July, Decree Law 211–A/2008 of 3 November, Law 28/2009 of 19 June, Decree Law 162/2009 of 20 July and Law 94/2009 of 1 September, Decree 317/2009 of 30 October, Decree Law 52/2010 of 26 May, decree Law 71/2010 of 18 June, Law 36/2010 of 2 September and Decree Law 140–A/2010 of 30 December) the Securities Code, approved by Decree Law 486/1999 of 13 November (republished by Decree Law 357–A/2007 of 31 October and changed by Decree Law 211–A/2008 of 03 November, Law 28/2009 of 19 June, Decree Law 185/2009 of 12 August, Decree Law 49/2010 of 19 May, Decree Law 52/2010 of 26 May and Decree Law 71/2010 of 18 June) and all regulatory standards issued by the Bank of Portugal and the Securities Market Commission.

In terms of such regulations, special reference should be made to the Bank of Portugal's official notices 10/2008, 4/2009, 5/2009, 6/2009, 8/2009 and 2/2010, with the objective of reinforcing the transparency and rigour of information provided by credit institutions to their customers and CMVM regulation 1/2009, on information and advertising for complex financial products.

Reference should also be made to the application of Law 25/2008 of 5 June and EU Regulation 1781/2006 which set out measures designed to prevent and repress money laundering and financing of terrorism activities to CGD.

CGD's activity is also subject to its articles of association, the full version of which was republished as an annex to Decree Law 106/2007 of 03 April and updated, following the share capital increase of 31 December 2010.

CGD has an internal standards system, published on its intranet, covering the most relevant aspects of its operation and performance of its activity, binding on all employees.

3.2.2. CODE OF CONDUCT

In terms of CGD's internal standards, reference should be made to the code of conduct which sets out the operating principles and standards of professional conduct to be complied with in and by Caixa Geral de Depósitos (CGD) in the performance of its activity.

Taking into account that the proactive nature of its development of best practice in terms of ethical conduct is one of CGD's management priorities, Caixa undertook a revision of its code of conduct which was originally published in 2008.

The choice of items to be reviewed or included in the code of conduct was fundamentally based on the following criteria: i) relevance of the subject matters to CGD's specific activity; ii) the gearing thereof to CGD's expectations and responsibilities to its various stakeholders; iii) the possibility of the principles and standards to be defined exceeding legal conformity, helping the decision-making process in terms of the most recurrent ethical dilemmas.

The new code of conduct came into force as a result of this revision process and is binding on statutory officeholders, workers, trainees, service providers and proxies and should also be complied with by subsidiaries, branches, economic interest groupings and CGD's representative offices.

CGD simultaneously adopted a code of conduct management model providing for a series of initiatives in intervention areas considered to be vital for the implementation, operationalisation, monitoring and continuous improvement of the code.

Reference should also be made to the fact that Caixa has been providing classroom training facilities for its recently recruited employees or employees on professional traineeships on the code of conduct, once more demonstrating the importance attributed by management to the ethical component of its business.

The code is available on CGD's intranet and website at http://www.cgd.pt/Governo-Sociedade/Regulamentos/Codigo-Conduta/Pages/Codigo-Conduta-CGD-Introducao.aspx

3.2.3. COMPLIANCE WITH LEGISLATION AND REGULATIONS

All of CGD's activity is geared to strict compliance with legal, regulatory, ethical and deontological standards and good practice. Compliance is monitored by an internal control system.

CGD has adopted an ethically irreproachable behaviour in terms of its application of fiscal, anti-money laundering, competition, consumer protection, environmental and labour regulations.

3.2.3.1. APPLICATION OF FISCAL REGULATIONS

CGD has two inter-complementary technical units for compliance with fiscal legislation and regulations in force. One is geared to compliance with CGD's own fiscal obligations and the other focuses on logistical support for the interpretation of legislative regulations and those pertaining to CGD itself and products geared to customers, in addition to other functions attributed to it in matters of tax disputes.

3.2.3.2. APPLICATION OF ANTI-MONEY LAUNDERING STANDARDS

Caixa Geral de Depósitos has done everything in its power on a national level and in its branch offices and foreign subsidiaries to implement the means required to prevent money laundering and financing of terrorism operations through its definition of internal policies and procedures to ensure that its banking business is in compliance with current legislation.

CGD has its own organic structure geared exclusively to preventing and controlling anti-money-laundering and the financing of terrorism activities in the form of its Compliance Function Support Office (GFC).

GFC is responsible for taking adequate measures to prevent CGD Group's involvement in operations related with money laundering and financing of terrorism activities, promoting compliance with obligations under current legislation on combating organised economic-financial crime and actively collaborating with the judiciary and police.

GFC has been provided with computer facilities enabling unusual movements to be inspected and eventual risk transactions to be monitored, in addition to identifying persons or entities subject to sanctions.

The training of all staff is a crucial aspect in terms of the prevention system as a whole and specific programmes enabling workers to recognise operations which could be related with money laundering and/or financing of terrorism have been defined with the objective of immediately informing the competent bodies of all risk situations.

International units are inspected in the form of visits or centralised monitoring with the objective of certifying the effective operation of prevention systems and control of money laundering and financing of terrorism.

The internal control system for the prevention of money laundering and financing of terrorism is periodically audited internally.

3.2.3.3. APPLICATION OF REGULATIONS ON COMPETITION AND CONSUMER PROTECTION

CGD has adopted a competitive balance position, simultaneously furthering objectives of quality, customer satisfaction, profitability, fair prices and rigorous compliance with competitive standards and banking customer protection.

The process of defining and revising the price of various banking products and services requires the decision of the Delegate Marketing, Communication and Networks Board and is based on benchmark information and profitability and income estimates for the Group. Customers, Bank of Portugal and CMVM are notified in advance of any price changes, in compliance with strict guidelines issued by the supervisory entities.

Loan agreements for consumers covered by Decree Law 133/2009 comply with the maximum limits on the global annual effective rate (TAEG), defined quarterly by the Bank of Portugal since 1 January 2010. These rates are assessed on the basis of the average market TAEG charged by credit institutions in the preceding quarter.

Information on the price list is provided at all customer service points and access channels to Caixa, with the model defined by the Bank of Portugal's official notice 8/2009 having been implemented on 1 January 2010. This guarantees price comparability between the various banks, i.e. interest rates, commissions and costs of bank services.

Caixa has been constantly concerned to promote and collaborate directly in the implementation of the transparency of commercial practice relating to investment products, savings and services, notably through ongoing improvements to the informational and contractual contents of all channels used to take in bank deposits, both simple and indexed, by providing customers with standardised information sheets and information prospectuses, deriving respectively from the Bank of Portugal's official notices 4/2009 and 5/2009.

Caixa is also concerned that the information provided on its products should use clear, transparent language in order to make them easy to read and understood by customers. Products are therefore submitted internally and in advance for the consideration of the Risk Management Division, Legal Affairs Division and Compliance Function Support Office, which latter body will also comment on all of the advertising media used for commercialisation purposes. In the case of complex financial products, these are also submitted for the advance approval of the supervisory entities.

Caixa is also directly involved in interbank working meetings led by the Portuguese Association of Banks and in the definition / production of contents (common principles, guide and FAQs) for implementation and disclosure in the Portuguese banking system on the mobility of banking services.

3.2.3.4. APPLICATION OF ENVIRONMENTAL STANDARDS

The adequate management of environmental aspects, directly or indirectly associated with its activity is one of Caixa's priorities in terms of the sustainability of its performance.

CGD has been consecutively implementing a series of initiatives, based on good practice in the environmental sphere, particularly:

- Changes in the operation of equipment and installations, adjusting operating hours for lighting, air conditioning and ventilation;
- Replacement of air conditioning equipment and lighting by other more energy efficient means, naturally optimising interventions in technical-economic terms, e.g. all air conditioning equipment in CGD headquarters, as well as the centralised management systems in progress in its headquarters offices; replacement of incandescent light bulbs by fluorescent lights or LEDs;
- Adoption of energy efficiency as a concern and introduction of new equipment, in the case of remodelled or new installations;
- Use of renewable energies, particularly CGD headquarters' solar panels and for the microgeneration of energy through the implementation of photovoltaic panels on CGD's branch office network, both of which recognised as successful case studies:

  > Energy produced by CGD headquarters' solar panels (approx.): 1 000 MWh;

  > Photovoltaic generation (approx): 400 MWh;

- Implementation of energy consumption management systems, making it possible to adjust levels of equipment readiness and performance, installations and buildings to the real needs of the activities and persons involved;
- Energy certification and quality of air inside buildings;
- Energy audits on premises, designed to promote the rational use of energy and identify potential opportunities to improve the efficiency of installations;
- Buildings' air quality audits particularly in the case of CGD headquarters at Av. João XXI and CGD's Av. 5 de Outubro building. The results of the six monthly audits of these buildings have been excellent;
- Technological upgrading of equipment, more operating and energy efficiency as well as from a perspective of replacing non-ecological by ecological coolant gases (in the case of the respective equipment), such as chillers and other air conditioning units;
- Good management practice in terms of construction wastes and noise-related issues, in conformity with current legislation;
- Monthly analyses of drinking water;
- Implementation of energy consumption management systems in various buildings, with online monitoring of consumption, identification of deviations and savings opportunities.

3.2.3.5. APPLICATION OF LABOUR REGULATIONS

In terms of labour relationships, CGD complies with highly demanding criteria and exacting ethical standards in its permanent endeavours to reach agreement with its employees and its use of active communication as a means of avoiding conflict.

In this permanent endeavour to fully comply with all applicable labour regulations, a major study was carried out in 2010, on the main changes in legislation affecting safety and health in the workplace areas, parenthood, tax codes and vocational training.

Notwithstanding CGD's high level of compliance with labour legislation and its constant search for harmonious solutions, there are occasionally disputes between CGD and its workers. However, taking into account the dimension of the universe of CGD employees, legal cases brought against CGD have been few and far between.

3.2.4. IMPLEMENTATION OF EFFECTIVE EQUALITY OF TREATMENT POLICIES AND OPPORTUNITIES FOR MEN AND WOMEN AND CONCILIATION OF PERSONAL, FAMILY AND PROFESSIONAL LIVES, IN ADDITION TO WORKERS' PROFESSIONAL ADVANCEMENT

CGD's personnel policy is based on a series of fundamental pillars involving the following principles: non-discrimination, the protection of high ethical standards and values of trust and the role played in terms of social responsibility, adopting integrated policies articulating prevention, education, training, employment, conciliation of work and family and equality of opportunity for all.

3.2.4.1. IMPLEMENTATION OF EFFECTIVE EQUALITY OF TREATMENT OPPORTUNITIES FOR MEN AND WOMEN

In the sphere of equality of treatment and opportunities based on gender, nationality, ethnicity, religion or sexual preferences, CGD has developed good practice involving non-discrimination and a policy of inclusion.

CGD's staff, in gender terms, in 2010, was balanced between women at 54% and men at 46%. This trend also applies in administrative, technical and specific functions. There are still significant differences in senior and line management functions, owing to the historic evolution of the employability of both genders, but whose trend is one of greater future balance.

Special relevance is attached to internal recruitment processes for qualified or more responsible functions, providing employees with a multiplicity of professional development and career advancement opportunities.

In terms of e-recruitment, information on opportunities and submission of applications are accessible to everyone on the Internet, to which personal and curricular data should be submitted at www.cgd.pt. The recruitment and selection process fully complies with the principle of equality of opportunity and is based on a résumé and each candidate's profile.

CGD therefore does not practise any form of discrimination in terms of recruitment and, in addition to its Portuguese employees, also has staff from Europe (26), Lusophone Africa (26), Africa (1), North America (2), South America (4), Brazil (4) and Asia (1).

CGD also considers that the handicapped should be given equal opportunity and currently employs 157 physically handicapped workers – 81 women and 76 men.

3.2.4.2. IMPLEMENTATION OF EFFECTIVE EQUALITY OF TREATMENT POLICIES AND OPPORTUNITIES IN TERMS OF PERSONAL, FAMILY AND PROFESSIONAL LIVES

CGD, as a family-friendly company, considers the family as a stakeholder and develops a support policy for its employees and their families, adopting measures designed to conciliate working and personal / family lives.

Such measures particularly include:

- Its own healthcare subsystem, with high levels of medical, social, cultural and sports cover, extensive to families in conformity with high standards of quality and sustainability;
- A psychosocial advisory programme provided by its Social Action Unit and an Office of Psychology coming under the Personnel Division and adopting a preventative approach;

- Favourable credit for mortgage and personal loans to employees in terms of maturity and rates; a "social finance" scheme was set up in 2010 to support families living in irreversible extremely precarious situations with the possibility of non-repayment;
- Priority in the recruitment of family members of deceased employees or employees who are no longer fit for work;
- Geographical and functional mobility based on a policy designed to facilitate transfers in accordance with personal / family needs;
- Adjustments of working conditions / workplace to employees' physical and psychological needs;
- Extending of assistance to families in the event of illness or accident, without loss of wages in addition to the statutory periods, in exceptional cases;
- Maternity support with temporary parking spaces for pregnant and breast-feeding women. A "breastfeeding corner" was set up, in 2010, with the support of Medicine in the Workplace services;
- Protocols with several entities providing preferential terms to workers and their families on public transport (CP) and for insurance, schools, nurseries, homes for the elderly, homecare support;
- Support for employee pre-retirements and retirements; support for retired persons associations and internal volunteer groups – SéniAmor – with the objective of preventing ruptures and social exclusion, stimulating the creation of intergenerational solidarity networks.

3.2.4.3. IMPLEMENTATION OF EFFECTIVE PROFESSIONAL ADVANCEMENT POLICIES FOR THE COMPANY'S WORKERS

CGD has, since 2007 provided all employees with its Caixapessoal portal exclusively for issues related with human resources management and useful information in this domain. This instrument was created with the objective of facilitating personalised access to information and human resources applications based on the dissemination of knowledge of the organisation and supporting employees in their professional and personal development. Caixapessoal can also be accessed from outside CGD, using the Internet and provides access to e-learning courses at a time and place of each employee's choosing.

The Caixapessoal portal was accessed a monthly average number of more than 9 500 times in 2010, resulting in the furtherance of an active contents management policy of interest (comprising the publication of around a hundred news items and special articles over the course of the year), in addition to the provision of relevant functionalities to each worker (e.g. updating of the personal loans simulator; access to information sharing communities as part of internal training projects) and information on campaigns for the benefit of employees (vehicles leasing, travel, IT, telecommunications, etc.).

As in past years, Caixapessoal continued to provide a helpdesk, in 2010, to clarify questions raised by employees and for which they could not find an answer in the portal, with the aim of providing a personalised written reply to each specific case. Around 960 requests for clarification were received in 2010 to which replies were sent within an average period of 48 hours.

The Caixapessoal portal as part of CGD's human resources framework strategy has been facilitating ever closer personalised management geared to each employee.

Employee training within CGD is equally relevant either in the form of the provision of various courses via email, training (tutorials), or the supply of various e-learning courses on issues which are fundamental to the banking business and which, as stated, may be accessed from outside CGD via Caixapessoal.

There were 133 533 participations in training actions (classroom and e-learning) in 2010. 55% of the participant were women and 45% men.

CGD's training plan also comprised a personal development programme providing assistance to a total number of 1 083 employees of which 209 relating to participation in conferences, seminars and congresses in Portugal and abroad, 758 related to foreign language proficiency and 116 to higher educational courses i.e. MAs, postgraduate and other highly specialised courses.

3.3. RELEVANT TRANSACTIONS WITH RELATED ENTITIES

CGD performs transactions with Group, associated and other entities controlled by the Portuguese State.

