



# CAIXA GERAL DE DEPÓSITOS CONSOLIDATED OPERATIONS

**31 DECEMBER 2011**

UNAUDITED ACCOUNTS

### 1 – HIGHLIGHTS

#### December 2011 results

1. **Caixa Geral de Depósitos Group's** results, in 2011 were heavily penalised by the difficult economic and financial environment leading to the recognition of a global amount of EUR 1 674.6 million in provisions and impairment as a cost for the year. Securities impairment of EUR 613.1 million, particularly provided for depreciation of EUR 349 million on CGD's equity investments in PT, BCP, Brisa and ZON and exposure to Greek debt of EUR 133 million, most of which held by the Group's insurance companies. Credit impairment in turn rose to EUR 827.4 million.

Since the onset of financial crisis in 2008 and owing to the continued depreciation of securities, CGD Group has already recognised accumulated impairment of EUR 1 844.7 million on financial investments and other securities in its income statement.

2. **Gross operating income** rose to EUR 1 128.8 million, similar to 2010 amount (down 0.3% by EUR 3.4 million), with the 2.2% drop in net operating income from banking and insurance operations having been almost offset by the 3.3% decrease in operating costs.
3. **Consolidated net income** for the year, affected by the above referred to EUR 1 674.6 million in provisions was negative in EUR 488.4 million, against positive amount of EUR 250.6 million in 2010.
4. **Net interest income** of EUR 1 685.3 million was up 19.1% by EUR 270 million over the preceding year.
5. Income of EUR 504.6 million from **commissions (net)** was similar to the year 2010 amount of EUR 502.3 million.
6. **Operating costs** were down 3.3% by EUR 64 million to EUR 1 903.2 million, deriving both from employee costs and external services and supplies, down respectively by EUR 51.4 million (4.9%) and EUR 26.2 million (3.6%). The contribution made by CGD Portugal's **operating costs** to the consolidated total was down 7.9% by EUR 79.7 million over 2010, particularly based on the 10.3% reduction of employee costs.
7. CGD Group's **net assets** were down 4.1% over December 2010 to EUR 120.7 billion at the end of 2011. Contributory factors were the 17.7% reduction of EUR 5.3 billion in securities investments and 4.5% reduction of EUR 3.7 billion in loans and advances to customers, reflecting CGD's deleveraging strategy on its non-strategic assets.
8. The total **customer deposits** balance was up 6.3% by EUR 3.8 billion to EUR 64 billion since the start of the year.

9. **Loans and advances to customers** (gross) were down 3.4% to EUR 81.6 billion during the year. In the case of operations in Portugal, **corporate lending** was close to last year's amount, down 0.6%, and **mortgage loans** down 2.5%.
10. The **loans-to-deposits** ratio, measured by net credit to customer deposits was 122.2%, comprising a more favourable situation in comparison to the ratio of 136.0% recorded at the end of 2010 and close to the values fixed for 2014 in the sphere of the Economic and Financial Assistance Programme (120%).
11. The **Core Tier I ratio**, on a consolidated basis and including retained earnings was reinforced from 8.8% to 9.4% against the minimum value of 9% fixed for the end of 2011.
12. **CGD funding from the ECB** was EUR 9 billion at the end of December 2011.

Total **available eligible assets** for ECB funding operations at the end of December were EUR 14.4 billion in CGD.

13. The **credit more than 90 days overdue ratio** was 3.6% with a cover rate of 116.5%. The credit at risk ratio increased from 4.2% to 6.9%.

### 2 – KEY INDICATORS

#### CAIXA GERAL DE DEPÓSITOS

#### Consolidated Operations at 31 December 2011

#### Summary of Principal Indicators

(EUR million)

	Dec/2010	Dec/2011	Change Dec/11 Dec/10
<b>Results :</b>			
Net interest income	1 415.3	1 685.3	19.1%
Net interest income including income from equity investments	1 612.7	1 832.0	13.6%
Commissions (net)	502.3	504.6	0.5%
Non-interest income	977.7	695.0	-28.9%
Technical margin on insurance operations	509.0	505.0	-0.8%
Net operating income from banking and insurance operations	3 099.4	3 032.0	-2.2%
Operating costs	1 967.2	1 903.2	-3.3%
Gross operating income	1 132.2	1 128.8	-0.3%
Income before tax and minority shareholders' interests	364.4	-536.3	---
Net income for period	250.6	-488.4	---
<b>Balance sheet:</b>			
Net assets	125 862	120 728	-4.1%
Cash and loans and advances to credit institutions	6 158	8 647	40.4%
Securities investments	29 654	24 398	-17.7%
Loans and advances to customers (net)	81 907	78 246	-4.5%
Loans and advances to customers (gross)	84 517	81 631	-3.4%
Central banks' and credit institutions' resources	14 604	15 883	8.8%
Customer deposits	67 680	70 587	4.3%
Debt securities	19 307	14 933	-22.7%
Technical provisions for insurance operations	5 743	4 608	-19.8%
Shareholders' equity	7 840	5 323	-32.1%
<b>Resources taken from customers</b>	<b>84 201</b>	<b>86 001</b>	<b>2.1%</b>
<b>Profit and efficiency ratios:</b>			
Gross return on equity - ROE (1) (2)	4.96%	-8.00%	
Net return on equity - ROE (1)	4.08%	-6.40%	
Gross return on assets - ROA (1) (2)	0.29%	-0.43%	
Net return on assets - ROA (1)	0.24%	-0.35%	
Cost-to-income (consolidated) (2)	63.3%	62.6%	
Cost-to-income (separate) (2)	58.5%	55.7%	
Cost-to-income (banking activity) (2)	60.2%	60.7%	
Employee costs / Net operating income (2)	33.7%	32.7%	
Operating costs / Average net assets	1.57%	1.54%	
Net operating income / Average net assets (2)	2.48%	2.46%	
<b>Credit quality and cover levels:</b>			
Overdue credit / Total credit	2.9%	3.9%	
Credit more than 90 days overdue / Total credit	2.6%	3.6%	
Non-performing credit / Total credit (2)	3.1%	4.3%	
Non-performing credit (net) / Total credit (net) (2)	0.0%	0.2%	
Credit at risk / Total credit (2)	4.2%	6.9%	
Credit at risk (net) / Total credit (net) (2)	1.2%	2.8%	
Overdue credit cover	105.3%	105.0%	
Credit more than 90 days overdue cover	117.4%	116.5%	
Credit impairment (P&LA) / Loans and advances to customers	0.45%	0.97%	
<b>Structure ratios:</b>			
Loans and advances to customers (Net) / Net assets	65.1%	64.8%	
Loans and advances to customers (Net) / Customer resources	121.0%	110.8%	
Loans and advances to customers (Net) / Customer deposits (2)	136.0%	122.2%	
<b>Solvency ratios</b>			
Solvency (2)	12.3%	11.5%	
Tier 1 (2)	8.9%	8.9%	
Core Tier 1 (2)	8.8%	9.4%	

(1) Considering average shareholders' equity and net assets values (13 observations)

(2) Ratios defined by the Bank of Portugal (Instruction no. 23/2011)

### 3 – ECONOMIC-FINANCIAL ENVIRONMENT

The world economy, in 2011, recorded fresh expansion, although a slowdown in economic growth was recorded in the second half of the year. After a first half with a high rate of growth of economic activity, particularly in the emerging countries, the second half was characterised by growing concerns over the economic slowdown.

Unlike the preceding year, deteriorating economic indicators in many regions of the globe led to successive downgrades of growth estimates for 2011 by financial institutions such as, inter alia, the International Monetary Fund (IMF) and OECD. The IMF, in its last issue of the World Economic Outlook, in September 2011, estimated growth of 4.0% for the world economy in 2011, as opposed to the forecast of 4.4% in its April report. The IMF gave warning, at the end of 2011, of the increase in diverse risks, notably budgetary and financial.

2011 was marked by a worsening sovereign debt crisis in Europe. The concerns, at the first stage, were over the situation in Greece, due to fears over a restructuring of Greece's debt which then spread to the situation of the public finances of other states on the periphery of Europe. Ireland and Portugal had recourse to the joint assistance mechanism of the European Union (EU) and the IMF in the said period.