CGD's financial statements, at 31 December 2010, included the following balances and transactions with related entities, excluding management bodies:

(EUR thousand)

	2010			
	Portuguese State (DGT)	Other Portuguese State entities	Associated companies	Other CGD Group companies
Assets:				
Loans and advances to credit institutions	-	1 145 852	-	9 220 226
Securities and derivative trading instruments [(a)]	2 287 817	3 207 007	-	1 238 177
Loans and advances to customers	31 539	2 854 316	657 385	113 219
Other assets	14 085	460 826	1 801	897 444
Liabilities:				
Customer resources and other loans	922	840 058	13 164	1 430 039
Debt securities	-	250	5 000	1 551 290
Subordinated liabilities	-	-	-	681 220
Financial liabilities held for trading	-	6 289	-	542 418
Other liabilities	-	-	-	163 913
Guarantees provided	-	**2 305**	**18 849**	**1 090 172**
Income:				
Interest and similar income	33 565	84 229	20 936	1 087 275
Income from financial operations	8 334	22 270	-	8 221 689
Income from services and commissions	7	1 854	822	62 633
Other operating income	-	513	54	49 800
Costs:				
Interest and similar costs	-	14 748	107	883 131
Losses on financial operations	14 404	29 244	-	8 060 402
Costs of services and commissions	-	-	-	2 383
Other operating costs	-	2	282	479

(a) Includes financial assets held for trading, other financial assets at fair value through profit or loss and available for sale financial assets.

3.4. OTHER TRANSACTIONS

3.4.1. PROCEDURES FOR THE ACQUISITION OF GOODS AND SERVICES

CGD has transparent procedures in place for the acquisition of goods and services, based on adjudication criteria geared to principles of economy and effectiveness.

The procedures are described below:

- Market consultation which includes the respective authorisation, production of tender documents to be approved and sent to previously identified suppliers inviting them to submit their respective bids, with a minimum number of 3 suppliers being consulted per item / service;
- Reception, analysis and negotiating of proposals, including the reception of proposals in sealed envelopes, opening of the proposals by an "opening committee", including the production and signing of each respective act, a comparative analysis between the proposals, selection and approval of suppliers for the following stage of the negotiations, notification of exclusions of suppliers and negotiations with the winning supplier;
- Approval of the expense and award which includes the budget allocation for the expense and obtaining of permission for the award and associated expenses, based on the delegation of competences and decision on the award of the item / services from the supplier;
- Contracting, which includes a written contract or combination of tender documents with the contents of the proposal used as a basis for the award to be executed after the production of the effects defined in the award.

3.4.2. TRANSACTIONS WHICH HAVE NOT BEEN MADE UNDER MARKET CONDITIONS

Contracts usually entered into with CGD Group companies, without consulting the market refer to:

- Valuables transport – ESEGUR – Empresa de Segurança, SA;
- Leasing operations – Caixa Leasing e Factoring, IFIC, SA;
- Insurance – Companhia de Seguros Fidelidade Mundial, SA;
- Vehicles renting – Locarent – Companhia Portuguesa de Aluguer de Viaturas, SA.

3.4.3. LIST OF SUPPLIERS REPRESENTING MORE THAN 5% OF EXTERNAL SUPPLIES AND SERVICES ON A SEPARATE BASIS

The following supplier represented more than 5% of external supplies and services, on a separate basis, in 2010:

- Companhia IBM Portuguesa, SA.

3.4.4. EVOLUTION OF AVERAGE PAYMENTS PERIOD TO SUPPLIERS

The evolution of the average payments period to suppliers, in conformity with Council of Minister's Resolution 34/2008 of 22 February, which approved the "Payment on Time" programme, pursuant to the changes set out in ministerial decree 9870/2009 issued by the Ministry of Finance and Public Administration on 13 April, was as follows:

Evolution of average payments period – 2010	
Quarter	Period
4th Quarter	63 days
3rd Quarter	46 days
2nd Quarter	51 days
1st Quarter	73 days

3.4.5. COMPLIANCE WITH GUIDELINES ON PUBLIC CONTRACTING REGULATIONS

The Public Contracts Code, approved by Decree Law 18/2008 of 29 January, does not apply to CGD, nor to the companies with which it is in a group or controlling relationship.

CGD does, however, have a contract with Group member Sogrupo – Compras e Serviços Partilhados, Agrupamento Complementar de Empresas (SCSP, ACE), for the provision of human resources management related services, negotiations and management of facilities (goods and services), as a CGD Group shared services unit, centralising common activities and procedures via economies of scale and knowledge, promoting cost reductions, maximising productivity and improving quality of service.

SCSP, ACE has transparent procedures regarding contracts for the provision of services regulated by the adoption of award criteria based on principles of economy and efficiency. SCSP's procedures in this area, both for the company and in the situations in which it is involved on behalf of group members can be examined in item 3.4.1. of this report, regarding procedures for the acquisition of goods and services.

SCSP, ACE assesses the results obtained from the procedures, both for the company and situations in which it is involved on behalf of group members by the classification of results in conformity with a collection of pre-established parameters together with an assessment of the service provider which includes an analysis and justification of any deviations in the services provided in terms of time, cost and quality.

3.4.6. IMPLEMENTATION OF GOODS AND SERVICES POLICY RATIONALISATION MEASURES

Although CGD is not a party to the National Public Purchasing System (SNCP), it has rationalised its goods and service provisioning policies through Sogrupo – Compras e Serviços Partilhados, Agrupamento Complementar de Empresas (SCSP, ACE), whose operations are governed by a collection of internal and external regulations similar to SNCP procedures.

SCSP, ACE is therefore governed by legal regulations on commercial companies, in the form of the Commercial Companies Code and the regulations deriving from its status as an economic interest group, in addition to the company's articles of association which were revised on 8 May 2009.

In its provision of specific services to Caixa Geral de Depósitos, SA, SCSP, ACE is regulated by an agreement entered into with the said group, in addition to the regulations on such tasks or services in force in the said entity.

The most relevant aspects of the functioning of the company and the performance of its activity in terms of the level of transparency of the procedures adopted by SCSP, ACE in its acquisition of goods and services, in addition to the prevention of money laundering are set out in specific internally published documents.

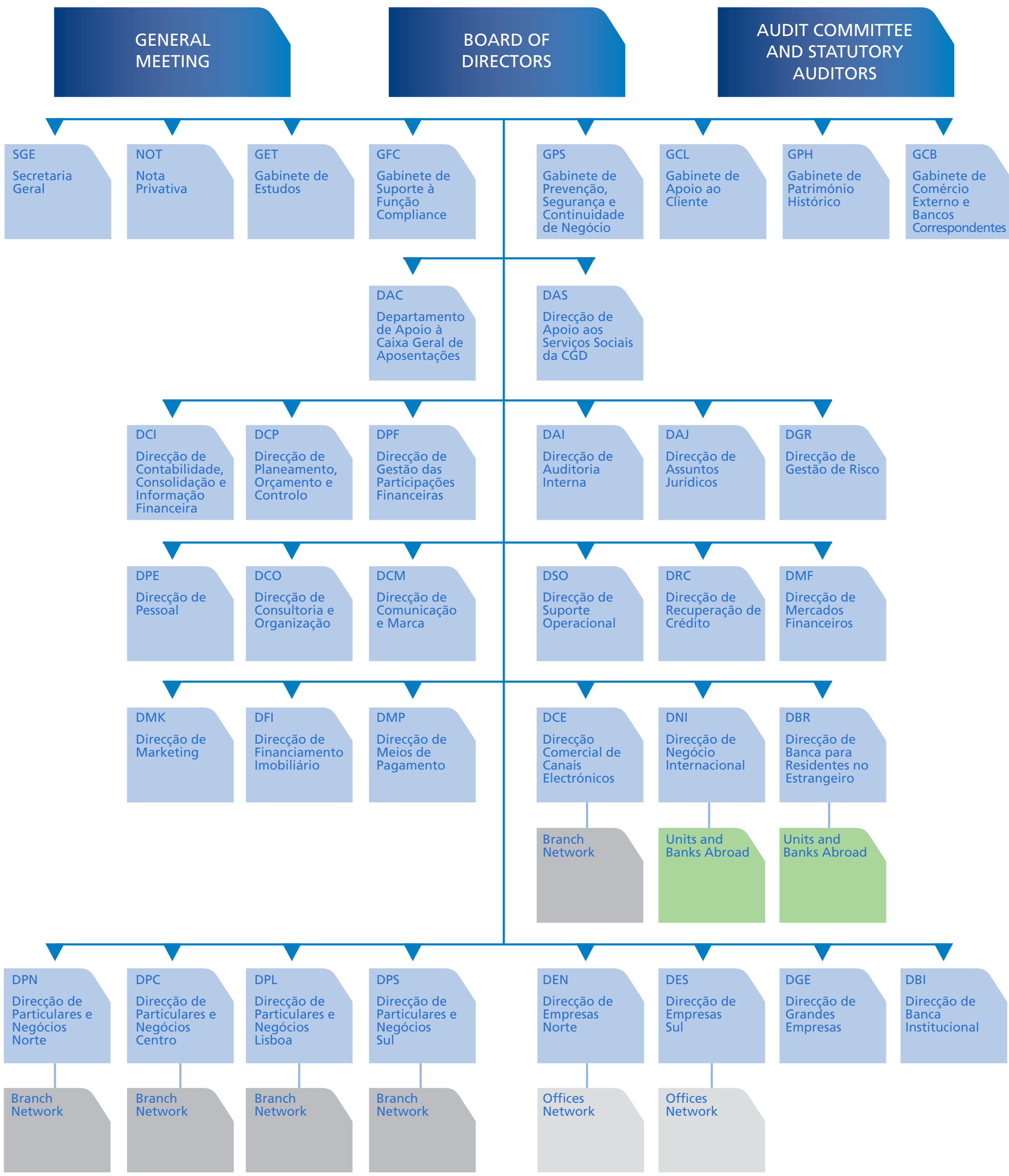
The company's activity is geared to strict compliance with legal, regulatory, ethical and deontological standards and good practice. Caixa Geral de Depósitos's own internal control system is used to monitor such compliance with the services provided to a group member.

3.5. CORPORATE MODEL

CGD's governance model, which ensures effective separation between administrative and inspection functions, comprises its shareholders' meeting, board of directors, audit board and statutory auditor which is not a member of the audit board.

Members of CGD's statutory bodies are elected for a period of three years and may be re-elected. The maximum number of successive terms of office cannot, however, exceed four.

CGD – Organisation Chart



3.5.1. SHAREHOLDERS' MEETING

The shareholders' meeting comprises a chairman, a deputy-chairman and a secretary. Their current terms of office run from 2008 to 2010.

COMPOSITION OF SHAREHOLDERS' MEETING

Chairman: Manuel Carlos Lopes Porto
Deputy chairman: Daniel Proença de Carvalho
Company secretary: José Lourenço Soares

The résumés of members of the shareholders' meeting are set out in annex I of this report.

The shareholders' meeting passes resolutions on all subjects within its competence as defined by law and the articles of association, particularly:

- A resolution on the board of directors' report and annual accounts;
- A resolution on the proposal for the appropriation of net income;
- A general annual assessment of the company's management and inspection;
- Election of members of the shareholders' meeting, members of the board of directors, appointing its chairman and deputy chairman and members of the audit board, also appointing its respective chairman;
- A resolution on changes to the articles of association and capital increases;
- Resolution on the remuneration of members of statutory bodies, with the right to appoint a remuneration board having the authority to define the said remuneration in accordance with "Public Manager Status" and other applicable legislation;
- Authorisation for the acquisition and disposal of property and investments when comprising more than 20% of the share capital;
- Dealing with any other issue for which it has been called.

3.5.2. BOARD OF DIRECTORS

The board of directors comprises a chairman, one or two deputy chairmen and from five to eleven board members. The current board of directors comprises seven members whose term of office runs from 2008 to 2010.

COMPOSITION OF THE BOARD OF DIRECTORS

Chairman: Fernando Manuel Barbosa Faria de Oliveira
Deputy Chairman: Francisco Manuel Marques Bandeira
Members: Norberto Emílio Sequeira da Rosa, Rodolfo Vasco Castro Gomes Mascarenhas Lavrador, José Fernando Maia de Araújo e Silva, Jorge Humberto Correia Tomé and Pedro Manuel de Oliveira Cardoso

The résumés of members of the board of directors are set out in annex I of this report.

The competences of the board of directors are set out by law. The board is particularly responsible, under the articles of association for:

- Managing the company's corporate affairs and performing all acts relating to its corporate object;
- Establishing the company's internal organisation and producing regulations and instructions considered expedient;
- Engaging company workers, defining their respective contractual conditions and exercising the corresponding management and disciplinary authority thereto relating;
- Appointing proxies with the authority considered expedient;
- Resolution on investment in other companies' share capital;
- To acquire, burden and dispose of any moveable or immoveable assets and rights, including equity investments and making investments, when considered to be in the company's interests, without prejudice to the competences of the shareholders' meeting on such issues;
- To decide on the issue of bonds;

- To execute and ensure compliance with the resolutions of the shareholders' meeting;
- To represent the company at law and in its day-to-day affairs, actively and passively, with the right to confess, desist or come to terms in any lawsuits and agree to the decisions of arbitrators in arbitration procedures;
- To exercise the other competences attributed by law or the articles of association and pass resolutions on any other matters falling outside the sphere of competence of the company's other bodies.

The board of directors has allocated areas of responsibility to its members, in addition to their corresponding deputies if not in attendance, under the terms of annex II of this report.

The board of directors meets in general once a week having meet 50 times in 2010.

3.5.3. INSPECTION BODIES

The inspection of the company is the responsibility of an audit board and a statutory auditor or statutory audit company other than a member of the audit board.

The competences of inspection bodies are set out at law. They are particularly responsible, under the articles of association:

- For attending board of directors meetings whenever considered expedient;
- For issuing an opinion on any issue submitted to it by the board of directors;
- For raising any issue they consider should be discussed with the board of directors.

3.5.3.1. AUDIT BOARD

The audit board is made up of a chairman, two acting members and two deputies. The current term of officer of members of the audit board runs from 2010 to 2012.

COMPOSITION OF AUDIT BOARD

Chairman: Eduardo Manuel Hintze da Paz Ferreira
Members: Maria Rosa Tobias Sá and Pedro António Pereira Rodrigues Felício
Deputies: Pedro Miguel Rodrigues Soares e Vasquez and Maria Fernanda Joanaz Silva Martins

The résumés of members of the audit board are set out in annex I of this report.

The audit board usually meets once a month and met on 12 occasions in 2010.

The audit board, on 16 April 2010, issued a report on the level of compliance with the objectives for the board of directors defined by the shareholder, including an assessment of the level of compliance with good governance principles, "for compliance with the dispositions of article 6 of Decree Law 71/2007 of 27 March", pursuant to the terms of the unanimous declaration set out in writing by the State shareholder on 6 October 2009.

3.5.3.2. STATUTORY AUDITORS

The current term of office of the statutory auditors runs from 2010 to 2012.

OFFICIAL STATUTORY AUDITORS

Acting – Oliveira Rego & Associados, SROC, represented by Manuel de Oliveira Rego
Deputies – Álvaro, Falcão & Associados, SROC, represented by Eleutério Ganilho Álvaro

3.5.4. EXTERNAL AUDITOR

CGD's annual accounts are audited by the independent external auditor, Deloitte & Associados, SROC, SA, whose main point of contact is with the audit board. According to the dispositions of Council of Ministers' Resolution 49/2007, the audit board is responsible for selecting and contracting the external auditor and shall guarantee its conditions of independence notably via the case-by-case approval of non-audit functions as set out in internal regulations.

3.5.5. COMPANY SECRETARY

The board of directors, in a resolution dated 16 January 2008, appointed the secretary and deputy secretary for the same period of time as the term of office of CGD's current board of directors – 2008 to 2010.

COMPANY SECRETARY

Acting – João Manuel Travassos Dias Garcia
Deputy – Ana Paula Rögenes Perez Lopes Pargana Calado

3.5.6. EXECUTIVE BOARDS

CGD has five executive boards, whose composition, competences and periodicity of meetings are as follows:

- Credit Board, comprising all members of the board of directors (with a minimum of 3) having competence in credit matters, in accordance with the delegation of competences and which generally meets once a week, having met 51 times in 2010;
- Expanded Credit Board comprising all members of the board of directors (with a minimum of 4), also having competence in credit matters, in accordance with the delegation of competences and which also generally meets once a week having met 48 times in 2010;
- The Marketing, Communication and Networks Board (CDMC), with competences in terms of communication, marketing, financial markets, corporate and individual customers networks and products and services, comprising members of the board of directors with their corresponding areas of responsibility (with a minimum of 3) and which generally meets once a week having met 46 times in 2010;
- Personnel, Media and Systems Board (CDPM), with competences for procurement, property management, organisation, personnel, information systems and operational support, comprising members of the board of directors with their corresponding areas of responsibility (with a minimum of 3) and which generally meets once a week, having met 46 times in 2010;
- Assets and Liabilities Management Committee (ALCO), with competences for actions and procedures to control the Group's funding and liquidity position, risk management, Group capital ratios and the funding and capital management in addition to competences related to linkage between financial strategy and the Group's commercial policy and actions and procedures for controlling risk and the Group's financial position. It comprises all members of the board of directors and usually meets once a quarter, having met 6 times in 2010.

3.5.7. PREVENTION OF CONFLICTS OF INTEREST

Members of the board of directors are fully aware of their duties not to be involved in discussions and adoptions of resolutions on certain subject matters and comply with these standards in their activity.

There are no incompatibilities between the performance of management duties in CGD and the other duties performed by the members of the board of directors, deriving from "public sector management status" or any other standards. Members of the board of directors comply with all of the legal dispositions on the provision of information on other duties they accumulate.

Members of the board of directors, in accordance with the dispositions of "public sector management status" inform the Inspectorate General for Finance of all investments and direct and indirect financial interests they may have in the companies in which they perform office.

Members of the audit board are not affected by the incompatibilities set out in article 414–A of the Commercial Companies Code and are independent, according to the dispositions of article 414, number 5, of the Commercial Companies Code and the recommendation set out in Bank of Portugal circular 24/2009/DSB of 27.2.2009.

3.6. REMUNERATION OF MEMBERS OF STATUTORY BODIES

3.6.1. REMUNERATION POLICY FOR MEMBERS OF BOARDS OF DIRECTORS AND INSPECTION BODIES

According to Law 28/2009 of 19 June which establishes the regime for the approval of the remuneration policy for members of boards of directors and inspection bodies in entities with "public interest" status, the board of directors should annually submit a statement on the remuneration policy of the members of the said bodies for the approval of the shareholders' meeting. Bank of Portugal official notice 1/2010 and its circular letter 2/2010 refer to the same subject matter albeit wider in scope.

The board of directors submitted a declaration on CGD's remuneration policy for members of the boards of directors and inspection bodies, to the shareholders' meeting of 22 April 2010, with the meeting having decided that it would be dealt with in a latter resolution of its shareholder.

3.6.2. DEFINITION OF REMUNERATION FOR 2010

SHAREHOLDERS' MEETING

(EUR)

Shareholders' Meeting	Remuneration
Chairman	Attendance voucher for EUR 897.84
Deputy Chairman	Attendance voucher for EUR 698.32
Secretary	Attendance voucher for EUR 498.80

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

Remuneration payable 14 times per year.

(EUR)

CGD – Board of Directors	Remuneration up to 31.05.2010	Remuneration with a reduction of 5% (June to December 2010)	Remuneration with a reduction of 5% + 10% (from January 2011)
Chairman	26 500.00	25 175.00	22 657.50
Deputy Chairman	22 525.00	21 399.00	19 259.10
Members	18 550.00	17 623.00	15 860.70

(EUR)

	Remuneration up to 31.05.2010			Remuneration with reduction of 5% (June to December 2010)			Remuneration with reduction of 5% + 10% (from January 2011)		
CGD board members who are BPN board members	Remun.	Acc. Remun. 20% (BPN)	Total	Remun.	Acc. Remun. 20% (BPN)	Total	Remun.	Acc. Remun. 20% (BPN)	Total
Deputy Chairman	22 525.00	4 505.00	27 030.00	21 399,00	4 279.80	25 678.80	19 259.10	3 851.82	23 110.92
Members	18 550.00	3 710.00	22 260.00	17 623.00	3 524.60	21 147.60	15 860.70	3 172.14	19 032.84

AUDIT BOARD

Remuneration payable 14 times per year.

(EUR)

CGD Audit Board	Remuneration up to 31.05.2010	Remuneration affected by the reduction of 5% CGD's Board of Directors (June to December 2010)	Remuneration affected by the reduction of 5% + 10% of CGD's Board of Directors (from January 2010)
Chairman			
20% Remuneration			
Chairman CGD board	5 300.00	5 035.00	4 531.50
Members			
15% Remuneration			
Chairman CGD board	3 975.00	3 776.25	3 398.63

CGD complied with the dispositions of the ministerial decree of 25 March 2010 issued by the Minister of State and Finance, of which it was notified by circular 2590 of 26 March 2010, not having paid any management bonuses to members of its board of directors in 2010.

CGD complied in full with the dispositions of Article 12 of Law 12–A/2010 of 30 June, with all gross monthly remunerations of all of the members of its board of directors having been reduced by 5%.

Reference should also be made to the fact that, since January 2011, CGD also applied the 10% reduction on gross monthly remuneration to all members of its board of directors, in compliance with sub-paragraph c) of no. 1 and sub-paragraph q) of no. 9 of article 19 of Law 55–A/2010 of 31 December.

3.6.3. REMUNERATION AND OTHER BENEFITS OF MEMBERS OF STATUTORY BODIES

This information is set out in annex II of this report.

3.6.4. REMUNERATION OF STATUTORY AND EXTERNAL AUDITORS

REMUNERATION OF STATUTORY AUDITORS IN 2010

(EUR) (a)

Oliveira Rego & Associados, SROC, represented by its partner Manuel de Oliveira Rego	
Statutory audit services	236 289.24
Other services	69 480.04

(a) Amounts exclusive of Vat and relating to CGD Group.

REMUNERATION OF EXTERNAL AUDITOR IN 2010

(EUR) (a)

Deloitte & Associados, SROC, SA	
External and statutory audits	2 245 085
Other assurance services	887 551
Fiscal advisory	405 211
Other services	199 433

(a) Amounts exclusive of Vat and relating to CGD Group.

3.7. CONTROL SYSTEM

3.7.1. INTERNAL CONTROL SYSTEM

The internal control system is defined as a collection of strategies, systems, processes, policies and procedures, defined by the board of directors, in addition to the actions taken by the board and the institution's other employees, for the purpose of ensuring:

a) The efficient and profitable performance of activity, over the medium and long term (performance objectives);

b) The existence of full, pertinent, reliable, prompt financial information (information objectives);

c) Compliance with applicable legal and regulatory dispositions (compliance objectives).

CGD Group's management of its internal control system is based on good practice guidelines and methodologies, particularly the generic internal control methodology proposed by COSO (Committee of Sponsoring Organizations of the Treadway Commission) and, as regards information systems technology, the CobiT (Control Objectives for Information and Related Technology) framework.

Risk management has its own chapter in this annual report for 2010, as well as a note included in each of the annexes to the separate and consolidated financial statements referred to as "Disclosures on Financial Instruments", describing the financial risk management policies inherent to CGD / CGD Group's activities and quantifies CGD / CGD Group's exposure to each type of risk.

Under this framework and in order to achieve effective compliance with its defined objectives, CGD Group endeavours to guarantee an adequate control environment, a solid risk management system, an efficient information and communication system, adequate control activities and an effective monitoring process with the objective of ensuring the quality and efficacy of the system over time.

To ensure adequate management of the internal control system, specific, transversal responsibilities have been defined for determined structural bodies which as a whole and working with the Group's other structures and entities, perform activities designed to ensure the existence of an adequate internal control system:

BOARD OF DIRECTORS

The board of directors is responsible for periodically reviewing and approving risk management strategy and policies and internal control and establishing and guaranteeing their implementation within CGD, in addition to the progressive alignment of Group entities therewith.

OPERATIONAL RISK AND INTERNAL CONTROL MANAGEMENT COMMITTEE (CGRC)

This body is responsible for verifying conformity with the strategy and policies established for operational risk management and internal control purposes, monitoring the management thereof within the group and proposing action plans to the board of directors.

CONSULTANCY AND ORGANISATION DIVISION

The operational risk and internal control management area, coming under the Consultancy and Organisation Division, has the following responsibilities:

- To promote the implementation of the internal control management strategy and policies within the Group in articulation with other CGD and its subsidiaries' structural bodies, monitoring compliance therewith and informing CGRC of the respective conclusions;
- To assist the board of directors in its preparation of the regulatory separate and Group internal control report, periodically reviewing their shortcomings, undertaking a critical analysis and stimulating action plans. These activities are strictly articulated with the compliance function support office, and risk management division, internal audit division and the Group's subsidiaries and also consider any comments and remarks made by the audit board, statutory auditor and external auditor;
- To develop and implement operational risk management strategy and policies and ensure the adequate management thereof, with, in the case of subsidiaries, responsibility for promoting and supporting development and the continuous evolution of the said risk's management process as well as monitoring compliance with the defined strategy, policies and methodologies.

This division is also responsible for the management and documentation of processes in CGD, including the identification of potential operational risks and control procedures, articulating this activity with process owners and other structural bodies. It is also responsible for keeping documents up to date in branches and subsidiaries, in articulation with the local structures responsible for their management.

INTEGRATION OF INTERNAL CONTROL AND COMPLIANCE FUNCTION IN SOGRUPO – – SISTEMAS DE INFORMAÇÃO, ACE

This body has specific responsibilities in terms of processes within the sphere of SSI which include the assessment of processes in accordance with the CobIT Framework and the identification and reporting of non-conformities and improvement opportunities.

RISK MANAGEMENT DIVISION

The Risk Management Division is responsible for:

- The coherent identification, comprehension and disclosure, within CGD Group, of information on the risks and opportunities existing in business transactions;
- Management and control of CGD Group's credit risks in accordance with the strategy defined by the Expanded Credit Board;
- Management and control of market and liquidity risks in CGD Group, within the limits defined by the ALCO Committee;
- Management and control of model risk within CGD Group.

In the sphere of internal control management, this division is also responsible for the periodic production of reports on risk management for the board, with a summary of the main shortcomings identified and indication of the recommendations followed.

COMPLIANCE FUNCTION SUPPORT OFFICE

The Compliance Function Support Office ensures the management coordination of compliance risk within CGD and its respective branches and subsidiaries, in addition to economic interest groupings and pension fund management companies.

The office is responsible for coordinating and safeguarding the good execution of anti-money laundering and countering the financing of terrorism activities, in addition to preventing market abuse. It is also responsible for the periodic production of internal control reports for the board of directors, identifying any non-compliances and their respective remedial measures.

INTERNAL AUDIT DIVISION

Internal audit is a permanent, independent and objective activity designed to assist the board of directors in monitoring internal control systems, in a systematic and disciplined manner, both within CGD and the Group (except for the insurance area and from a perspective of supervision on a consolidated basis, in order to promptly identify higher risk areas and assess management efficacy, in addition to the adequacy of the most relevant control procedures, helping the Group to manage its risks and promote effective governance practices in terms of the implementation of its internal control system.

It is also responsible for producing and submitting an annual report on audit issues, to the board of directors and inspection body, containing a summary of the main shortcomings detected in control actions which may indicate a trend towards the deterioration of the internal control system, in addition to indicating and identifying the recommendations to be followed.

ACCOUNTING, CONSOLIDATION AND FINANCIAL INFORMATION DIVISION (DCI)

The principal objective of this organ which reports directly to the board of directors is the development of functions in the accountancy, accounts consolidation and financial information area, including financial reporting information, prudential information and monetary and financial statistics.

To perform its functions in full DCI establishes relationships with other CGD structural organs, Group companies and external entities coming within the scope of its attributions.

The circuits and controls involved in the disclosure of separate and consolidated financial information are monitored and validated by the statutory auditors which are responsible for the issue of an opinion on the adequacy and effectiveness of the part of the internal control system underpinning the process for the production and disclosure of the separate and consolidated financial information (financial report), sent annually to the Bank of Portugal.

3.7.2. CONTROL SYSTEM FOR THE PROTECTION OF THE COMPANY'S INVESTMENTS AND ITS ASSETS

SECURITIES HELD FOR TRADING AND INVESTMENT

CGD has defined guidelines for use as ancillary instruments on the management of its portfolios, containing assets subject to market risk under the management of the Financial Markets Division. These guidelines provide a sufficiently precise definition of the maximum levels on certain types of risk which may be incurred in portfolios, with the risk measures varying in accordance with the nature of the risk under consideration. The measure used for market risk is VaR, which is complemented in the case of interest rate risk, by Vo1. Credit risk in the referred to guidelines is assessed on the basis of the issuers' ratings, their sector and geography. Limits are set on ratings considered to be of inferior quality, sectoral and geographical exposure and exposure to diverse compacted risks.

Guidelines have also been issued for balance sheet liquidity and interest rate risks, defining the roles and responsibilities of the diverse parties involved, the indicators to be monitored, limits on such indicators and control systems on such limits.

Reports are produced on a comparison between existing positions and those acceptable under the guidelines, with an agreed frequency and graded according to the importance of the risks present in the diverse portfolios.

In the credit risk acceptance process which is always accompanied by a commercial proposal, there is always a mandatory risk opinion on economic groups with an exposure of more than a certain amount to CGD. The credit portfolios are regularly examined and reports produced on their default rates.

Defaults and valuation of credit assets are followed by a process for determining impairment under which endeavours are made to allocate an amount which takes the effective associated recoverability into account for each credit on CGD's balance sheet. This process results in the determining of impairment provisions, subject to a report to be sent by the auditors to the Bank of Portugal.

CGD performs quarterly stress tests on credit, market, interest rate and liquidity risks with the objective of not only complying with Bank of Portugal instruction 32/2009 but also improving its perception of CGD's risks and protecting its assets and activity.

FINANCIAL INVESTMENTS

Financial investments in listed companies are monitored weekly and information sent to the board of directors. Impairment analyses are performed monthly.

Large investments in unlisted companies are assessed annually by an investment bank also for impairment indication purposes.

Information on the activity of the above referred to companies is sent to the board of directors every quarter together with a collection of indicators containing comparisons with the preceding year and budget.

In the case of the remaining subsidiary companies, an annual comparison is made between the subsidiary's shareholders' equity and the book value registered in CGD.

The annual reports of all of the subsidiary companies are analysed with CGD being represented at their respective shareholders' meetings by a proxy who takes the positions defined in advance by CGD's board of directors. A record of approved dividend payments is also produced and payment thereof verified.

There is a record of all CGD investments, each company's respective shareholding structure and information on members of statutory bodies.

PROPERTY ASSETS

CGD has a collection of property assets comprising two general categories of buildings: tangible fixed assets or property for own use allocated to operations and non-current assets held for sale from repossession and buildings not allocated to operating activity.

In terms of own use, reference should be made to several of the central buildings allocated to an important number of branch office on a national and international level.

Buildings resulting from repossessions are allocated to different portfolios and to specialised companies in accordance with their origin or stage of development.

For these two categories of assets, CGD Group, through various specialised property management entities carried out operations designed to sustain the value thereof and also endeavours whenever possible to increase their market value.