The second half of 2011 witnessed spreading contagion of the crisis to Spain and Italy, whereas the "central economies" such as France, Belgium Austria or even Holland and Finland, hitherto unaffected, also suffered the impacts of this crisis.

The worsening of the sovereign debt crisis caused a fresh increase in the risk aversion of several financial market players, particularly in the second half. This translated, on the one hand, into a new stage of widening spreads on government bonds, now not only limited to the peripheral economies. This was also the case of corporate bonds together with a more marked reduction of new private debt issues in the market, with the financial sector being the most penalised. Widening spreads were particularly visible and reached their highest ever amounts, even higher than those at the time of the bankruptcy of north American bank Lehman Brothers.

The sovereign debt crisis was also felt in the US. Forced to increase the public debt limit at a time of increasing difficulties in terms of the funding of sovereign states, the US witnessed a downgrade of the rating on its public debt from AAA to AA+ in August by S&P.

Government and central bank officials implemented measures to stabilise financial markets and boost economic activity, in 2011.

In the Euro Area (EA), after the ECB had increased its key reference rate in the first half, on two occasions, to 1.50% in July, the central bank once again reduced the rate to its minimum level of 1.00% at the end of the year, with an intensifying debt crisis and slowdown in growth.

A continued reinforcement of unconventional monetary policy measures was witnessed, ranging from a resumption of the purchase of public debt bonds in the secondary market, reopening of the covered bonds programme and reintroduction of unlimited liquidity injections for maturities of between 6 to 12 months. The ECB, at the end of the year, also announced the holding of two liquidity injections with a maturity of 3 years.

In terms of government performance within the European Union, for the purpose of debilitating the effects of the debt crisis, 2011 was marked by the holding of several summit meetings between heads of state and government and ministers of finance, resulting in commitments designed to increase the flexibility and intervention capacity of financial stabilisation mechanisms, such as the acquisition of sovereign debt securities in the market and funding the recapitalisation of financial institutions, as well as reinforcing the coordination of economic policies and budgetary inspections.

Outside the EA, the performance of the main central banks also involved the taking of decisions to stabilise financial markets, translating into an increase in the dimension of assets purchase programmes. The central bank of Japan, central bank of England and the US federal reserve kept their key reference rates unchanged at minimum levels.

As regards economic growth, 2011 was marked by differences in the level of performance of the two biggest economies. Whereas the US witnessed a poor start to the year followed by acceleration over the last few months, particularly owing to an upturn in consumption and investment, the opposite was the case in the EA, with confidence indices ending the year in the recessionary zone.

According to the IMF, growth in the EA, in 2011, was 1.6%, as opposed to the preceding year's 1.8%. This expansion was primarily based on the performance of domestic demand.

This was offset by the performance of the peripheral economies, particularly Portugal and Greece, which were the only member states to record negative growth. On the positive side Germany succeeded in achieving growth of 2.7%, in a year in which the labour market remained in evidence. Germany's unemployment rate, in December, was, at 6.8%, at its lowest level since reunification. On the contrary, in the EA, unemployment was up again in 2011, to 10.3% at the end of the year, its highest level since the spring of 1998.

The level of inflation in the EA, measured by the HICP (Harmonised Index of Consumer Prices) recorded an average rate of change of 2.7% in 2011 as opposed to 1.6% in 2010, mainly owing to higher energy prices.

The Asian bloc once again turned in a positive performance, notwithstanding the negative impacts of the catastrophes occurring in the first quarter in Japan, causing the Japanese economy to remain in contraction during the whole of first half 2011. Also in the case of Asia, China's economic indicators remained robust, particularly as regards domestic activity, notwithstanding a certain slowdown.

Reference should also be made to the performance of economic activity in Brazil, with a substantial cooling of its economic growth in second half 2011 followed by stagnation in the third quarter. The Central Bank of Brazil diverged from the emerging bloc in reducing its key reference rate on three occasions, in the second half, owing to the negative impact expected from international turbulence on Brazil's economy. At the end of the year, the Brazilian government announced a stimulus package designed to boost economic activity to ensure growth of 5% in 2012.

In Portugal, 2011 marked the beginning of the economy's adjustment process. This was characterised by a reduction in the fiscal deficit accompanied by a gradual deleveraging of the private sector, including the banking sector.

Economic activity in the first three quarters of 2011 was down 1.1%, in comparison to the same period 2010. Reference should be made to the already recorded consecutive negative changes in the three periods. This performance was the result of a negative contribution by private consumption and the marked fall in investment, notwithstanding the good performance of net exports.

Reference should be made to the positive contribution of foreign trade. On the one hand, exports grew by 7.8%, while, on the other, imports were down 2.8%. This performance was associated with higher demand for Portuguese exports, notwithstanding the world economic slowdown, with a year-on-year increase of 22.9% in new orders from overseas having been recorded over the said period. In turn, the reduction of imports in the said period particularly derived from the drop in domestic demand.

Both private consumption, down 3.0%, and public consumption, which contracted by 2.5%, contributed to weak economic performance in the said period. The challenges of reducing the fiscal deficit and consequent approval and implementation of austerity measures under the Economic and Financial Programme for Portugal led to a negative contribution of these components to economic growth, with a worsening of consumer confidence indicators having been noted over the year as a whole.

There was also a 9.8% reduction of gross fixed capital formation, partly as a consequence of the level of economic activity and prospects for domestic demand as well as a decrease in public investment. The contraction was more evident in terms of investment in equipment and construction.

As regards inflation, Portugal's HICP recorded an average rate of change of 3.7% in the first 11 months of 2011, particularly deriving from higher energy prices and increase in various indirect taxes namely VAT, at 1 percentage point higher than the Euro Area.

The unemployment rate rose in the first three quarters of 2011 in comparison to the same period last year to 12.4% in the third quarter, with an unemployed population of 689.6 thousand individuals, up 24.1% over the same period 2010.

### 4 – FINANCIAL ANALYSIS – CONSOLIDATED OPERATIONS

#### Summary

##### *Results*

Caixa Geral de Depósitos Group's results, in 2011, were heavily penalised by the difficult economic and financial environment leading to the recognition of extraordinary amounts in credit and securities impairment account headings as a cost for the year. Credit impairment increased to EUR 827.4 million with impairment on securities of EUR 613.1 million. The latter amount particularly provided for the depreciation on CGD's equity investments and its exposure to Greek debt (EUR 133 million), most of which held by the Group's insurance companies.

**Gross operating income** was EUR 1 128.8 million, similar to the 2010 amount, which affected by provisions of EUR 1 674.6 million for the year resulted in a negative **consolidated net income** of EUR 488.4 million, in comparison to a positive amount of EUR 250.6 million in 2010.

Domestic and international banking areas (EUR 586 million and 256 million respectively) and insurance and healthcare activities with EUR 252 million, contributed to the Group's gross operating income.

#### **GROSS OPERATING INCOME OF CGD GROUP'S MAIN BUSINESS AREAS**

(EUR million)	<b>Dec-10</b>	<b>Dec-11</b>
National Banking	660	586
International Banking	248	256
Insurance and healthcare	171	252
Investment Banking	54	35
<b>Gross operating income</b>	<b>1 113</b>	<b>1 129</b>

##### *Loans-to-deposits ratio*

The **loans-to-deposits ratio** measured by net credit to customer deposits was 122.2%, comprising a situation in comparison to the ratio of 136.0% recorded at the end of 2010 close to the target of 120% set for Portuguese banks in 2014.



### *Core Tier I ratio*

The **Core Tier I ratio** on a consolidated basis and including retained earnings totalled 9.3% in December 2011, as opposed to the 8.8% recorded at the end of 2010 and higher than the 9% required of Portuguese banks by the end of the year.

### *Operating costs*

**Operating costs** were down 3.3% by EUR 64 million to EUR 1 903.2 million, in 2011 deriving both from employee costs and external services and supplies, down respectively by EUR 51.4 million (4.9%) and EUR 26.2 million (3.6%).