The control system implemented, is based on two principles, the existence of adequate and reliable computerised records enabling reports to be promptly supplied and a separation between functions, to guarantee the distribution of responsibilities in order for different structures to be responsible for diverse activities.

Reference should be made to the following activities:

- Valuations of all properties particularly when used as collateral, by a specialised company, with particular reference to separation between loan approval functions and an assessment of the same guarantees;
- Annual valuation of all property assets using best practice;
- Conservation and preventative, corrective and remedial maintenance of the structural characteristics of property for own use and adequacy thereof *vis-à-vis* the needs of different users and occupants;
- Works and improvements to improve energy efficiency;
- Appreciation in commercial value in the event of divestment by a specialised company using the best property marketing techniques including segmentation of the potential market, dynamic channel and partner management and use of efficient means of commercialisation based on the new technologies.

3.7.3. CONTROL SYSTEM FOR THE PROTECTION OF CUSTOMERS' ASSETS WITH CGD

In complying with the dispositions of no. 4 of article 304–C, of the Securities Market Code (CVM), the external auditors have issued an annual report on the adequacy of the procedures and measures taken by CGD to protect its customers' assets.

The procedures should guarantee the following objectives (articles 306 to 306–D of the CVM):

- In all acts it performs as well as its accounting and operational records, the financial intermediary should ensure a clear distinction between its own assets and those belonging to each of its customers;
- The declaration of bankruptcy procedures, corporate recoveries or restructuring of the financial intermediary does not have any effect on the acts performed by the financial intermediary on behalf of its customers;
- The financial intermediary may not, whether in it own interest or on behalf of third parties, use its customers' financial instruments or exercise any rights thereon unless agreed with their owners;
- Investment companies may not, either in their own interests or on behalf of third parties, use money received from customers.

The latest opinion of the auditors available on this date for 2009, demonstrated that the procedures and measures adopted by CGD, are in line with the dispositions of articles 306 to 306–D of the CVM, in all materially relevant aspects.

3.8. DISCLOSURE OF RELEVANT INFORMATION

3.8.1. MARKET RELATIONS REPRESENTATIVE

CGD, as an issuer of financial instruments, has appointed a market relations representative to provide prompt information and who can be contacted as follows:

CONTACTS OF MARKET RELATIONS REPRESENTATIVE

Market relations representative: António José Alves Valente

Telephone: 217905908
Fax: 217953986
Email: antónio.valente@cgd.pt

3.8.2. DISCLOSURE OF PRIVILEGED INFORMATION

CGD, as defined under respective legislation, as an issuer of financial instruments, has appointed a market relations representative who prompt provides information on any matter which may have a relevant effect on the company's economic and financial status and net worth. CGD's internet site also provides a collection of business-related institutional information at www.cgd.pt.

In fully complying with the duty to publicly and immediately disclose relevant information, a CGD, disclosed the following privileged information in 2010:

Date	Subject
31.12.2010	Caixa Geral de Depósitos, SA provides information on its increase in share capital.
31.12.2010	Caixa Geral de Depósitos, SA provides information on the disposal of investments.
24.12.2010	Caixa Geral de Depósitos, SA provides information on changes in the Fitch Ratings rating.
03.12.2010	Caixa Geral de Depósitos, SA provides information on the Standard & Poor's rating.
08.11.2010	Caixa Geral de Depósitos, SA provides information on change in the Fitch Ratings' rating.
03.11.2010	Caixa Geral de Depósitos, SA provides information on consolidated operations and results for 3rd quarter 2010.
04.10.2010	Caixa Geral de Depósitos, SA provides information on additional elements related to the sale of its headquarters building to the CGD Employees Pension Fund.
01.10.2010	Caixa Geral de Depósitos, SA provides information on the sale of its headquarters building to the CGD Employees Pension Fund.
30.09.2010	Caixa Geral de Depósitos, SA provides information on the disposal of investments.
23.07.2010	Caixa Geral de Depósitos, SA provides information on European stress tests.
22.07.2010	Caixa Geral de Depósitos, SA provides information on the charge made by CMVM.
21.07.2010	Caixa Geral de Depósitos, SA provides information on the maintenance of Fitch Ratings' long and short term ratings.
14.07.2010	Caixa Geral de Depósitos, SA provides information on the change in Moody's rating.
02.06.2010	Caixa Geral de Depósitos, SA provides information on changes in Moody's ratings.
02.06.2010	Caixa Geral de Depósitos, SA provides information on the partnership agreement in the Brazilian market entered into with Banif Financial Group.
06.05.2010	Caixa Geral de Depósitos, SA provides information on its operations and results for first quarter 2010.
05.05.2010	Caixa Geral de Depósitos, SA provides information on Moody's decision to place Caixa's ratings "under review for an eventual downwards revision".
29.04.2010	Caixa Geral de Depósitos, SA provides information on resolutions of the shareholders' meetings of 22 April 2010 and final documents for accounts submissions for 2009.
27.04.2010	Caixa Geral de Depósitos, SA provides information on changes in Standard & Poor's ratings.
22.04.2010	Caixa Geral de Depósitos, SA provides information on changes in Moody's ratings on hybrid and subordinated securities.
08.04.2010	Caixa Geral de Depósitos, SA provides information on CIMPOR.

...continued

Date	Subject
25.03.2010	Caixa Geral de Depósitos, SA provides information on the changes in Fitch Ratings' ratings.
18.02.2010	Caixa Geral de Depósitos, SA provides information on its operations and results for 2009.
03.02.2010	Caixa Geral de Depósitos, SA provides information on the entering into of a shareholders' agreement with VOTORANTIM relating to the respective equity investments in CIMPOR.
27.01.2010	Caixa Geral de Depósitos, SA provides information on the technical factsheet on covered bonds issues.
14.01.2010	Caixa Geral de Depósitos, SA provides information on the public issue of covered bonds.

3.8.3. DISCLOSURE OF OTHER MARKET INFORMATION

In compliance with its public disclosure requirements (article 249 of the Securities Market Code), Caixa Geral de Depósitos, as the issuer, released all market communications in 2010, notably as regards bond issues and changes to the prospectuses for a bond listing.

The information on the prospectuses for a bonds listing has also been published on CGD's website.

CMVM approved the 5th addendum to the Base Prospectus for the Covered Bonds Issue Programme for the amount of EUR 15 billion in June 2010. CMVM approved the 6th addendum to this prospectus. The addendum as well as a consolidated version of the prospectus in September and a revised summary were published on the CMVM website.

CGD realised two covered bonds issues in 2010, namely the 3rd public issue under this programme – Series 10 for the amount of EUR 1 billion in January and Series 11 for the amount of EUR 1 billion, in June. The final conditions for these two issues were sent to Euronext Lisbon for a listing which information is also available on the CMVM website.

CGD updated its Euro Medium Term Notes (EMTN) issue programme in July, having created the programme passport for Portugal, in order to be in a position to make public retail offers in Portugal under the programme. The new base prospectus and its respective summary in Portuguese were sent to the CMVM which published them on its website. CGD released a second addendum to the prospectus in October, the contents of which were disclosed on the CMVM website.

During the course of 2010, CGD announced three public bond offers, in July a EUR 500 million issue, denominated "Caixa Valor Nacional 2010/2015", and a EUR 200 million issue denominated "Caixa Taxa Mix – July 2010/2013" and, in November, an issue of EUR 314 million, denominated "Caixa Dia da Poupança 2010/2013", which issues were advertised by the CMVM. The technical factsheets on these issues were sent to Euronext with a request for a listing on the Eurolist market. CMVM was also informed of the factsheets and the final conditions of the issues and information on the result of the public offers was also sent to CMVM where they can be consulted.

Also under the EMTN programme, CGD, in July, requested a listing on the Eurolist market of five issues each of which for the amount of EUR 2 million, denominated "Equity Index Linked Notes Caixagest Mix Emergentes" and, in October, a listing on the Eurolist market of five issues each of which for the amount of EUR 3 million, denominated "Index Linked Redemption Notes". The final conditions of these issues were sent to Euronext Lisbon. The information is also available on CMVM's website.

In accordance with the dispositions of article 16 of the Securities Market Code and article 2–A of Securities Market Commission Regulation 5/2008 together with article 2 of Regulation 5/2010, on compliance with the disclosure of information duties on qualified investments in listed companies, subject to Portuguese personal law, CGD, aggregated all of the information on the said investments and the voting rights of the companies belonging to CGD Group and the respective companies' pension funds in its provision of full market information.

In fully complying with these duties, CGD sent CMVM, Euronext Lisbon and the issuing companies five communications on the lawfully established change of the percentage, in investments and voting rights in 2010.

3.8.4. DISCLOSURE OF INFORMATION ON "SEE" SITE

The Directorate General for the Treasury and Finance website has an area dedicated to the state's business sector in which information is, *inter alia*, published on the objectives and policies for companies in the sector and their subsidiaries, historical and current financial information on the company in addition to the identification of and résumés of all of the members of their statutory bodies.

CGD therefore discloses and regularly updates information on the "SEE" site on the subject matters set out in the following table:

Information to be displayed on the SEE site	Disclosure Y	Disclosure N	Disclosure N.A.	Remarks
Updated articles of association (PDF)	X			
History, vision, mission and strategy	X			
Corporate summary	X			
Identification of company:				
Mission, objectives, policies, public service obligations and financing model.	X			
Government model / identification of statutory bodies:				
Government model (identification of statutory bodies)	X			
Fixed remunerations	X			
Remunerations and other benefits	X			
Regulations and transactions:				
Internal and external regulations	X			
Relevant transactions with related bodies	X			
Other transactions	X			
Analysis of economic, social and environmental sustainability	X			
Assessment of compliance with GGP	X			
Code of ethics	X			
Historical and current financial information	X			
State financial effort	X			

Y – Yes; N – No; and N.A. – Not applicable.

This information is available at:
http://www.dgtf.pt/sector-empresarial-do-estado-see/informacao-sobre-as-empresas/entidades/cgd-caixa-geral-de-depositos-sa

3.8.5. DISCLOSURE OF INFORMATION ON CGD WEBSITE

CGD website's informational architecture has a public access area exclusively specialising in the disclosure of information on corporate governance in order to fully comply with the good governance principles for companies in the State's business sector approved under Council of Ministers resolution 49/2007 of 28 March.

This area of the website, which can be directly and immediately accessed from the homepage, discloses information on all mandatory legal information on the diverse corporate governance issues including information on the subjects set out in the following table:

Information to be displayed on the SEE site	Disclosure Y	N	N.A.	Remarks
Existence of site	X			
History, vision, mission and strategy	X			
Organogram	X			
Statutory bodies and governance model:				
Identification of statutory bodies	X			
Identification of areas of responsibility of board of directors	X			
Identification of committees existing in the company	X			
Identification of risk control systems	X			
Remuneration of statutory bodies	X			
Internal and external regulations	X			
Non-market transactions	X			
Relevant transactions with related bodies	X			
Analysis of economic, social and environmental sustainability	X			
Code of ethics	X			
Annual report	X			
Customer ombudsman			X	

Y – Yes ; N – No; and N.A.– Not available.

This information is available at:
http://www.cgd.pt/Governo-Sociedade/Pages/Governo-Sociedade.aspx

3.8.6. PRODUCTION OF A REPORT ON CORPORATE GOVERNANCE

This report on corporate governance, which is a separate chapter of CGD's current annual report for 2010 aims to comply with the recommendation of including an item relating to corporate governance in the management report, in accordance with the principle established in item 29 of the annex to Council of Ministers' Resolution 49/2007 of 28 March.

3.8.7. PROVISION OF INFORMATION TO DGTF AND IGF

In its compliance with the special disclosure requirements required by ministerial order 14 277/2008 of 23 May on reporting to the Directorate General for the Treasury and Finance (DGTF) and the Inspectorate General for Finance (IGF), CGD has arranged for regular information to be sent to both entities, using, *inter alia*, the System for the Collection of Economic and Financial Information (SIRIEF).

CGD has disclosed information on its activities plan and annual budget to the Ministry of Finance and sent DGTF a copy of the minutes of the annual shareholders' meeting.

The audit board has, at the same time, sent the Ministry of Finance a quarterly report on controls, anomalies and main deviations from forecasts, under the dispositions of article 6, no. 2 of Decree Law 287/1993 of 20 August.

3.9. ANALYSIS OF THE COMPANY'S SUSTAINABILITY IN THE ECONOMIC, SOCIAL AND ENVIRONMENTAL DOMAINS

The information supplied in this analysis is not exhaustive and the respective sustainability report for 2009 should therefore be consulted for a better understanding of CGD's activities and initiatives.

3.9.1. STRATEGIES ADOPTED, POLICIES FURTHERED WITH THE AIM OF GUARANTEEING ECONOMIC, FINANCIAL, SOCIAL AND ENVIRONMENTAL EFFICIENCY AND SAFEGUARDING STANDARDS OF QUALITY AND ACTION PLANS FOR THE FUTURE

As market leader and benchmark institution in the promotion of best financial sector practice, CGD is strongly committed to sustainable development. This form of operation which has been a constant factor in its history translates into the voluntary adoption of a series of commitments in the economic, environmental and social spheres, far in excess of its legal obligations and contribute to business development and increased competitiveness.

This context witnessed the definition of CGD's sustainability programme in 2010 as the strategic designation comprising four essential pillars upon which the bank's activity is based, designed to create value: economically profitable, financially viable, socially fair and environmentally correct. With the formalisation and implementation of its sustainability programme and respective management model, CGD has conveyed its clear commitment to endowing the organisation with processes and procedures providing guidelines for all of its activities in this domain, clearly once more demonstrating its ambition to lead the national market in terms of sustainable financial services.

The implementation of the management model for CGD's sustainability programme is based on the formalisation of the responsibilities of each of CGD's structural organs and several CGD Group companies, for the correct furtherance of the strategies adopted, policies defined and recommendations to be drawn up, considering: the board of directors as a decision-making body, the sustainability committee as a recommendation structure and the taskforce coordination team for projects related with specific issues.

To guarantee the furtherance of this programme's objectives, CGD has drawn up a declaration of its sustainability policy which aims to operate in five key strategic areas, always geared to creating value for CGD:

- Responsible banking – the development of balanced, transparent and responsible relationships with customers;
- Promotion of the future – recognition of the importance of banking activity for sustainable development, aspiring to contribute towards a better future;
- Protection of the environment – promotion and active response to society's environmental problems;
- Involvement with the community – promotion of investment in the community and fuelling the development of society in general;
- Management of human assets – quest for the development of employees as a differentiating factor and their respective recognition.

In addition to its sustainability policy, CGD has defined other guideline policies, comprising important sustainability management integration tools to include: environmental policy and a policy of involvement with the community. These policies will later be set out in an implementation plan and, in 2011, the need for the definition of other complementary policies in the human resources and product areas will be analysed.

In its awareness that sustainability is not an objective which can be achieved without the contribution of its stakeholders, CGD has attached special importance to their involvement, having defined its involvement strategy with stakeholders in 2010.

Also relevant is the adoption of a strategy of regular communication on its sustainability performance in the form of sustainability reports, which have been awarded the maximum A+ classification, in which the strategies, commitments, initiatives and performance achieved in terms of various sustainability issues are described in detail.

In terms of the adoption of strategies, reference should also be made to our involvement and participation in the main associations and initiatives in the sustainability area and specifically in the financial sector, including, *inter alia*: the UNEP Finance Initiative, Carbon Disclosure Project, Global Reporting Initiative, BCSD Portugal – Business Council for Sustainable Development.

3.9.2. LEVEL OF COMPLIANCE WITH TARGETS

In its 2009 sustainability report, CGD listed its commitments in the sustainability area (pages 79 to 82 of its Institutional Handbook).