The contribution to the consolidated total made by CGD Portugal's **operating costs** was down 7.9% by EUR 79.7 million over 2010, particularly based on the 10.3% reduction of employee costs.

### *European Banking Authority (EBA)*

CGD submitted the Capital Plan required by the European Banking Authority (EBA) on 20 January 2012 for the purpose of achieving a Core Tier I ratio of 9% by 30 June 2012 pursuant to the terms defined by the EBA.

The Plan, submitted in the meantime, is currently being examined by the authorities.

### *Special Inspections Programme (SIP)*

The Bank of Portugal, announced, on 16 December 2011 the first global results of the Special Inspections Programme (SIP) performed as part of the measures and actions for the financial system, agreed by the Portuguese authorities under the Economic and Financial Assistance Programme established with the IMF/EU/ECB last May.

The exercise involved loans of EUR 71.8 billion, covering 84% of CGD Group's credit portfolio. The assessment concluded that the global amount of impairment recognised in the Group's consolidated accounts was adequate.

### *European Central Bank (ECB)*

CGD funding from the European Central Bank totalled EUR 9.0 billion at the end of December 2011, in comparison to EUR 6.55 billion in the preceding year. This evolution is explained by the deterioration of funding conditions felt during the course of the year.

There was a total of EUR 14.4 billion in **eligible assets** for ECB funding operations in CGD at the end of December.

### *Pension fund liabilities*

CGD opted to change the accounting policy related with the processing of the actuarial deviations associated with the post-employment benefits regulated by IAS 19 at 31 December 2012. Anticipating the changes planned to enter into effect from 1 January 2013, CGD therefore ceased to use the corridor method and recognised gains and losses directly in shareholders' equity, both in the separate as in the consolidated perimeter.

Actuarial deviations will, in the future, be recognised directly in shareholders' equity.

The accounting impact resulting from the accounting change does not prejudice prudential treatment as, in the assessment of basis own funds, the accumulated actuarial losses recognised in results or in other shareholders' equity account headings under the terms of the Bank of Portugal's official notice 2/2012 may be excluded.

It should also be noted that CGD was not one of the banks that, at 31/12/2011, transferred the pensions liabilities provided for in the social security regime regulated by Decree Law 127/2011 to the state.

### Results analysis

**Net interest income**, including income from equity instruments was up 13.6% by EUR 219.3 million to EUR 1 832 million over 2010, exclusively deriving from net interest income (up 19.1% by EUR 270 million) as the amount of income from equity instruments was down 25.7% by EUR 50.8 million.

Income from **commissions (net)** at EUR 504.6 million was similar to the year 2010 amount of EUR 502.3 million. Reference should be made in terms of its composition, to income from international operations (up 16.5%) offsetting almost the whole of the decrease in income from domestic banking operations.

#### COMMISSIONS (NET)

(EUR million)	Dec-10	Dec-11	Dec/11 - Dec/10	
			Total	%
CGD Portugal	318.3	307.5	-10.7	-3.4%
International	99.8	116.3	16.5	16.5%
Investment banking	55.9	46.8	-6.1	-10.9%
Asset management	31.4	31.6	0.2	0.6%
Other	-3.0	-0.6	2.4	-80.2%
<b>Total</b>	<b>502.3</b>	<b>504.6</b>	<b>2.3</b>	<b>0.5%</b>

**Income from financial operations** was EUR 24.8 million negative in 2011 despite active endeavours to achieve capital gains on the basis of the sale of selected assets and

repurchase of own issues. These results were particularly affected by marked deterioration in sovereign debt prices on the portfolio of assets held as a consequence of the increase in the risk premium and inversion of the cycle of increasing interest rates.

**Other operating income** totalled EUR 215.1 million, against EUR 351 million in 2010, the latter influenced by the capital gains realised on Caixa's disposal of its headquarters offices building to the Caixa Geral de Depósitos Pension Fund in September 2010.

The contribution made by the **technical margin on insurance operations** to the Group's net operating income was EUR 505 million, slightly down the preceding year's amount (down 0.8% by EUR 4 million).

Earned **premiums net of reinsurance** for the amount of EUR 1 243.7 million and **income from investments allocated to insurance contracts** of EUR 143.4 million, signified reductions of 6% (EUR 79.7 million) and 30.6% (EUR 63.4 million), respectively, over 2010, which evolution was not offset by the 15.3% decrease of EUR 142.9 million in **claims costs net of reinsurance** to EUR 788.7 million.

Resulting from the above, **net operating income from banking and insurance operations** was EUR 3 032 million, down 2.2% by EUR 67.4 million over the preceding year.

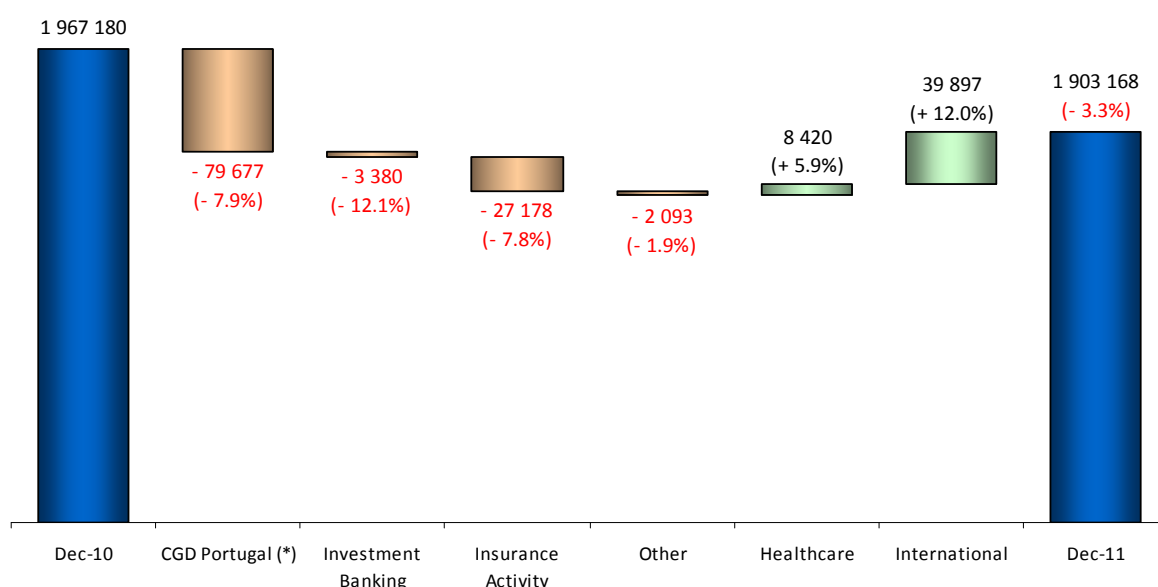
Furthering the policy of containing operating costs, this aggregate was down 3.3% by EUR 64 million to EUR 1 903.2 million over the preceding year, based on both employee costs and external services and supplies, down 4.9% by EUR 51.4 million and 3.6% by EUR 26.2 million respectively.

By areas of activity, CGD Portugal's contribution to **operating costs** included in the consolidated total was down 7.9% by EUR 79.7 million over December 2010, as opposed to international activities with increases of 12%, translating the expansion occurring in the said areas. In the case of insurance operations the contribution made by operating costs was down 3.8%.

The decrease in the average number of workers in domestic banking (260 in 2011 in comparison to 2010) contributed to the 10.3% reduction of EUR 58.8 million in CGD Portugal's employee costs to EUR 512.1 million. It should also be noted the decrease of EUR 31.1 million or 9.5% in the cost of external services and supplies.

### OPERATING COSTS – EVOLUTION OF BUSINESS AREAS (contribution)

Annual change - EUR thousand



(\*) Includes offshore branches

The significant reduction of operating costs enabled CGD Group to improve its efficiency ratios, particularly **cost-to-income** which was brought down by 0.7 percentage points from 63.3% at the end of 2010 to 62.6% in December 2011. In the case of the bank's separate operations, the ratio was down 2.8 percentage points to 55.7%.