The following is a summary of the areas and issues in which commitments have been defined:

- Environment – Environmental policy, Caixa Carbon Zero Programme, UNEP-FI, waste recycling;
- Employees – Talent management, internal mobility, knowledge management, environmental training and the social climate;
- Customers – Quality, microcredit portfolio, environmental and socially responsible products and services, incentives, environmental and social aspects of the assessment of corporate credit risks, PC Caixa Activa financing and the municipal financing model;
- Stakeholders – Involvement strategy with stakeholders;
- Governance – Mission, values and business principles, definition of sustainability management model;
- Community – Community involvement policy;
- Suppliers – Listening to suppliers and sustainability criteria for their selection;
- Communication – Promoting financial literacy, environmental awareness and sustainable development.

In addition to the information provided in this document, a full sustainability status report will be issued by CGD in 2010 on the implementation of the commitments with detailed information on initiatives in 2010.

3.9.3. IDENTIFICATION OF THE MAIN RISKS FOR THE COMPANY'S ACTIVITY AND FUTURE

CGD considers that sustainability represents a new approach to risk management and the identification of opportunities, having identified two types of impacts and risks, direct and indirect.

Direct and indirect impacts generally represent sources of risk. These sources are essentially and in terms of direct impacts, related with the risk of having to pay:

- Costs resulting from downtime;
- Costs of fines;
- Consequential moral losses.

In the sphere of direct, more specifically operational risks, reference should be made to CGD's business continuity plan. The objective of this plan is to find solutions to disasters leading to the generalised downtime of physical infrastructures – – considering workplaces and technological support - or employees' generalised incapacity to reach their workplaces and considers the following environmental events as examples of what could represent a threat for CGD's activity:

- Natural catastrophes: floods, earthquake and fire;
- Environmental contamination;
- Epidemics.

In terms of indirect impacts, these result from:

- Losses related with "toxic collateral" deriving from repossessions;
- Risk of defaults by companies financed for environmental reasons (companies may be fined or penalised in reputational terms owing to environmental issues, which could, in extreme cases lead to defaults);
- Investments made by customers with credit from CGD and investments made by CGD.

Preference should be given to investment in and the consumption of user-friendly technologies and/or the promotion of projects which, in any way minimise the use of natural resources and/or the inclusion of environmental criteria in lending risk analyses.

These risks have been gradually transformed into opportunities, through the creation of new business / financing lines designed to provide for new market demands and needs. CGD must therefore endeavour to reduce risk and leverage opportunities.

As regards indirect impacts and respective risks, it is CGD's objective to include environmental aspects in the credit risk analysis on its corporate lending. This risk assessment on a loan will also help the Portuguese business framework to anticipate future legislative demands.

In terms of information on environmental risks, reference also should be made to the Banking & Environment – Financing the Environment in Portugal 2009/2011 initiative, under the aegis of UNEP-FI, designed to promote knowledge of environmental risks with banks and the business sector.

Lastly, reference should also be made to the creation of a taskforce, in 2010, in the sphere of the sustainability management model which specifically analyses this issue and whose agenda includes the analysis of environmental and social risks and the identification of requirements for lending analyses.

3.9.4. SOCIAL RESPONSIBILITY

CGD's sustainability report provides a detailed description of the development of social responsibility initiatives permitting a better understanding of the bank's performance in this area.

GUARANTEE OF EQUALITY OF OPPORTUNITIES, RESPECT FOR HUMAN RIGHTS AND NON-DISCRIMINATION

CGD promotes citizenship, inclusion and equality of opportunities – which principles are included in its code of conduct regulating the activities of the bank and its employees.

CGD's commitment to the community is based on its unshakable defence of ethical principles, transparency and respect for the standards regulating its activity, in subscribing to codes of conduct and good practice, in its respect for employees, providing the best professional and personal conditions and continuous support for and to social and cultural activities, providing for the real needs of society.

This active role in the community has made CGD a "social bank" in its encouragement of value creation.

ADEQUATE MANAGEMENT OF THE COMPANY'S HUMAN CAPITAL, PROMOTING THE PERSONAL ADVANCEMENT OF HUMAN RESOURCES AND INSTITUTING OF SYSTEMS GUARANTEEING WELL-BEING AND REWARDING EMPLOYEE MERIT

CGD considers the talent, development of the capacities and competences of its employees and the creation of the best balance between professional and personal affairs to be strategic axes in terms of human resources management. Human resources management is based on the pillars of brand value and corporate culture, knowledge, communication and performance.

This management is visible on various levels, including:

- Training – production of a knowledge management strategy geared to the development of employees' talents, including technical training but also on issues which affect society and citizens' lives;
- Performance appraisals – implementation of an employees appraisal and recognition system comprising three components: personal attitudes, a "can do" approach, competences "expertise" and objectives in the form of the achievement of results;
- Working conditions – promotion of a safe and healthy working environment.

ADOPTION OF CORRECT PRACTICE

CGD's promotion of good practice is reflected in its management and current activity. The referred to strategies, policies and code of conduct reflect the bank's adoption of correct practice. Considering, however, that the information supplied in this document is not exhaustive, CGD's sustainability report for 2009 should be consulted for a better understanding of CGD's activity and initiatives in this sphere.

CGD was also considered, in 2010, by 12 000 of the bank's individual customers and non-customers to be the financial institution most associated with the three axes of sustainability – social, environmental and financial, in accordance with the Annual Assessment Report of the Caixa Geral de Depósitos Brand – 2010 realised by the Consultants Group.

3.9.5. SUSTAINABLE DEVELOPMENT

VALUE CREATION FOR SHAREHOLDER (HIGHER PRODUCTIVITY, A CUSTOMER-CENTRIC APPROACH, LOWER EXPOSURE TO RISKS OF ENVIRONMENTAL, ECONOMIC AND SOCIAL IMPACTS OF ACTIVITIES, ETC.)

CGD's current sustainability programme was defined on the basic principle of value creation, through the integration of environmental, social and governance aspects in its core business. The recognition and identification of business opportunities associated with sustainability are underlying factors in the strategy defined in the various axes under consideration: responsible banking, promotion of the future, protection of the environment, involvement with the community and human assets management.

The information provided in CGD's 2009 sustainability report permits a better understanding of the integration of sustainable practice in terms of CGD business.

PROMOTION OF ENVIRONMENTAL PROTECTION AND ADOPTION OF CORRECT ENVIRONMENTAL PRACTICE

As climate change has been identified as a priority in this domain, CGD launched its Caixa Carbon Zero Programme in 2007. The transversal and strategic nature of the programme puts Caixa in pole position in the national financial sector in its response to the new demands of a low carbon economy. Since 2006 CGD has had an inventory of greenhouse gases relating to its banking operations in Portugal produced in accordance with the best international methodologies and whose results it has publically announced.

The programme has simultaneously consolidated a series of internal initiatives enabling the bank to reduce the greenhouse gas emissions produced by its own activities in the areas of the main environmental impacts, namely energy consumption (initiatives for the promotion of energy efficiency equipment and buildings, use of renewable energies, mobility management, behavioural changes) and consumption of materials (initiatives to reduce consumption and waste management).

The offsetting of emissions associated with Caixa's activity is one of the performance aspects of the referred to Carbon Zero Project. In its compliance with the objective of operating a carbon neutral regime in the first stage up to 2010 – Caixa Carbon goal – Caixa will, in 2011, offset the emissions of greenhouse gases produced by its activity, notably emissions generated by several actions which were listed in 2010. It also undertook, in 2010, to offset the emissions associated with the production of its 2009 Sustainability and Accounts reports.

Caixa has also undertaken to promote the carbon literacy of its employees, customers and society in general through a series of actions designed to increase public recognition of the issue of climate change, providing practical and rigorous information on the contribution of individual behaviour towards the reduction of emissions. The www.cgd.pt website is the prime choice for providing information on such initiatives, which are exemplified by Carbon Zero Day-to-day, CGD's Carbon Calculator or Savings Cycle.

CGD has been implementing a vast range of measures to reduce the energy intensity and carbon content of its activity, in line with best practice in these domains. Reference should be made, in the renewable energies area to the solar power generating unit on its headquarters roof which is the largest in Portugal and enables it to save more than1 GWh of electricity per annum and the solar photovoltaic microgeneration programme on its branch office network, which currently encompasses 86 branch offices.

Initiatives to improve environmental performance also include the rationalisation of energy consumption in terms of information and communications technologies and air conditioning systems and lighting in buildings, reduction of consumption of paper and increase in waste recycling levels.

In the mobility domain, regulations governing the acquisition of vehicles based on environmental criteria have been defined and an increased use of videoconferencing and promotion of modal transfer in terms of official travel, in addition to a great deal of work, starting 2010, on employees' pendular mobility.

The series of measures implemented has, since 2006, produced global savings of more than 5 GWh/year, in CGD, SA's central buildings alone. This represents an average reduction of around 2 400 t CO_2e/year. These larger buildings were also subject to energy and interior air certification processes in which our headquarters building was awarded an A+ classification.

Caixa was the first Portuguese financial institution to sign the Carbon Disclosure Project (CDP), joining other major worldwide institutional investors in integrating the climate factor in its investment decisions and reducing the associated risk.

Caixa is also a member of UNEP FI – United Nations Environment Programme Finance Initiative, which expresses the commitment to integrate environmental aspects of CGD Group business.

Caixa publishes a sustainability report which has been prepared in accordance with the guidelines of the Global Reporting Initiative and verified by an external, independent entity in which, in addition to other indicators, it produces a transparent report on its environmental performance.

CGD defined its environmental policy in 2010 and the respective declaration is at its approval stage.

CONTRIBUTION TO SOCIAL INCLUSION (EMPLOYABILITY)

CGD's major impact in terms of social inclusion and employability is particularly relevant in the current economic scenario, both directly or indirectly.

Direct reference should be made to the impact associated with the creation of jobs for around 11 thousand employees. Indirect reference should be made to the employment created in the form of financed activities, microcredit or the suppliers with whom CGD works and whose impact, albeit non quantified, is undoubtedly relevant.

3.9.6. PUBLIC SERVICE AND THE SATISFACTION OF COLLECTIVE NEEDS

Rigour, transparency, security, responsibility, integrity and respect are ever present values in CGD's performance. The excellence of the service it provides, citizenship, inclusion and equality of opportunity are CGD hallmarks.

The satisfaction of customers' needs and continuous improvements of the quality of service provided and customer satisfaction indices are one of CGD's strategic priorities. To achieve its objectives, CGD has implemented a customer satisfaction quality programme which includes:

- Contacts with customers for assessing their level of satisfaction with service, products and relational aspects;
- Regular surprise visits to the branch office network, in an endeavour to assess not only the technical quality of customer service but also the behavioural aspects involved in interactions with customers.

Based on CGD's historical characteristics, reference should also be made to the importance of its branch office network and the geographical distribution of the various branch offices, as elements of inclusion and social and local cohesiveness.

CGD's commitment to the community is based on its ongoing and committed support to activities in different areas – education, environment, culture, sport and solidarity – providing for society's real needs and expectations.

CGD's 2009 sustainability report provides a detailed description of the initiatives which are summarised in this document.

3.9.7. WAYS IN WHICH THE COMPANY'S COMPETITIVENESS HAS BEEN PROTECTED, THROUGH RESEARCH, INNOVATION, DEVELOPMENT AND THE INTEGRATION OF NEW TECHNOLOGIES IN TERMS OF PRODUCTION

The implementation of its sustainability management model has enhanced the conditions allowing CGD, through its multidisciplinary teams and different structural organs, to implement and promote its sustainability programme, aligned with best international practice, with the economic, social and environmental challenges facing the country and with innovation, differentiation and competitiveness, helping CGD to take the national lead in sustainable financial activity.

3.10. NOMINATION OF AN OMBUDSMAN

Caixa attributes increasing importance to its customer relationships during the course of its services cycle with the objective of improving and, whenever possible, outperforming expectations.

Complaints are considered to be a means of recovering dissatisfied customers, resolving the reason for their dissatisfaction and also as a source of opportunities for improvement and bettering the quality of its general service.

In CGD and in addition to the existence and provision of a complaints book, customers and citizens in general have the right to complain and make suggestions on any point of the branch network or use Caixadirecta's telephone service or customer area at www.cgd.pt. The rules governing the management and processing of complaints have been clearly defined in the respective internal orders and instructions.

Caixa created a Customer Support Office, in 2008, to provide for customer complaints. The office reports directly to the board of directors. This activity was further consolidated, in 2009, through the services of this office, via major investment in the mobilisation and reinforcement of its workers' competences.

This has enabled Caixa to reduce its response time to customers in a consolidated manner, except for situations in which a longer period is required owing to the nature and complexity of the complaint. A major contributory factor was the clarification of related responsibilities, between the office's commercial areas and the automating of the routing and processing of a determined type of recurrent complaints.

Although preference continues to be afforded, whenever possible, to processing customer complaints in a personal service context the complaint is processed by the Customer Support Office whenever the customer opts for other forms of submission or requires a written response. The centralisation of management and processing of the complaints have changed the way in which Caixa considers customer complaints, which it considers to have a positive and constructive connotation, based on the opportunity of recovering a customer and, in more general terms, as a source of the prompt systemisation of the main weaknesses and a grounded criterion for ranking improvement initiatives.

The office ensures centralisation, analysis and processing and response to all complaints and suggestions whatever the contact channel or media used by customers. When necessary, it has recourse to Caixa's other internal areas or group companies, maintaining separation between functions and their independence from the structural body against which the complaint may be made.

As there has been a major increase in banking customers' possibilities of appeal, notably the new channels opened by the Bank of Portugal, in the form of the Banking Customer Portfolio, the creation of the "Credit Mediator" and the mandatory inclusion of at least two authorised entities in arbitration procedures, as required by Decree Law 317/2009 of 30 October, CGD does not considered the nomination of a customer ombudsman to be justified.

RÉSUMÉS OF MEMBERS OF SHAREHOLDERS' MEETING

CHAIRMAN – MANUEL CARLOS LOPES PORTO

Date of birth: 15 June 1943

Current positions

- Chairman of shareholders' meeting of Caixa Geral de Depósitos, SA since 2004;
- Professor and director of Law Faculty of Universidade Lusíada do Porto since 2007;
- Member of Jean Monnet University's action council since 2004;
- Professor at Universidade Lusíada since 2005;
- Chairman of Coimbra Municipal Assembly since 2001;
- Professor at Instituto Superior Bissaya Barreto since 1999;
- Professor of Law Faculty of Coimbra University, responsible for the European Law Course of the Law Faculty of Coimbra University since 1993; also lecturing in other postgraduate courses at the faculty.

Former positions

- Chairman of the European Community Studies Association (ECSA-World), elected in 2004 and re-elected in 2006;
- Member of local finance reform commission from 2005 to 2006;
- Chairman of shareholders' meeting of Ana, Aeroportos e Navegação Aérea, from 2002 to 2005;
- Chairman of National Council of Education from 2002 to 2005;
- Chairman of management board of Coimbra University Law Faculty, from 2000 to 2005;
- Deputy chairman of European Parliament Budget Committee, from 1994 to 1997;
- Member of Municipal Assembly of Coimbra, 1993 and 1996 to 1999;
- Questor, from 1992 to 1994;
- Member of European Parliament from 1989 to 1999;
- Member of Fiscal Reform Commission, from 1987 to 1988;
- Chairman of National Council for the Plan, from 1986 to 1989;
- Chairman of Central Region Coordination Commission, from 1976 to 1989;
- Consultant to GEPT (Terrestrial Studies and Planning Office), from 1967 to 1969.

Academic qualifications

- Competition for Professor of Legal-Economic Sciences, Law Faculty of Coimbra University, in 1990;
- Doctorate in Juridical and Economic Sciences, Law Faculty of Coimbra University, in 1983;
- M. Phil in Economics, Oxford University, 1976;
- Degree in Law, Law Faculty of Coimbra University, 1965.

DEPUTY CHAIRMAN – DANIEL PROENÇA DE CARVALHO

Date of birth: 15 September 1941

Current positions

- Deputy chairman of shareholders' meeting of Caixa Geral de Depósitos, SA since 2004;
- Chairman of board of directors of ZON Multimédia, SGPS, SA since June 2007;
- Member of remuneration committee of Banco Espírito Santo, SA since March 2008;
- Chairman of board of trustees of "D. Anna de Sommer Champalimaud and Dr. Carlos Montez Champalimaud" foundation since June 2005;
- Chairman of shareholders' meeting of Liga de Amigos da Casa-Museu João Soares since June 1998;
- Member of board of trustees of the Batalha de Aljubarrota Foundation since March 2002;
- Member of the advisory board of the Renascer Foundation since May 2005;
- Professor of "Audiovisual and Communication Law", at the Legal Communication Institute of the Law Faculty of Coimbra University since 2005;
- COMPETITIVENESS FORUM – advisory board since June 2008;
- Member of Sponsorship Council of the Arpad Szènes–Vieira da Silva Foundation since February 2009;
- Member of advisory board of Galp Energia Foundation since September 2009.

Chairman of general meetings of the following entities

- AEM – Associação das Empresas Emitentes de Valores Cotados em Mercado, acting on behalf of ZON MULTIMÉDIA, Serviços de Telecomunicações e Multimédia, SGPS, SA since 15 December 2010;
- Inistituto Português de Corporate Governance since 21 June 2010.

Chairman of general meetings of the following companies

- GALP ENERGIA, SGPS, SA since April 2008;
- ESTORIL SOL, SGPS, SA since April 2007;
- SOCITREL – Sociedade Industrial de Trefilaria, SA since May 2005;
- ALMONDA – Sociedade Gestora de Participações Sociais, SA since March 1996;
- RENOVA – Fábrica de Papel do Almonda, SA since May 1997;
- EDIFER – INVESTIMENTOS, Sociedade Gestora de Participações Sociais, SA since May 2003;
- EDIFER – Sociedade Gestora de Participações Sociais, SA since May 2003;
- CELULOSE DO CAIMA – SGPS, SA since April 2002;
- CONFIANÇA PARTICIPAÇÕES, SGPS, SA since December 2004;
- GOTAN SGPS, SA since December 2004;
- PORTUGÁLIA – Administração de Patrimónios, SA since June 1980;
- SÉTIMOS – PARTICIPAÇÕES, SGPS, SA since June 2005;
- COALTEJO – Criador de Ovinos Algarve e Alentejo, SA since March 2005;
- 3 Z – ADMINISTRAÇÃO DE IMÓVEIS, SA since March 2001;
- SOGEB – Sociedade de Gestão de Bens, SA since May 2000;
- VILA SOL – SGPS, SA since 1999;
- EUROATLÂNTICA – Investimentos e Comércio, SA since 1999;
- SOGESFIN – Sociedade Gestora de Participações Sociais, SA since November 1998;
- MAGUE – SGPS, SA since June 1998;
- CABO RASO – Empreendimentos Turísticos, SA since May 1998;
- VILA SOL II – Empreendimentos Turísticos, SA since 1997;
- G.A. – Estudos e Investimentos, SA since 1996;
- PANATLÂNTICA – HOLDING, Sociedade Gestora de Participações Sociais, SA since 1995;
- Sociedade Agrícola Belo de Mértola, SA since January 1978;
- Sociedade Agrícola dos NAMORADOS, SA since January 1978;
- Sociedade Agrícola da SERRA BRANCA, SA since March 1975;
- Companhia Agrícola da Aparica, SA since June 2008;
- Companhia Agrícola das Polvorosas, SA since June 2008;
- Companhia Agrícola de Corona, SA since June 2008;
- Herdade do Monte da Pedra, SA since June 2008;
- TRABELIBEX – Investimentos Imobiliários, SA since June 2008;
- FREIXAGRO – Empresa Agrícola do Freixo, SA

Former positions

- Chairman of strategic board of Hospital Amadora-Sintra Sociedade Gestora, SA, from 2007 to 2008;
- Chairman of board of directors of Arpad Szènes–Vieira da Silva Foundation, from 1993 to 2007;
- Director of Círculo Voltaire, from 1992 to 2006;
- Member of general advisory board of Calouste Gulbenkian Foundation, from 1993 to 2003;
- Chairman of shareholders' meeting of Automóvel Clube de Portugal, from 1995 to 2001;
- Founder and manager of Movimento Portugal Único, 1998;
- Deputy chairman of Portugal Séc. XXI Foundation from 1986 to 1987;
- Political director of Professor Diogo Freitas do Amaral's campaign for the Presidential Elections from 1985 to 1986;
- Chairman of Rádio Televisão Portuguesa, from 1980 to 1983;
- Minister for the Media in 4th constitutional government under Mota Pinto, from 1978 to 1979;
- Director of *Jornal Novo* and member of the press council acting on behalf of directors of local newspapers, from 1976 to 1977.

Academic qualifications

- Law Degree from Coimbra University.

COMPANY SECRETARY – JOSÉ LOURENÇO SOARES

Date of birth: 22 November 1950

Current positions

- Company secretary of shareholders' meeting of Caixa Geral de Depósitos, SA 2004;
- Central director of Legal Affairs Division of Caixa Geral de Depósitos, February 2006;
- Chairman of shareholders' meeting of Caixa – Banco de Investimento, SA since 2008;
- Chairman of general meeting of Caixa Seguros e Saúde, SGPS, SA, 2008;
- Board member of BPN – Banco Português de Negócios, SA, 2008;
- Board member of BPN Internacional, SGPS, SA, 2008;
- Board member of BPN Serviços – Serviços Administrativos, Operacionais e Informáticos, ACE, 2008;
- Board member of Banco Efisa, SA, 2009;
- Chairman of general meeting of Bandeirantes, SGPS, SA, 2009;
- Chairman of general meeting of Caixa – Participações, SGPS, SA, 2009;
- Chairman of general meeting of Caixa Leasing e Factoring – IFIC, SA, 2009;
- Chairman of general meeting of Gerbanca, SGPS, SA, 2009;
- Chairman of general meeting of Parbanca, SGPS, SA, 2009;
- Chairman of general meeting of Partang, SGPS, SA, 2009;
- Deputy chairman of general meeting of Companhia de Seguros Fidelidade Mundial, SA 2009;
- Deputy chairman of general meeting of Banco Nacional de Investimento, SA, 2010;
- Member of board of directors of Parvalorem, SA since 2010;
- Chairman of board of directors of Parups, SA since 2010;
- Chairman of board of directors of Parparticipadas, SGPS since 2010.

Former positions

- Coordinating director in Caixa Geral de Depósitos, SA, from June 2000 to February 2006;
- Director of Caixa Geral de Depósitos, SA, from January 1997 to June 2000;
- Deputy director of Caixa Geral de Depósitos, SA, from January 1995 to December 1996;
- Subdirector of Caixa Geral de Depósitos, SA, from July 1994 to December 1994;
- Coordinator of Technical Office from April 1991 to July 1994;
- Technical assistant to Caixa Geral de Depósitos, SA, from April 1991 to July 1994;
- Advisor to Caixa Geral de Depósitos from January 1990 to April 1991;
- Technical assistant to Caixa Geral de Depósitos, SA from February 1982 to December 1989;
- Lawyer since February 1985;
- Head of section in Caixa Geral de Depósitos, SA, from May 1981 to January 1982;
- Head of sector in Caixa Geral de Depósitos, SA, from January 1978 to May 1981;
- Administrative officer in Caixa Geral de Depósitos, SA, from April 1975 to December 1977;
- Clerical officer in Caixa Geral de Depósitos, SA, from December 1974 to March 1975;
- Deputising clerical officer in Caixa Geral de Depósitos, SA, from November 1974 to December 1974;
- Assistant professor at Universidade Autónoma de Lisboa;
- Trainee lecturer and lecturer at Lisbon Law Faculty.

Academic qualifications

- Masters in Legal Sciences from Lisbon University's Law Faculty;
- Graduate in Law from Lisbon University's Law Faculty.

RÉSUMÉS OF MEMBERS OF THE BOARD OF DIRECTORS

CHAIRMAN – FERNANDO MANUEL BARBOSA FARIA DE OLIVEIRA

Date of birth: 10 October 1941

Current positions

- Chairman of board of directors of Caixa Geral de Depósitos, SA since January 2008;
- Chairman of board of directors of PARCAIXA, SGPS, SA since December 2008;
- Member of general and supervisory board of EDP – Energias de Portugal, SA since April 2008.

Areas of responsibility

- Institutional relations;
- Institutional communication and press advisory services;
- Secretariat-general;
- Studies office;
- Financial investments;
- Internal audit;
- Credit risk;
- Heritage.

Former positions

Corporate office
- Chairman of executive committee of Banco Caixa Geral, from June 2005 to December 2007;
- Non-administrative director of TAP – AIR PORTUGAL, SGPS, SA, from 1998 to 2006;
- Director of HPP – Hospitais Privados de Portugal, SGPS, SA, from 2003 to 2005;
- Director of CARLTON LIFE, SGPS, SA, from 2003 to 2005;
- Chairman of advisory board of ELO – Associação Portuguesa para o Desenvolvimento Económico e da Cooperação, from 2001 to 2005;
- Deputy chairman of board of directors of IPE – Investimentos e Participações Empresariais, SA, from November 1983 to January 1990 and executive advisor up to 2002;
- Member of advisory board of APAD – Agência Portuguesa de Apoio ao Desenvolvimento, from 2000 to 2002;
- Member of executive board of UCCLA – União das Cidades Capitais Luso-Afro-Américo-Asiáticas, from 2000 to 2002;
- Member of advisory board of Instituto Nacional de Administração;
- Advisor to BFE – Banco de Fomento Exterior in 1990;
- Non-administrative director of ICEP – Instituto de Comércio Externo de Portugal, from 1986 to 1988;
- Non-administrative director of CELBI – Celulose da Beira Industrial, from 1987 to 1988;
- Non-administrative director of EGF – Empresa Geral de Fomento, in 1988;
- Director of Siderurgia Nacional, from 1980 to 1983;
- Head of Exports Department and Industrial Relations Director of SOREFAME – Sociedades Reunidas de Fabricação Metálica, SA, from 1965 to 1979.

Government posts

- Minister of Trade and Tourism, from April 1990 to November 1995;
- Assistant Secretary of State for Finance, from May 1989 to January 1990;
- Secretary of State for Finance and the Treasury, from June 1988 to May 1989;
- Assistant Secretary of State to the Deputy Prime Minister, from February to November 1985;
- Secretary of State for Foreign Trade, from September 1980 to June 1983.

Parliamentary posts

- Parliamentary deputy for Faro at the legislative elections of October 1991;
- Parliamentary deputy for Lisbon in 1995.

Academic posts

- Guest professor IESF – Instituto de Estudos Superiores Financeiros e Fiscais.

Academic qualifications

- Degree in mechanical engineering from Instituto Superior Técnico in 1965.

Distinctions

- Spain – Encomienda de Número de la Orden de Isabel la Católica;
- Brazil – Gran Cruz da Ordem do Cruzeiro do Sul;
- Morocco – Grand Cross of ALAUI;
- Chile – Grand Cross of BERNARDO O'HIGGINS;
- Italy – Grande Oficial da Ordem de Mérito da República Italiana;
- Hungary;
- Japan.

DEPUTY CHAIRMAN – FRANCISCO MANUEL MARQUES BANDEIRA

Date of birth: 29 March 1957

Current positions

- Deputy chairman of board of directors of Caixa Geral from Depósitos, SA since January 2008;
- Chairman of board of directors of Banco Nacional de Investimento, SA (Mozambique) since November 2010;
- Chairman of board of directors of Banco Efisa since November 2009;
- Chairman of board of directors of Banco Caixa Geral Totta de Angola, SA since July 2009;
- Member of board of directors of Partang, SGPS, SA since July 2009;
- Chairman of board of directors of Parbanca, SGPS, SA since June 2009;
- Member of board of directors of Parcaixa, SGPS, SA since April 2009;
- Member of board of directors of Portugal Telecom, SGPS, SA since March 2009;
- Non-executive board member of Visabeira, SGPS, SA since March 2009;
- Chairman of board of directors of BPN – Banco Português de Negócios, SA since November 2008;
- Non-executive deputy chairman of Banco Comercial e de Investimentos, SARL (Mozambique) since September 2008;
- Member of remuneration committee of REN – Redes Energéticas Nacionais, SGPS, SA since April 2008;
- Non-executive chairman of executive board of Caixa Geral de Aposentações, IP since January 2008.

Areas of responsibility

- Commercial area;
- Representative offices;
- Human resources;
- Social services support.

Former positions

- Member of board of directors of Pestana Pousadas – Investimento Turístico, SA, Group from January 2007 to March 2009;
- Non-executive board member of AdP – Águas de Portugal, SGPS, SA, from October 2006 to May 2009;
- Non-executive chairman of board of directors of Banco Caixa Geral (Spain), from January 2008 to January 2009;
- Non-executive chairman of board of directors of Locarent – Companhia Portuguesa de Aluguer de Viaturas, SA, from October 2006 to March 2008;
- Chairman of board of directors of Caixa Leasing e Factoring – Instituição Financeira de Crédito, SA, from October 2006 to January 2008;
- Member of executive board of Caixa Geral de Aposentações, from November 2006 to January 2008;
- Member of board of directors of Caixa Geral de Depósitos, SA, from August 2005 to January 2008;
- Director of CGD Group company LUSOFACTOR, accumulating office with the management of CGD Group IFAC and SFAC, having coordinated the promoting of vehicle finance in the sphere of Caixa's "Leader Project";
- Non-administrative director of RAVE, from 2001 to 2002;
- Non-administrative director of FIEP, from 1997 to 2001;
- Director and deputy chairman of ICEP, from 1996 to 2000;
- EXPO'98 and Portugal pavilion commissioner, from 1996 to 1999;
- Technical officer, sub-director, assistant director, director and coordinating director of Banco de Fomento e Exterior, from 1988 to 1996;
- Central Region Coordination Commission officer – PIDR – Baixo Mondego, from 1986 to 1988;
- Technical officer at IFADAP from 1981 to 1986.

Academic qualifications

• Degree in Economics from Coimbra University, from 1976 to 1981.

Other distinctions

Portugal
• Portugal – Comendador da Ordem do Infante D. Henrique;
• Comendador da Confraria de Saberes e Sabores da Beira – Grão Vasco.

BOARD MEMBER – NORBERTO EMÍLIO SEQUEIRA DA ROSA

Date of birth: 3 April 1955

Current positions

• Board member of Caixa Geral de Depósitos, SA since October 2004;
• Member of CISP – Comissão Interbancária para o Sistema de Pagamentos since 2005;
• Member of board of directors of Fundação Económicas since 2005;
• Non-executive board member of SIBS – Sociedade Interbancária de Serviços, SA since September 2005;
• Chairman of board of directors of Sogrupo – Sistemas de Informação, ACE since January 2009;
• Chairman of board of directors of BPN – Banco Português de Negócios, SA since November 2008;
• Chairman of board of directors of Caixatec – Tecnologias de Comunicação, SA since March 2008;
• Chairman of board of directors of Caixa Participações, SGPS, SA since February 2008;
• Non-executive board member of ZON – Serviços de Telecomunicações e Multimédia, SGPS, SA since January 2008;
• Member of management board of Caixa Geral de Aposentações since January 2008;
• Deputy chairman of board of directors of Banco Efisa, SA since November 2009;
• Caixa Participações, SGPS, SA since February 2008;
• Member of SEPA high level group on behalf of national banks;
• Member of the board of ESBG, European Savings Banks Group and WSBI, World Savings Banks Institute.