### EFFICIENCY RATIOS

	Dec-10	Dec-11
Cost-to- income (consolidated operations) <sup>(1)</sup>	63.3%	62.6%
Cost-to-income (separate operations) <sup>(1)</sup>	58.5%	55.7%
Cost-to-Income (banking) <sup>(1)</sup>	60.2%	60.7%
Employee costs/ net operating income <sup>(1)</sup>	33.7%	32.7%
External supplies and services / net operating income	23.2%	22.8%
Operating costs / average net assets	1.57%	1.54%

(1) Calculated in accordance with Bank of Portugal Instruction 23/2011

**Credit impairment, net of cancellations and reversals**, was up in 2011 to EUR 827.4 million.

**Impairment of other assets (net)** totalled EUR 701.1 million of which EUR 613.1 million on **securities**, providing for the depreciation of CGD's equity investments in PT, BCP, ZON and Brisa a large proportion of which had been previously registered in fair value reserves, in addition to securities in the Group's insurance portfolios, particularly exposure to Greek debt.

Current tax plus the **extraordinary banking sector contribution** of EUR 29.4 million totalled EUR 97.1 million. Deferred tax was, in turn, -EUR 204.2 million.

In light of the losses made in 2011, gross return on shareholders' equity (**ROE**) was -8% (-6.4% after tax) with a return on assets (**ROA**) of -0.43% (-0.35% after tax).

### PROFIT RATIOS

	Dec-10	Dec-11
Gross return on equity – ROE <sup>(1) (2)</sup>	4.96%	-8.00%
Net return on equity – ROE <sup>(2)</sup>	4.08%	-6.40%
Gross return on assets – ROA <sup>(1) (2)</sup>	0.29%	-0.43%
Net return on assets – ROA <sup>(2)</sup>	0.24%	-0.35%
Net operating income <sup>(3)</sup> / average net assets <sup>(1) (2)</sup>	2.48%	2.46%

*(1) Calculated in accordance with Bank of Portugal Instruction 23/2011*

*(2) Considering average shareholders' equity and net assets values (13 observations)*

*3) Includes income from associated companies*

### Balance sheet analysis

CGD Group's **consolidated net assets** were down 4.1% by EUR 5.1 billion to EUR 120.7 billion at the end of December 2011 in comparison to the amount recorded at the end of the preceding year, translating the effect of the balance sheet deleveraging process in progress.

**Securities and loans and advances to customers** portfolios were therefore down 17.7% by EUR 5.3 billion and 4.5% by EUR 3.7 billion, respectively, partially offset by the 40.4% increase of EUR 2.5 billion in **cash and cash equivalents, loans and advances to and resources with credit institutions** over December 2010 to EUR 8.6 billion.

On the **liabilities** side reference should be made to the 22.7% decrease of EUR 4.4 billion in **debt securities** and 4.3% increase of EUR 2.9 billion in **customer resources**. In turn, **resources taken from credit institutions** were up 8.8% by EUR 1.3 billion to EUR 15.9 billion.

CGD funding from the European Central Bank totalled EUR 9.0 billion at the end of December 2011, against the preceding year's EUR 6.55 billion. This evolution is explained by the deterioration of funding conditions during the course of the year.

There was a total of EUR 14.4 billion in total **assets eligible** for ECB funding operations, in CGD, at the end of December.

**Loans and advances to customers** (gross), were down 3.4% to EUR 81.6 billion at the end of December, over the preceding year.

In the case of operations in Portugal, corporate lending was down 0.6% over the end of 2010.

### LOANS AND ADVANCES TO CUSTOMERS (a)

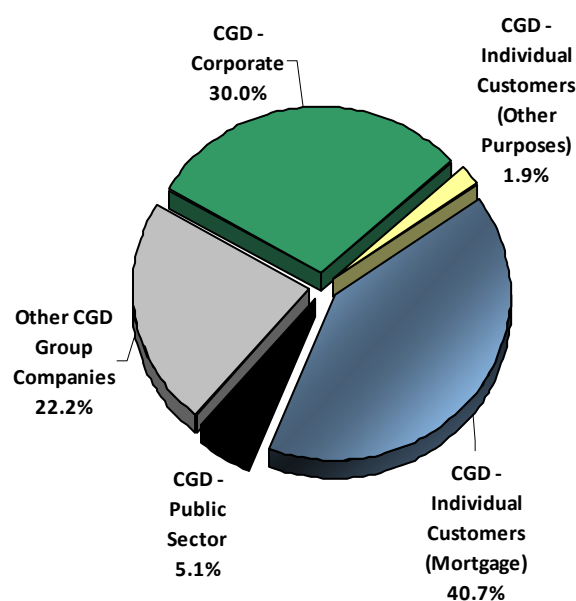
(EUR million)	Dec-10	Dec-11	Dec/11 - Dec/10	
			Total	%
<b>CGD operations in Portugal</b>	<b>65 061</b>	<b>63 480</b>	<b>-1 581</b>	<b>-2.4%</b>
Corporate	24 659	24 520	-139	-0.6%
Individual customers	35 729	34 773	-956	-2.7%
Mortgage loans	34 030	33 193	-837	-2.5%
Other	1 698	1 580	-119	-7.0%
Public and institutional sector	4 674	4 188	-486	-10.4%
<b>Other CGD Group companies</b>	<b>19 456</b>	<b>18 151</b>	<b>-1 305</b>	<b>-6.7%</b>
<b>Total</b>	<b>84 517</b>	<b>81 631</b>	<b>-2 886</b>	<b>-3.4%</b>

(a) Before impairment.

Around 77.8% of loans and advances to customers were for CGD's operations in Portugal, with mortgage loans representing 52.3% of the total.

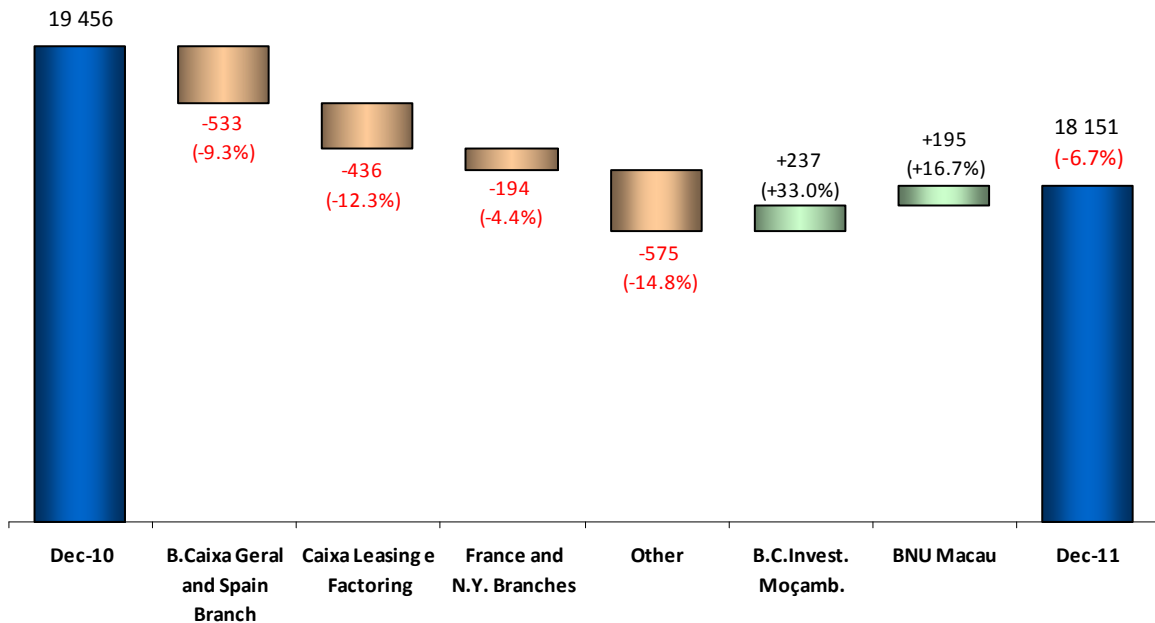
Mortgage loans for operations in Portugal were down 2.5% by EUR 837 million. Also on national territory, the amount of mortgage loan operations taken out in 2011 was significantly down by 56.7% over the preceding year to EUR 1 189 million.

### Loans and Advances to Customers December 2011



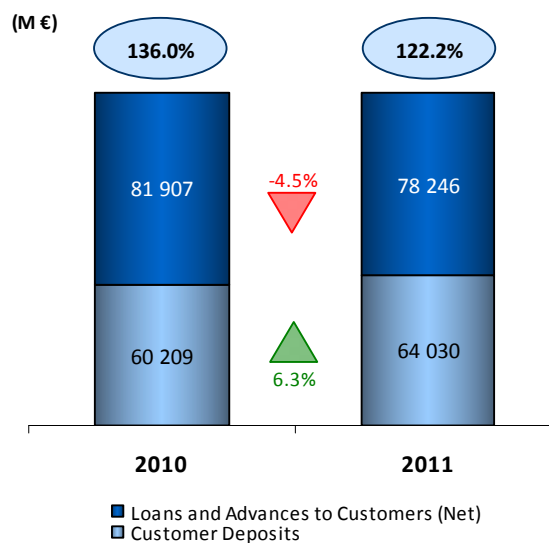
### Loans and Advances to Customers – Group Companies

Year-on-year change (EUR Thousand)



Loans made by other CGD Group companies comprised 22.2% of total lending of which reference should be made to reductions in the case of CGD Group companies in Spain (down 9.3% by EUR 533 million over the end of 2010) and Caixa Leasing e Factoring (down 12.3% by EUR 436 million). Banco Comercial e de Investimento in Mozambique and BNU Macau delivered increases of EUR 237 million (up 33%) and EUR 195 million (up 16.7%), respectively.

### Loans-to-deposits ratio



The **loans-to-deposits ratio**, measured by net credit to customer resources was 110.8%, as opposed to customer deposits at 122.2%, comprising a more favourable situation in comparison to the ratios of 121.0% and 136.0% respectively recorded at the end of 2010.

The deterioration of the economic and financial situation was reflected in credit quality indicators with the **total overdue credit ratio** of 3.9% at the end of 2011 in comparison to 2.9% in December 2010 and **credit overdue for more than 90 days ratio** of 3.6%, against 2.6% at the end of 2010.

The **credit at risk** and **non-performing credit ratios** calculated in accordance with Bank of Portugal “Instruction” 23/2011, were 6.9% and 4.3%, respectively. The non-performing credit ratio, in addition to credit overdue for a period of 90 days or more and associated outstanding credit also consider the total overdue amount of restructured credit 1 and other credit operations on which there are signs justifying their classifications as non-performing credit notably a debtor’s bankruptcy or liquidation.

### ASSET QUALITY

	Dec-10	Dec-11
Non-performing credit/total credit <sup>(1)</sup>	3.1%	4.3%
Credit at risk/total credit <sup>(a)</sup>	4.2%	6.9%
Overdue credit/total credit	2.9%	3.9%
Credit > 90 days overdue/total credit	2.6%	3.6%
Credit in default, net / total credit, net <sup>(1)</sup>	0.0%	0.2%
Non-performing credit, net / total credit, net <sup>(1)</sup>	1.2%	2.9%
Credit impairment / overdue credit	105.3%	105.0%
Credit impairment / Credit > 90 days overdue	117.4%	116.5%
Credit impairment (IS) / total credit (average)	0.45%	0.97%

*1) Calculated in accordance with Bank of Portugal Instruction 23/2011*

**Credit impairment, net of cancellations and reversals** in 2011 comprised 0.97% of the average credit portfolio, up 45 pp over the end of 2010 figure.

The amount of **accumulated impairment** on loans and advances to customers (normal and overdue) was up 29.7% by EUR 774.9 million to EUR 3 384.7 million at the end of December in comparison to the end of 2010, resulting in a cover rate on credit more than 90 days overdue of 116.5%.

<sup>1</sup> Operations which, being overdue for a period of 90 days or more have had their respective contractual conditions changed without an adequate reinforcement of the guarantees which have been put up or liquidated by the debtor of the interest and other charges on overdue payment.



# Results presentation

## Financial analysis – consolidated operations

The **securities investments** balance was therefore down 17.7% by EUR 5.3 billion over last December. The reduction derived from both the portfolios held by the Group's banking area (down 14.3%) and its insurance companies' investment portfolios (down 23%).

### SECURITIES INVESTMENTS<sup>(a)</sup>

(EUR million)	Dec-10	Dec-11	Dec/11 - Dec/10	
	(*)		Total	%
Banking	18 032	15 448	-2 584	-14.3%
Insurance	11 623	8 949	-2 673	-23.0%
<b>Total</b>	<b>29 654</b>	<b>24 398</b>	<b>-5 257</b>	<b>-17.7%</b>

(a) After impairment

(\*) Pro forma

This change was largely the result of a deliberate assets deleveraging strategy as part of a sales policy involving the non-renewal of matured positions with the objective of increasing liquidity and contributing towards a reduction in the use of capital.

This was accompanied by a depreciation of the value of the portfolio in line with the evolution of capital markets, and particularly the strong negative trend in debt markets.

There was an across-the-board reduction of the portfolio in all types of assets except for an increase in Portuguese public debt, primarily treasury bonds.

### *Funding and liquidity management*

2011 witnessed an intensification of the sovereign debt crisis in Europe, particularly in the case of Greece and the deterioration of the confidence of financial agents, notwithstanding the efforts to find a EU-wide solution. This environment resulted in various rating downgrades on the Portuguese state, banks and non-financial companies which substantially aggravated the sentiment of risk aversion and consequently the funding costs of Portuguese institutions, making funding from the capital market by national banks an unfeasible proposition.

In this context, CGD applied an assets deleveraging strategy, promoting resources taken from customers, having succeeded in reducing its borrowing requirements in wholesale markets. These were suppressed by recourse to the ECB complemented by money market operations, particularly several collateralised funding operations, whose balance accounted for EUR 2 000 million at the end of the year.

Under the EMTN programme, CGD realised several repos offers on senior issues, involving around EUR 408 million. These transactions enabled the bank to realise capital gains while, at the same time, allowing investors to sell their bonds in a market with reduced liquidity.

CGD launched an exchange offer involving preference share issues totalling EUR 600 million and two Upper Tier II subordinated bond issues, with an outstanding amount of around

EUR 151 million, in September. In this offer, open solely to institutionals, CGD provided investors with a facility to exchange their holdings of such perpetual bonds for a new potentially more liquid senior EMTM issue, with a maturity of 4 years and an annual coupon rate of 8%. The price also attracted an implicit premium on secondary market prices. This transaction recorded a success rate of more than 70%.

This liabilities restructuring exercise enabled CGD to reinforce its Core Tier I ratio on the basis of the capital gains obtained.

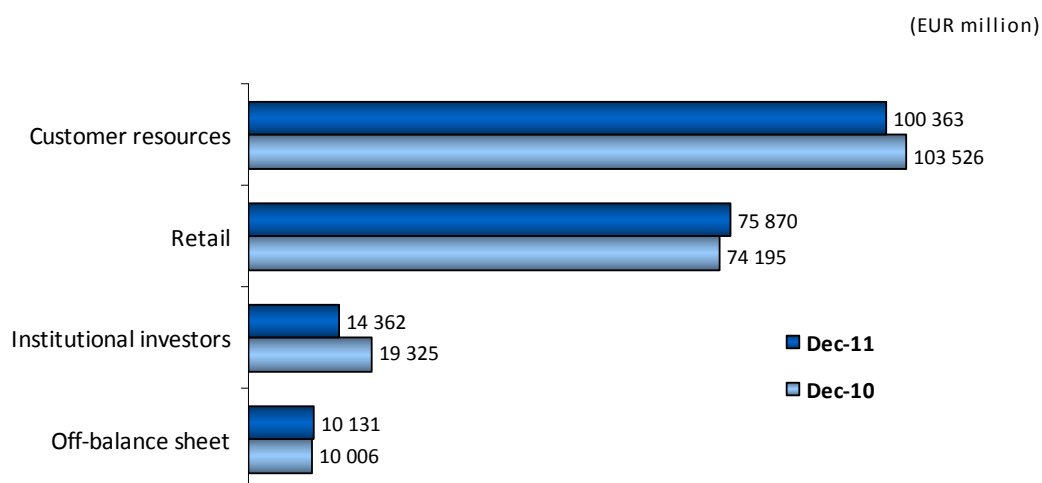
Investor demand for the Euro Commercial Paper Programme faded during the course of the year with only a few issues having occasionally been made.