Areas of responsibility

• Strategic planning and management control;
• IT;
• Operational support;
• Means of payment;
• Electronic channels;
• Compliance;
• Support to Caixa Geral de Aposentações;
• SEPA – Single Euro Payments Area.

Former positions

Corporate positions
• Consultant to Bank of Portugal, in 2004;
• Assistant director of Department of Banking Supervision of Bank of Portugal, with responsibility for the supervision of all credit institutions and financial companies in the Portuguese financial system, from 1996 to 2002;
• Representative of Bank of Portugal in the banking supervisors contact group of European Economic Area countries;
• Subdirector general of the public accounts of the Ministry of Finance, with responsibility for the preparation and production of the State budget, monitoring of budget execution and production of the state's general account, from 1989 to 1992;
• Representative of Ministry of Finance in the negotiations for the definition of complementary legislation on excessive deficits and at other meetings with international bodies;
• Economist in the Economic and Statistics Department of the Bank of Portugal. member of the public finance and capital market sector, later in charge of the macroeconomic and econometrics models sector. Has produced several studies, several of which have been published and is also a regular contributor to the production of an economic analysis of which special reference should be made to annual reports and quarterly bulletins, having represented the Bank of Portugal at meetings of international organisations. Author of a macroeconomic model for the Portuguese economy which was used by the Bank of Portugal and Ministry of Finance for economic policy projections and simulations, from 1980 to 1988.

Government posts

• Secretary of State for the Budget from 1993 to 1995 and from 2002 to 2004.

Academic posts

• Lecturer at Instituto Superior de Economia, responsible for econometrics area courses, from 1977 to 1993.

Academic qualifications

• Degree in Economics from Instituto Superior de Economia (Universidade Técnica de Lisboa).

BOARD MEMBER – RODOLFO VASCO CASTRO GOMES MASCARENHAS LAVRADOR

Date of birth: 16 July 1964

Current positions

• Member of board of directors of Caixa Geral de Depósitos, SA since January 2008;
• First deputy chairman of Banco Caixa Geral Totta de Angola, SA since July 2009;
• Member of board of directors of Partang, SGPS, SA since July 2009;
• Chairman of board of directors of Banco Caixa Geral Brasil, SA since April 2009;
• Chairman of board of directors of Banco Caixa Geral, SA (Spain) since January 2009;
• Chairman of wages committee of Banco Caixa Geral, SA (Spain) since January 2009;
• Chairman of board of directors of Banco Nacional Ultramarino, SA (Macau) since February 2008.

Areas of responsibility

• International business;
• Foreign trade and correspondent banks;
• Legal affairs;
• Communication;
• Private notarial services.

Former positions

Corporate positions
• Member of wages committee of SIBS – Sociedade Interbancária de Serviços, SA, from March 2008 to 2010;
• Member of wages committee of UNICRE – Instituição Financeira de Crédito, SA, from March 2008 to 2010;
• Chairman of board of directors of PARBANCA, SGPS, SA, from 2008 to 2009;
• Member of wages committee of Banco Caixa Geral SA, in 2008;
• First deputy chairman of board of directors of Banco Caixa Geral, SA, in 2008;
• Deputy chairman of board of directors of Banco Comercial e de Investimentos, SA, in 2008;
• Director of executive committee of Banco Caixa Geral, SA, from 2005 to 2008;
• Director of executive board of Banco Simeón, SA, in 2005;
• Member of board of directors of Banco Simeón, SA, from 2003 to 2005;
• Lawyer in “A. M. Pereira, Sáragga Leal, Oliveira Martins, Torres & Associados” law firm, from 1994 to 1995;
• Responsible for the fiscal affairs unit of Banco Nacional Ultramarino, from 1992 to 1995;
• Technical officer and legal consultant to the fiscal and legal affairs department of Banco Nacional Ultramarino, from 1989 to 1992;
• Lawyer and legal affairs consultant, from 1989 to 1995.

Government posts

• Secretary of State for the Treasury and Finance, from 2001 to 2002;
• Chef de cabinet to the Prime Minister, from 1999 to 2001;
• Chef de cabinet to the Minister of Finance, from 1995 to 1999.

Academic posts

• Assistant professor at Universidade Autónoma de Lisboa Luís de Camões, from 1991 to 1995;
• Lecturer at Law Faculty of Lisbon University from 1991 to 2002;
• Lecturer at the Instituto de Estudos Superiores Financeiros and Fiscais, from 1992 to 1995;
• Trainee assistant lecturer at the Law Faculty of Lisbon University from 1988 to 1991;
• Lecturer at Instituto Superior de Línguas e Administração, from 1988 to 1990;
• Assistant lecturer at Universidade Autónoma de Lisboa Luís de Camões, from 1987 to 1991;
• Monitor at Lisbon University Law Faculty from 1987 to 1988.

Academic qualifications

- MA in Law (Legal and Economic Sciences) from the Law Faculty of Universidade Católica Portuguesa (1991);
- Degree in Law from the Law Faculty of Universidade Católica Portuguesa (1987).

BOARD MEMBER – JOSÉ FERNANDO MAIA DE ARAÚJO E SILVA

Date of birth: 15 April 1951

Current positions

- Member of board of directors of Caixa Geral de Depósitos, SA since January 2008;
- Chairman of board of directors of Caixa Imobiliária, SA;
- Member of board of directors of Banco Caixa Geral Totta de Angola, SA since July 2009;
- Non-executive board member of AdP – Águas de Portugal, SGPS,SA since May 2009;
- Chairman of board of directors of Caixa Leasing e Factoring – Instituição Financeira de Crédito, SA since March 2009;
- Member of board of directors of EDP Renováveis, SA since June 2008;
- Chairman of board of directors of LOCARENT – Companhia Portuguesa de Aluguer de Viaturas, SA since May 2008;
- Chairman of board of directors of IMOCAIXA – Gestão Imobiliária, SA since February 2008;
- Chairman of board of directors of SOGRUPO IV – Gestão de Imóveis, ACE since February 2008;
- Chairman of board of directors of Caixa Seguros e Saúde, SGPS, SA since February 2008;
- Member of advisory board of Caixa Geral de Aposentações since January 2008.

Areas of responsibility

- Marketing;
- Property management;
- Property finance;
- Insurance;
- Prevention and safety;
- Credit recovery;
- Specialised credit.

Former positions

Corporate positions

- Member of board of directors of USP Hospitales, SL from December 2008 to June 2009;
- Director of Corticeira Amorim, SGPS and member of its executive board from 2002 to 2007;
- Deputy chairman of Sonae Indústria, SGPS, SA, from 1999 to 2002;
- Director of Spred SGPS, SA (Sonae Group), from 1998 to 1999;
- Executive director of Sonae Participações Financeiras, SGPS, SA, sub-holding company for its retail financial business services portfolio: insurance brokerage and risk management – MDS; consumer credit – Pensinsular SFAC, in partnership with Banco Pastor; vehicle finance and fleet management – Finlog and financial services retail business – Banco Universo and viva Universo card from 1996 to 1998;
- Executive director of Tafisa, SA (Spain) – resident in Madrid (Sonae Group), from 1993 to 1996;
- Financial coordination of Sonae Investimentos, SGPS, from 1991 to 1993;
- Financial coordination and management control of industry area (Sonae Group), from 1989 to 1990;
- Director of Soserfin – Sociedade Internacional de Serviços Financeiros – Porto, from 1987 to 1988;
- Director of international department (Porto) of Banco Espírito Santo e Comercial de Lisboa, from 1983 to 1986;
- Part time technical officer in the Northern Regional Coordination Commission, on issues related with the preparation of regional development projects, self-employed professional advisor to SMEs from 1980 to 1983.

Academic posts

- Guest professor, responsible for the 'International' Financial Management" chair for the 5th year of the degree course in management at Universidade Católica (Porto) and jointly responsible for the 'International Management Applied Project" course since 1991;
- Responsible for the 'International' Financial Management" chair for the financial analysts postgraduate course, organised by the Porto Faculty of Economics, given by the International Organisation of Financial Analysts from 1987 to 1988;
- Assistant lecturer at Porto Faculty of Economics from 1975 to 1984.

Academic qualifications

- Degree in Economics from the Economics Faculty of Porto University, in 1974;
- Specialised training in Paris (Paris University IX, Dauphine) and London (Midland Bank: International Banker's Course), between 1982 and 1984.

BOARD MEMBER – JORGE HUMBERTO CORREIA TOMÉ

Date of birth: 7 November 1954

Current positions

- Member of board of directors of Caixa Geral de Depósitos, SA since January 2008;
- Chairman of board of directors of Gerbanca, SGPS, SA since May 2009;
- Non-executive director of board of directors of Cimpor – Cimentos de Portugal, SGPS since May 2009;
- Non-executive board member of Parcaixa, SGPS, SA since April 2009;
- Deputy chairman of board of directors of Banco Caixa Geral Brasil, SA since April 2009;
- Non-executive director of board of directors of Portugal Telecom, SGPS, SA since March 2009;
- Non-executive director of monitoring and strategy committee of Fomentinvest, SGPS since May 2008;
- Chairman of board of directors of Credip – Instituição Financeira de Crédito, SA since April 2008;
- Chairman of board of directors of Caixa – Banco de Investimentos, SA since March 2008;
- Non-executive director of board of directors of Banco Comercial e de Investimentos, SARL (Mozambique) since August 2007;
- Chairman of board of directors of Trem – Aluguer Material Circulante, ACE since March 2002;
- Chairman of board of directors of Trem II – Aluguer Material Circulante, ACE since March 2002.

Areas of responsibility

- Corporate and organisational development;
- Large enterprises;
- Institutional banking;
- Customer support;
- Investment banking;
- Venture capital.

Former positions

Corporate positions
- Chairman of executive board of Caixa – Banco de Investimento, SA, from March 2002 to January 2008;
- Non-executive director of board of directors of Caixa Gestão de Patrimónios, SA from September 2001 to March 2004;
- Executive director of Caixa – Banco de Investimento, SA, from July 2001 to March 2002;
- Non-executive director of BANIF IMOBILIÁRIA, SA from April to June 2001;
- Non-executive director of BANIF IMO – Sociedade Gestora de Fundos de Investimento Imobiliário, from June 2000 to June 2001;
- Director of Sociedade Gestora de Fundos de Pensões, SA – Açor Pensões, SA (currently Banif Açor Pensões), from October 1999 to July 2001;
- Executive director of boards of directors of "O Trabalho" and "O Trabalho Vida", insurance companies from May 2000 to July 2001;
- Executive director of Companhia de Seguros Açoreana, Grupo BANIF, with direct responsibility for the finance and administration, personnel, IT, legal office and life insurance areas from December 1996 to May 2000;
- Partner of Coopers & Lybrand in Portugal, responsible for the financial and corporate finance areas, June 1995 to November 1996;
- Director of BPSM responsible for the coordination of the bank's affairs in France and Sottomayor Bank of Canada (BPSM subsidiary), from February 1995 to May 1995;
- Director of Banco Pinto & Sotto Mayor, responsible for international management, IT and organisational management, administration and Telesotto (BPSM instrumental company for home banking), from March 1994 to January 1995 (date of the bank's privatisation);
- Executive director of Sociedade de Capital de Risco SULPEDIP, SA (currently PME Investimentos, SA), from June 1989 to March 1994;
- Technical officer of capital market (securities management division of Banco Pinto & Sotto Mayor), from September 1985 to 1986 having performed management functions as a director and sub director from 1986 to 1994;
- Director of CPG – Sociedade Gestora de Fundos de Investimento FIPOR, on behalf of the bank;
- Corporate and industrial projects and tourism sector analysis officer for Banco Pinto & Sotto Mayor (economic studies division), engaged in April 1983;

- Technical officer at Coopers & Lybrand, Lda., engaged in February 1980, promoted to senior auditor in 1982;
- Technical officer / economist at Instituto de Apoio às Pequenas e Médias Empresas e ao Investimento (IAPMEI), engaged in September 1979.

Academic qualifications

- MA in Applied Economics from the Economics Faculty of Universidade Nova de Lisboa;
- Degree in Organisation and Corporate Management from ISCTE.

BOARD MEMBER – PEDRO MANUEL DE OLIVEIRA CARDOSO

Date of birth: 2 July 1965

Current positions

- Member of board of directors of Caixa Geral de Depósitos, SA since January 2008;
- Deputy chairman of board of directors of BNU (Macau) since July 2010;
- Member of board of directors of Banco Efisa, SA since November 2009;
- Chairman of board of directors of BPN – Banco Português de Negócios, SA since November 2008;
- Chairman of board of directors of CAIXA – Gestão de Activos, SGPS, SA since February 2008;
- Chairman of board of directors of SOGRUPO – Compras e Serviços Administrativos, ACE since February 2008.

Areas of responsibility

- Financial markets;
- Asset management;
- Risk management;
- Administrative services.

Former positions

Corporate positions
- Member of board of directors of Banco Caixa Geral (Spain), from 2005 to 2008;
- Executive director of Banco BEST from 2004 to 2005;
- Assistant central director of the fixed income capital market division of BCP Investimento and senior management member of Banco Comercial Português, from 2000 to 2004;
- Director of BCP Dealer, from 1999 to 2000;
- Chairman of CISF Securities, BCP brokerage company, headquartered in New York, from 1997 to 1999;
- Assistant director general at Banco Português do Atlântico branch in New York from 1996 to 1999;
- Director and officer responsible for the planning and marketing division of Banco Cisf, from 1995 to 1996;
- Assistant director in capital markets division of Banco Cisf, from 1993 to 1995;
- Subdirector of international division of Banco Comercial Português, from 1989 to 1993;
- Technical officer in the international division of Banco Pinto & Sotto Mayor, from 1988 to 1989.

Academic qualifications

- MBA in Finance from Universidade Católica Portuguesa, from 1991 to 1993;
- Postgraduation in Actuarial Studies from Universidade Católica Portuguesa, in 1989;
- Degree in Economics from Universidade Católica Portuguesa, from 1983 to 1988.

RÉSUMÉS OF MEMBERS OF AUDIT BOARD

CHAIRMAN – EDUARDO MANUEL HINTZE DA PAZ FERREIRA

Date of birth: 6 May 1953

Current positions

- Chairman of audit board of Caixa Geral de Depósitos, SA since 2007;
- Professor at Lisbon University Law Faculty;
- Jean Monnet Chair in Community Studies;
- Chairman of Economic-financial and Fiscal Law Institute (Lisbon Law Faculty);
- Deputy chairman of European Institute (Lisbon Law Faculty);

• Lawyer mainly active in the economic, fiscal, financial and banking law areas;
• Founder and partner of Paz Ferreira and Associados, Sociedade de Advogados (law firm);
• Member of privatisations monitoring committee acting on behalf of the Autonomous Region of the Azores;
• Director of *Public Finance and Fiscal Law* magazine;
• Chairman of Scientific Council of *Competition and Regulation* magazine.

Former positions

• Chairman of Lisbon Law Faculty Pedagogical Council;
• Chairman of Lisbon Law Faculty Institute of Cooperation;
• Chairman of Portuguese Fiscal Association;
• Member of the senior board of the Public Prosecutor's Office;
• Member of advisory board of Instituto de Gestão do Crédito Público;
• Chef de cabinet of Minister of Foreign Affairs;
• Responsible for the preparation of several pre-legislative projects, namely the new regime for the State's business sector, public debt framework law, finance law of the Autonomous Regions (of the Azores and Madeira) and local business sector law and cover of earthquake risks;
• Representative of the Autonomous Region of the Azores on the commission preparing the tax reform of 1989/89;
• Advisor to the Autonomous Region of the Azores' privatisations programme, defining strategies and preparing legislative projects;
• Directed the studies on the adapting of the national fiscal system to the Autonomous Region of the Azores;
• Founding partner of AREP and APRI and honorary member of the Azorean Institute of Culture;
• Has published various books and articles in the areas of economic law; public finances, fiscal and community law. Bibliography particularly includes: *Regional Finances*, INCM, Lisbon, 1985; *Public Debt and Guarantees for State Creditors*, Almedina, Coimbra, 2004; *Regional Financial Law Studies* (2 volumes), Jornal da Cultura, Ponta Delgada, 1995; *Economic and Monetary Union – A Study Guide*, Quid Juris, Lisboa, 1999; *Economic Law*, AAFDL, Lisbon, 2000; *Values and Interests – – Economic Development and Community Policy on Cooperation*, Almedina, Coimbra, 2004; *Teaching Public Finances at a Law Faculty*, Almedina, Coimbra, 2005.

Academic qualifications

• Doctorate, Masters and Degree in Law (in Legal and Economic Sciences) from the Lisbon Law Faculty.

BOARD MEMBER – MARIA ROSA TOBIAS SÁ

Date of birth: 16 August 1960

Current positions

• Member of audit board of Caixa Geral de Depósitos, SA since 2007;
• Chairman of Instituto Nacional de Recursos Biológicos, IP since 1 May 2007.

Former positions

• Director of "Structural Actions" – Directorate B – Research and Operations" of the unit of the European Commission's European Anti-Fraud Office since October 2000;
• Coordinator of Technical Assistance Unit of the Procuratorship General of the Republic, from July 1997 to October 2000;
• Subdirector-general of Ministry of Employment and Professional Training – Department for European Social Fund Affairs, from January to July 1997;
• Director of Ministry of Agriculture and Fisheries services – Inspectorate General for Agriculture, from February 1992 to December 1996;
• Ministry of Finance inspector, Lisbon – Inspectorate General of Finance – Inspection of Public Services, from September 1985 to January 1992;
• Lecturer in the "Mathematical Models Applied to Management", "Statistics" and "Operational Research" courses at Instituto de Línguas e Administração, from 1988 to 1994.

Academic qualifications

• Degree in economics (mathematical methods) from Instituto Superior de Economia (ISE) – Lisbon University.

BOARD MEMBER – PEDRO ANTÓNIO PEREIRA RODRIGUES FELÍCIO

Date of birth: 8 December 1971

Current positions

- Director-General of Treasury and Finance;
- Member of audit board of Caixa Geral de Depósitos, SA;
- Board member of Sagestamo – Sociedade Gestora de Participações Sociais Imobiliárias, SA;
- Non-executive board member of management board of the Ricardo Espírito Santo e Silva Foundation;
- Chairman of the management committee of the Heritage Rehabilitation and Conservation Fund;
- Chairman of Heritage Management Coordination Board.

Former positions

- Chairman of the board of directors of the Agência Nacional de Compras Públicas (public corporate entity) under the supervision of the Ministry of Finance and Public Administration, December 2007 to May 2010;
- Director of financial services of PT PRO – Serviços de Gestão, SA – Centro de Serviços Partilhados of Portugal Telecom Group, reporting directly to the board of directors from February 2004 to December 2007;
- Responsible for the collections department of PT PRO – Serviços de Gestão, SA – Centro de Serviços Partilhados of Portugal Telecom Group, reporting directly to the financial services director from February 2003 to February 2004;
- Responsible for the financial resources department of TMN – Telecomunicações Móveis Nacionais, SA, reporting directly to the financial director, from February 2002 to February 2003;
- Controller in the engineering division of TMN – Telecomunicações Móveis Nacionais, SA, reporting directly to the engineering director from May 1996 to February 2002;
- Financial auditor/controller in SLM – Sociedade Lisbonense de Metalização, SA, reporting directly to the board of directors from September 1999 to February 2000;
- Collaboration as a management consultancy service provider to DCN – Consultores de Gestão, Lda., from August 1994 to September 1999;
- Economist at Lisbon City hall – Municipal Housing, Education and Social Intervention Division from June 1994 to May 1996.

Academic qualifications

- Degree in management from Instituto Superior de Economia e Gestão (Universidade Técnica de Lisboa).

DEPUTY BOARD MEMBER – PEDRO MIGUEL RODRIGUES SOARES E VASQUEZ

Date of birth: 21 March 1971

Current positions

- Subdirector-General of the Treasury and Finance;
- Deputy board member of audit board of Caixa Geral de Depósitos, SA;
- Non-executive board member and member of audit board of Parpública, SGPS, SA;
- Member of general board of Autoridades Metropolitanas de Transportes de Lisboa e Porto;
- Member of executive board of Comissão de Normalização Contabilística da Administração Pública;
- Deputy coordinator of executive board of Committee on Climate Change.

Former positions

- Management support director of Agência Nacional de Compras Públicas, EPE (2008–2010);
- Head of planning and control (level 3) – TMN, SA (2002-2008);
- Financial director – Red Bull Portugal (2001);
- Controller – TMN (1997-2001);
- Auditor – PWC – PriceWaterhouseCoopers (1995-1997).

Academic qualifications

- Degree in management.

DEPUTY BOARD MEMBER – MARIA FERNANDA JOANAZ SILVA MARTINS

Date of birth: 12 September 1959

Current positions

- Deputy member of audit board of Caixa Geral de Depósitos, SA;
- Directorate General of the Treasury and Finance, Ministry of Finance and Public Administration;
- Director of State Investments Service (since November 2007);
- Chairman of audit board of Metro do Porto, SA (2008/2010);
- Chairman of general meeting of Docapesca – Portos e Lotas, SA (2008/2010);
- Deputy chairman of general meeting of AdP – Águas de Portugal, SA (2008/2010);
- Chairman of general meeting of Empordef, SA (2008/2010);
- Deputy board member of audit board of Parque Expo, SA (2008/2010);
- Secretary to general meeting of EP – Estradas de Portugal, SA (2007/2009 and 2010/2012);

Former positions

- Directorate General of the Treasury and Finance, Ministry of Finance and Public Administration – Advisor for companies in the State's corporate sector, the State's functions as a shareholder, supervisor and manager of financial support (2006–2007);
- Member of advisory board of Portugal Vela 2007, SA (2006–2007);
- INETI – Instituto de Engenharia, Tecnologia e Inovação, Ministry of Innovation and Technology – director responsible for financial and property areas (2003–2005);
- INGA – Instituto Nacional de Garantia Agrícola – Ministry of Agriculture – head of department responsible for the institute's financial management (2001–2003);
- Chef de cabinet of Secretary of State for the Treasury and Finance, Ministry of Finance – advisor (2000 and 2001);
- IGCP – Instituto de Gestão do Crédito Público – Ministry of Finance – senior technical officer in Studies Office (1998–2000);
- Direcção-Geral da Junta do Crédito Público – Ministry of Finance – senior technical officer in Studies Office (1996–1998);
- Directorate General of the Treasury – Ministry of Finance – Head of division, responsible for the state loans area (1993–1996);
- Directorate General of the Treasury and Finance – Ministry of Finance – senior technical officer (1983–1993).

Academic qualifications

- Degree in Economics from Economics Faculty of Universidade Nova de Lisboa (1983);
- Postgraduation in Management and Control of Public Resources from Universidade Autónoma de Lisboa (2000);
- Course leading to masters in Management and Public Administration from Instituto Superior de Ciências Sociais e Políticas (2006).

ANNEX II – REMUNERATION OF MEMBERS OF CGD'S STATUTORY BODIES

INFORMATION ON THE REMUNERATION OF THE MEMBERS OF CGD'S SHAREHOLDERS' MEETING FOR 2010

(EUR)

Chairman	Deputy chairman	Secretary
897.84	698.32	-

INFORMATION ON THE REMUNERATION OF THE MEMBERS OF CGD'S BOARD OF DIRECTORS FOR 2010

(EUR)

	Chairman Faria de Oliveira	Deputy chairman Francisco Bandeira	Board member Norberto Rosa	Board member Rodolfo Lavrador	Board member Araújo e Silva	Board member Jorge Tomé	Board member Pedro Cardoso	Total
1. Remuneration								
1.1. Base remuneration	371 000.00	315 350.00	259 700.00	259 700.00	259 700.00	259 700.00	259 700.00	**1 984 850.00**
1.2. Reduction required by law 12-A	10 600.00	9 008.00	7 416 00	7 416.00	7 416.00	7 416.00	7 416.00	**56 688.00**
1.3. Effective base remuneration (1.1. – 1.2.)	360 400.00	306 342.00	252 284.00	252 284.00	252 284.00	252 284.00	252 284.00	**1 928 162.00**
1.4. Attendance voucher								
1.5. Accumulation of management functions [1]		63 070.00	51 940.00				51 940.00	**166 950.00**
1.5.1. Reduction required by law 12-A		1 801.60	1 483.20				1 483.20	**4 768.00**
1.6. Effective accumulation of functions (1.5. – 1.5.1.)		61 268.40	50 456.80				50 456.80	**162 182.00**
1.7. Management bonuses								
1.8. Exemption from fixed working hours								
2. Other incentives and payments								
2.1. Telephone calls [2]	3 800.77	6 600.10	1 338.58	13 387.41	2 654 75	3 671 50	2 256.29	**33 709.40**
2.2. Meal allowance	2 797.20	2 408.70	2 697.30	1 565.10	2 530 80	2 797 20	2 741.70	**17 538.00**
2.3. Other (provide full details) [3]		286.27		605.17		200.37	376.20	**1 468.01**
3. Costs of social benefits								
3.1. Mandatory social security payments	10 775.66	28 007.24	38 180.90	30 995.59	14 966 14	33 000 06	31 125 78	**187 051 37**
3.2. Health insurance	There is no individual insurance. Only personal accidents insurance for official travel (policy covers all workers including directors)							
3.3. Life insurance								
3.4. Other (provide full details)								
4. Vehicles								
4.1. Brand	Mercedes-Benz	Mercedes-Benz	Mercedes-Benz	Audi	Lexus	Mercedes-Benz	Audi	
4.2. Model	Y 320CDI 4 Matic	Y 350 BlueTEC 4p	Y 320 CDI	A6 Allroad Quattro 3.0 TDI	GS 450	E 350 CDI Avantgard 4 Matic BE	A6 Allroad Quattro 3.0 TDI	
4.3. Company vehicle leasing instalments	24 075 54	25 251.05	21 427.51	18 491.89	17 530.11	20 568 41	20 573 17	**147 917.67**
4.4. Company vehicle fuel costs	3 161.23	7 365.98	2 710.14	2 824.47	5 106.63	1 830.27	4 019.46	**27 018.18**

...continued

(EUR)

	Chairman Faria de Oliveira	Deputy chairman Francisco Bandeira	Board member Norberto Rosa	Board member Rodolfo Lavrador	Board member Araújo e Silva	Board member Jorge Tomé	Board member Pedro Cardoso	Total
5. Additional information								
5.1.Option to receive original wages (y/n)	N	N	N	N	N	N	N	
5.2 Regime								
5.2.1. Social security								
5.2.2.Other	Y	N	N	N	Y	N	N	
5.3. Year of company's acquisition of vehicle	2008	2010	2008	2008	2008	2010	2008	
5.4. Exercising of paid functions outside Group	N	Y	Y	N	N	N	Y	
5.5. Other (provide full details)								

(1) Administrative functions in BPN.
(2) Refers to mobile phones and boards.
(3) Study subsidies.
Y – Yes.
N – No.

INFORMATION ON THE REMUNERATION OF THE MEMBERS OF CGD'S AUDIT BOARD FOR 2010

(EUR)

	Chairman Hintze Ferreira	Board member José Castel--Branco (1)	Board member Maria Rosa Sá	Board member Pedro Felício	Total
1. Remuneration					
1.1. Base remuneration	74 200.00	27 825.00	55 650.00	0.00	**157 675.00**
1.2. Reduction required by law 12–A	2 120.00		1 590.00		**3 710.00**
1.3. Effective base remuneration (1.1. – 1.2.)	72 080.00	27 825.00	54 060,00	0.00	**153 965.00**
1.4. Attendance voucher					
1.5. Accumulation of management functions					
1.6. Complementary remuneration					
1.7. Exemption from fixed working hours					
2. Other incentives and payments					
2.1. Telephone calls					
2.2. Cost of acquisition of company vehicle					
2.3. Company vehicle fuel costs					
2.4. Travel allowance					
2.5. Meal allowance					
2.6. Other (provide full details)					
3. Costs of social benefits					
3.1. Mandatory social security payments	14 966.14	5 912.83	11 487.74	0.00	**32 366.71**
3.2. Health insurance					
3.3. Life insurance					
3.4. Other (provide full details)					
4. Additional information					
4.1. Option to receive original wages (y/n)	N	N	N	N	
4.2. Regime					
4.2.1. Social security	Y	Y	Y	Y	
4.2.2. Other	N	N	N	N	
4.3. Year of company's acquisition of vehicle					
4.4. Exercising of paid functions outside Group					
4.5. Other (provide full details)					

(1) Expiry of term of office on 30.06.2010.

Caixa Geral de Depositos

ANNUAL REPORT 2010

EXCERPT FROM THE MINUTE OF THE ANNUAL SHAREHOLDERS' MEETING OF CAIXA GERAL DE DEPÓSITOS, SA 404

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EXCERPT FROM THE MINUTE OF THE ANNUAL SHAREHOLDERS' MEETING OF CAIXA GERAL DE DEPÓSITOS, SA

The following text is an excerpt from no. 1/11 of the minutes of CGD's general meeting of 26 May 2011, issuing a resolution on CGD, SA's annual report for 2010 and the proposal for the appropriation of net income, as transcribed below:

"…There being no other interventions regarding this item, the chairman of the shareholder's meeting invited the State representative to speak and who voted in favour of the approval of the separate and consolidated management reports and accounts for 2010, in due consideration of the emphasis of matters expressed in the separate and consolidated audit certificates.

The meeting then went on to discuss item two on the agenda, in which the chairman of the shareholders' meeting read out the proposal for the appropriation of net income submitted by the board of directors.

After having been put up to the vote, the state representative proposed and voted in favour of the appropriation of net income for 2010, as follows:

- Legal reserve: EUR 9 451 210 – 20%;
- Retained earnings: EUR 24 382 125 – 51.60%;
- Free reserve: EUR 13 422 716 – 28.40%;
- Net income for the year: EUR 47 256 051 – 100%.

Notwithstanding the possibility of the payment of dividends, the shareholder considered, in line with the Bank of Portugal's recommendation and taking into account banking institutions' capitalisation needs up to December 2012, not to propose the payment of dividends.

Regarding the third item on the agenda, the state representative expressed a vote of confidence in the board of directors, audit board and each of their members, in addition to the statutory auditor.

The meeting then went on to discuss item four on the agenda in respect of which the board of directors had submitted a "Board of Directors' Declaration on the Remunerations Policy for Members of CGD's Board of Directors and Inspection Bodies".

The State representative was invited to speak and voted in favour of the following resolution: "The fixed, monthly, gross remuneration, payable 14 times per annum to members of CGD – Caixa Geral de Depósitos, SA's board of directors and inspection bodies, as set out in the Unanimous Resolution Set out in Writing of 11 July 2008, without prejudice to the dispositions of no. 1 of article 12 of Law 12–A/2010 of 30 June and article 19 of Law 55–A/2010 of 31 December and the application of other reductions which may be lawfully determined, shall remain unchanged in 2011. At the same time and as provided for in article 172 of Law 3–B/2010 of 28 April (State Budget for 2010) and article 29 of Law 55–A/2010 of 31 December (State Budget for 2011), no payments relating to any variable component part of the remuneration of CGD's management boards will be made during the period of execution of the PEC (Stability and Growth Programme) 2010–2013."

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de Depósitos

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