Over the course of the year the pool of eligible assets for use as collateral with the ECB, continued to be actively managed with the aim of maintaining a comfortable margin of available assets. The pool's value increased from EUR 13 706 million in December 2010 to EUR 15 740 million at the end of 2011, having more than offset price depreciation effects, increase in haircuts and even the loss of eligibility of several assets owing to rating downgrades. The pool was reinforced by the issue of covered bonds and state-backed debt.

CGD therefore took advantage on two occasions during the course of the year of the state's guarantee, having issued two bond loans totalling EUR 4 600 million backed by the Portuguese Republic. The issues, one of which in July and the other in December, have a maturity of 3 years and a floating indexed rate, in the first case at 3 months Euribor with a spread of 4.95% and, in the second 6 months Euribor with a spread of 5%.

The balance on the **total resources taken** by the Group (excluding the interbank money market) was down 2.5% over the end of 2010 to EUR 101 billion. However, not considering the funding obtained from institutional investors, the total customer resources balance was up 2.7% by EUR 2.3 billion.

### Total Resources Taken



# Results presentation

## Financial analysis – consolidated operations

Balance sheet resources totalled EUR 90.2 billion, a large part of which from retail activities totalling EUR 75.9 billion, up 2.3% over December 2010 and benefiting from the 6.3% positive evolution of EUR 3.8 billion in customer deposits.

The customer deposits balance rose to EUR 64 billion of which EUR 45.3 billion or 70.7% of the total comprised term and savings deposits, up 11% by EUR 4.5 billion since the start of the year.

The balance of resources taken from **institutional investors** in the form of own issues was down 25.7% by EUR 5 billion over December 2010.

### RESOURCES TAKEN BY GROUP

Balances	Dec-10	Dec-11	Dec/11 - Dec/10	
(EUR million)			Total	%
<b>Balance sheet</b>	<b>93 520</b>	<b>90 232</b>	<b>-3 289</b>	<b>-3.5%</b>
<b>Retail</b>	<b>74 195</b>	<b>75 870</b>	<b>1 675</b>	<b>2.3%</b>
Customer deposits	60 209	64 030	3 821	6.3%
Capitalisation insurance (a)	10 843	8 893	-1 950	-18.0%
Other customer resources	3 142	2 947	-195	-6.2%
<b>Institutional investors</b>	<b>19 325</b>	<b>14 362</b>	<b>-4 963</b>	<b>-25.7%</b>
EMTN	8 786	7 139	-1 647	-18.7%
ECP and USCP	676	0	-676	-100.0%
<i>Nostrum Mortgages and Nostrum Consumer</i>	475	403	-72	-15.2%
Covered bonds	7 125	5 806	-1 319	-18.5%
Bonds guaranteed by the Portuguese Republic	1 250	0	-1 250	-100.0%
Bonds issued on the public sector	1 013	1 014	1	0.1%
<b>Off-balance sheet</b>	<b>10 006</b>	<b>10 131</b>	<b>125</b>	<b>1.3%</b>
Investment units in unit trust investment funds	4 966	4 055	-911	-18.3%
<i>Caixagest</i>	3 283	2 490	-793	-24.2%
<i>Fundimo</i>	1 683	1 565	-118	-7.0%
Pension fund	2 183	2 075	-108	-4.9%
Wealth management (b)	2 857	4 001	1 144	40.1%
<b>Total</b>	<b>103 526</b>	<b>100 363</b>	<b>-3 163</b>	<b>-3.1%</b>
<b>Total excluding institutional investors</b>	<b>84 201</b>	<b>86 001</b>	<b>1 800</b>	<b>2.1%</b>

(a) Includes fixed-rate insurance and unit-linked products

(b) Does not include CGD companies' insurance portfolios

**Off-balance sheet resources** were up 1.3% over the end of 2010 to EUR 10.1 billion, whose 40.1% increase of EUR 1.1 billion in the wealth management area offset the 24.2% reduction of EUR 0.8 billion recognised in the Caixagest funds balance.

### *Shareholders' equity and solvency ratio*

The Group's **shareholders' equity** totalled EUR 5.3 billion in December. This was down 32.1% by EUR 2.5 billion over the end of 2010 and was particularly affected by the negative change in fair value reserves, down EUR 1.6 billion over December 2010, of which EUR 922 million in respect of potential capital losses (net of the corresponding fiscal effect) on bonds issued by the three BPN vehicles.

### SHAREHOLDERS' EQUITY

(EUR million)	Dec-10	Dec-11	Dec/11 - Dec/10	
			Total.	%
Share capital	5 050	5 150	100	2.0%
Fair value reserves	-507	-2 085	-1 578	-311.0%
Other reserves and retained earnings	1 516	1 702	186	12.2%
Minority shareholders' interests	1 530	1 045	-485	-31.7%
Net income for period	251	-488	-739	-294.9%
<b>Total</b>	<b>7 840</b>	<b>5 323</b>	<b>-2 517</b>	<b>-32.1%</b>

The Portuguese state, in November 2011 increased CGD's share capital by EUR 100 million, through the incorporation of reserves available for the purpose, to EUR 5 150 million. This operation was designed to reinforce and maintain CGD's solvency and capitalisation at adequate levels, namely its Core Tier 1 ratio on a consolidated basis while consolidating the bank's strength, as a sine qua non to maintain the funding cost of its activity and consequently its respective profitability at a competitive threshold.

The **solvency ratio**, on a consolidated basis including retained earnings totalled 11.5% in December 2011. The **Core Tier I ratio** was up 0.6 percentage points over the value recorded at the end of 2010 to 9.4%, notwithstanding the negative impact resulting from the rating downgrades on the Portuguese Republic. The ratio benefited from the entering into force of the prudential regulation under which domestic currency exposures to regional and local authorities of member states, cease to be dependent on country risk in addition to the EUR 100 million increase in CGD's share capital through an incorporation of reserves.

The **Tier I ratio** was, in turn, at 8.9%, lower than the Core Tier I ratio, penalised by the repurchase of preference shares issued by CGD Group in the sphere of last September's exchange offer.

### SOLVENCY RATIO (ON A CONSOLIDATED BASIS)

(EUR million)	Dec-10 (1)	Dec-11 (1) (2)
<b>Own funds</b>		
1. Core Capital	6 799	6 529
<i>Deduction of investments in credit institutions and insurance</i>	-510	-403
<i>Preference shares(Tier I)</i>	555	96
2. Base - TIER I	6 844	6 222
3. Complementary own capital - TIER II	2 682	1 827
<i>4. Deductions from total own funds</i>	-40	-42
5. Total eligible own funds (2+3+4)	9 486	8 007
6. Total weighted positions	76 989	69 607
<b>Ratios</b>		
Core Tier I (1./6.)	8.8%	9.4%
Tier I (2./6.)	8.9%	8.9%
Solvency Ratio (5./6.)	12.3%	11.5%

(1) Including results for year

(2) Provisional figures

## Rating

The downgrading of Portuguese public debt by the international agencies, difficult economic financial environment and Standard & Poor's implementation of a new rating methodology, led to additional rating downgrades on Portuguese banks, including CGD.

	Short term		Long term	
	CGD	Portuguese Republic	CGD	Portuguese Republic
STANDARD & POOR'S	B	B	BB+	BB
FITCHRATINGS	B	B	BB+	BB+
MOODY'S	N/P	N/P	Ba2	Ba2
DBRS	R-2 (mid)		BBB (low)	BBB (low)

### Standard & Poor's

Standard & Poor's placed the long and short term ratings of seven Portuguese banks, including CGD, on creditwatch negative on 7 December 2011, following an identical revision of Portuguese Republic ratings on 5 December 2011. The revision reflects the possibility of a downgrade of the ratings on the Portuguese Republic and consequent impact on CGD's ratings.

Standard & Poor's downgraded its ratings on several Portuguese banks, including CGD, on 16 December 2011, following the implementation of its new rating methodology for financial institutions, adopted last November.

CGD's long and short term ratings were therefore changed from BBB to BB+, with creditwatch negative and from A-3 to B, respectively.

### ***Fitch Ratings***

Fitch Ratings reaffirmed its ratings on CGD on 4 October 2011, namely its long, short and individual ratings, except for the viability rating (VR) and the rating on CGD's preference shares with a change from bb+ to bb and from BB- to B+, respectively and which were taken off rating watch negative. The decrease in the viability rating of six Portuguese banks translated major liquidity difficulties and such institutions' capacity to meet their borrowing requirements, in addition to the deterioration of the quality of their assets and profitability deriving from the deepening economic recession.

On 25 November 2011 Fitch Ratings downgraded its ratings on several Portuguese banks, including CGD, following the previous day's downgrade of its long and short term ratings on the Portuguese Republic, from BBB- to BB+ and from F3 to B, respectively, with a negative outlook.

CGD's ratings were therefore changed from BBB- to BB+ over the long term with a negative outlook and from F3 to B over the short term. Reference should also be made to the reductions of the viability rating, for the same reasons, from bb to b+, and the individual rating from C/D to D/E but no longer on rating watch negative (RWN).

### ***Moody's***

Moody's, on 7 October 2011, completed its revision process on the ratings of Portuguese banks, upon which work had begun on 15 July 2011, following its rating downgrade on the Portuguese Republic, from Baa1 to Ba2 on 5 July 2011. Moody's changed its ratings on nine Portuguese banks, including the following ratings on CGD, with a negative outlook:

- BFSR (BCA) from D+ (Ba1) to D (Ba2)
- Long term rating from Ba1 to Ba2

### ***DBRS***

The DBRS rating agency initiated its assessment of CGD, with a long term rating of BBB and short term rating of R-2 (*high*), respectively, on 23 December 2011, both with a negative trend.

DBRS also awarded level BBB for its intrinsic assessment of CGD, based on its strong franchise as a universal bank, with a significant position in the retail market providing it with

a solid deposits base and capacity to generate income and manage liquidity and funding, over a prolonged stress period and improved capitalisation.

On 31 January 2012, following the downgrade of its long term rating on the Portuguese Republic, DBRS changed its long term rating on CGD from BBB to BBB (low), with a negative trend (identical to those of the Portuguese Republic), changing its short term rating from R-2 (high) to R-2 (mid), also with a negative trend.

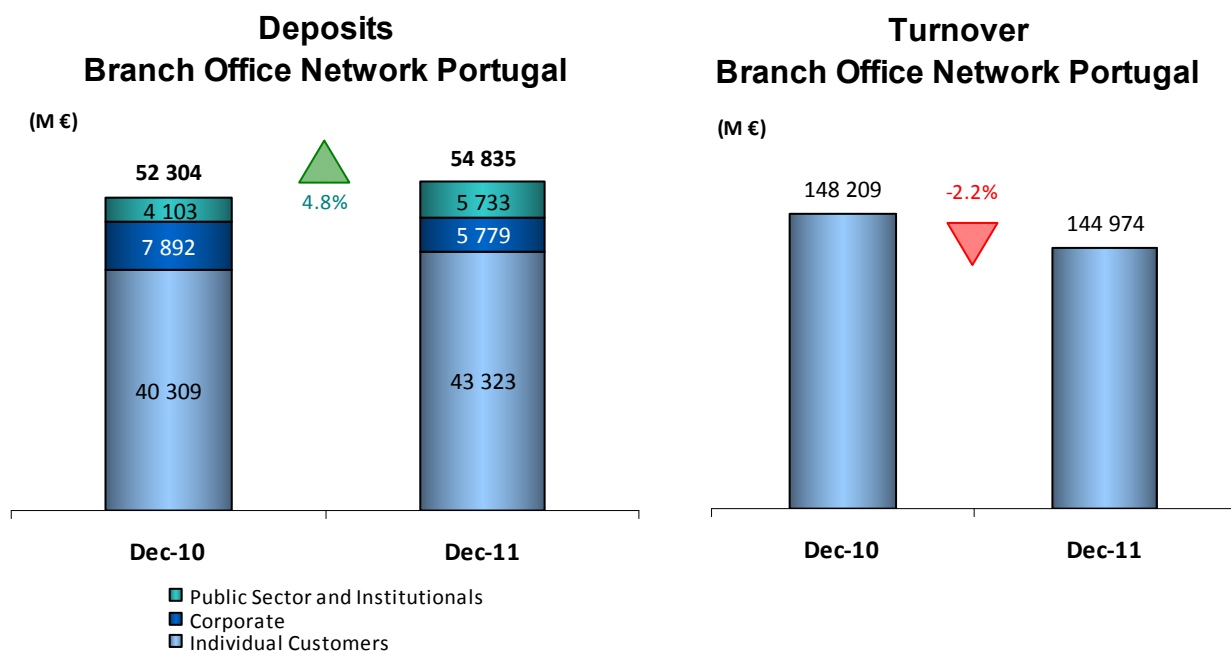
### 5 – MAIN BUSINESS AREA DEVELOPMENTS

#### 5.1. Retail banking – branch office network in Portugal

2011 was characterised by continuity of the commercial transformation project, particularly the consolidation of service models, improved value proposals, commercial guidelines, quality of customer service and improved customer loyalty and satisfaction indices. In 2011, more than 774 thousand individual and corporate customers benefited from the management services of a dedicated commercial account officer in which Caixa continued to occupy the leading position in the national banking sector in terms of customer care and services.

The branch office network, at 31 December 2011, comprised 822 branches and 38 Caixa Empresas corporate offices.

Total deposits of EUR 54 835 million taken by the branch office network grew 4.8% year-on-year, fuelled by increases of 39.7% from central and local government and 7.5% from individual customers. Corporate deposits were down 26.8%.



#### *Individual customers*

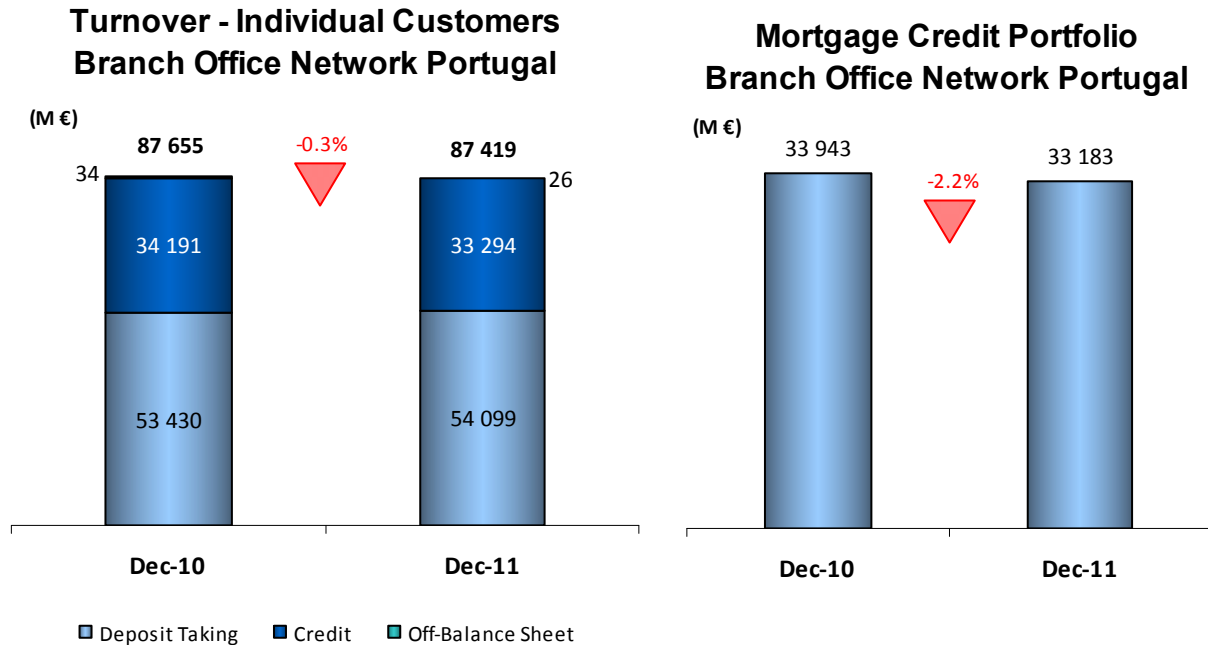
Turnover in the individual customers segment was down 0.3% month-on-month to EUR 87 418 million. Deposits taken in this customer segment were up 1.3% and credit down 2.6%.



# Results presentation

## Main business area developments

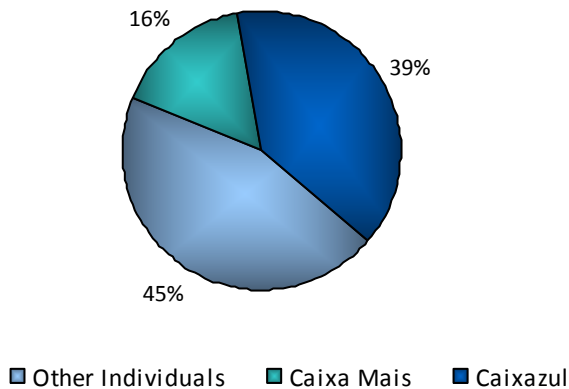
In 2011, deposits taken by the branch office network from individual customers in Portugal, were up 7.5% year-on-year to EUR 43 323 million.



Caixa Geral de Depósitos's clear lead in terms of deposit-taking reflects its successful implementation of a strategy based on the issue of a collection of savings solutions geared to customers in all segments, always providing the highest levels of security based on its financial strength and helping to reinforce its liquidity.

Mortgage lending was down 2.2% in year-on-year terms in portfolio value terms as a reflection of the market's maturity and the difficulties represented by the present economic-social context.

### Turnover - Individual Customers Branch Office Network Portugal



Reference should be made, in the individual customers' segment, to the Caixazul service, geared to the personalised management of premium customers, consisting of financial advisory and decision-making support services, based on customised solutions and opportunity management. The service had 327,987 customers in 2011 and accounted for 39% of turnover in the individual customers' segment. The branch office network had 559 branches with these dedicated spaces.

# Results presentation

## Main business area developments

One of the most significant aspects recorded in CGD's branch office network in 2011 was the promotion of the Caixa Mais service model by 893 commercial operatives at 810 branches encompassing 403,935 customers. This new Caixa Mais service model is intrinsically associated with a new highly personalised, proactive branch office service model based on a CRM approach. The service model, at the end of the year, accounted for 16% of turnover in the individual customers' business segment.

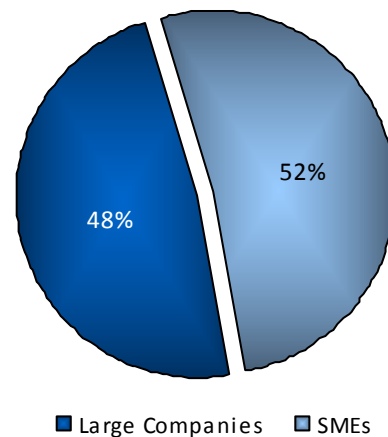
### Corporate

Turnover of EUR 40 238 million in the companies segment recorded a year-on-year decrease of 7.1%, in 2011, with a negative evolution of all components (deposits down 26.5%, lending down 2.4% and off-balance sheet accounts down 2%, in year-on-year terms).

Lending to companies, in 2011, was down 0.6%, year-on-year, reflecting the current economic crisis in the Eurozone and consequent contraction of the economy.

To implement CGD's strategic guidelines to grow its market share and business in the corporate segment, work continued to be performed on consolidating the Caixa Empresas service model, with the underlying concept of providing a personalised management service to the self-employed and small and medium sized corporate customers whose customer account managers represent the relational aspect on the basis of an integrated approach to corporate customers' business and individual needs. This service model had 23,570 customers at the end of 2011 and a turnover of EUR 3 745 million.

**Corporate Credit Portfolio  
Branch Office Network Portugal**



## 5.2. International area operations

Internationalisation has, over the last few years, has been one of CGD Group's fundamental strategies in its strong commitment to the recovery of the Portuguese economy and support for the best SMEs which, in the present environment, have increasingly concentrated on foreign markets as prime choices for their business activities.

Notwithstanding the fact that the contribution of international activity in the Group's consolidated results witnessed a significant drop over 2010 (EUR 11 million and 80.8 million, respectively in 2011 and 2010), this negative change was the result of a collection of non-recurring factors particularly associated with the high level of impairment recognised and the global deleveraging plan to which the Group has committed. The amount of impairment

# Results presentation

## Main business area developments

and provisions in the international area was EUR 164.2 million, having particularly increased in the case of Spain. The effects of the deleveraging process can already be seen particularly in the London and New York branches with significant sales of their securities portfolios and subsequent falls in net interest income and income from financial operations.

This was offset by global operating income with a positive change from EUR 585.1 to EUR 632.6 million. CGD subsidiaries in African and Asian markets earned positive net income of which reference should be made, by way of example to the growth of 16.7% achieved by BCI Moçambique (EUR 12.0 million in 2011), BCG Totta Angola (EUR 9.6 million), 25.8 %, BNU Macau (EUR 32.3 million) and 17.6% and Mercantile Bank in South Africa (EUR 11.2 million).

This favourable evolution in terms of the operations of the Group's foreign subsidiaries and branches has validated the Group's commitment to its international business, as a strategic pillar of its sustained growth and, no less importantly, its leading role in the recovery of the Portuguese economy, particularly in the difficult period currently being experienced by Portuguese companies in growing their businesses, always pursuant to the highest criteria of prudence and rigour.

During the course of 2011, in its awareness of the importance and comparative value of its extensive and diversified international platform, Caixa has continued to commit to consolidating its positions in markets in which it is actively engaged in the form of organic growth and efficiency improvements.

Another fundamental CGD Group commitment is to operate directly or indirectly in markets such as Brazil and China, with the highest business potential for Portuguese companies, in addition to markets with large communities of Portuguese origin, with which it has cultural and linguistic affinities, notably Lusophone Africa.

CGD has, through its foreign branches and subsidiaries, also promoted partnerships and various initiatives in the framework of the development and consolidation of the Group's international network:

- CGD opened a representative office in Toronto (Canada) to improve relationships with the Portuguese community in this geography.
- In Luxembourg, five years after the opening of its headquarters office, CGD reopened its *mediatheque*, providing a better quality of service and a fully equipped training room. In addition to operating as a financial complement, its *mediatheque* symbolises Caixa's social responsibility.
- In Cape Verde, Banco Comercial do Atlântico's (BCA) successfully placed 500 thousand subordinated bonds in the Cape Verde Stock Exchange.
- In Mozambique, Banco Comercial de Investimento (BCI) won the "World Finance" magazine's "The Best Commercial Bank 2011 – Mozambique" prize giving BCI the status of the country's best commercial bank.

Of no less importance was BCI's distinction as a Mozambique Superbrand: recognised as a brand of excellence and trust in the year in which the bank has been celebrating its 15th birthday. It also entered into a financial and cooperation protocol with the Public Sector Ministry with the aim of creating a special relationship between the two institutions.

- Banco Caixa Totta de Angola entered into a partnership with the Faculty of Economics of *Universidade Nova de Lisboa*, creating one of the first business schools in Angola.
- The East Timor branch entered into a protocol of cooperation with *Universidade Nacional de Timor-Leste*, launching its *KITNet* computer package and mobile internet board.

In East Timor the new university campus as an important collection of infrastructures representing an important milestone in the country's educational and social scene is currently at its performance stage.

In 2011, Caixa continued to fulfil all of its commitments under medium and long term commercial export support concessional lines of credit, making a decisive contribution to promoting the export sector, continuing to support its customers and global economic growth, particularly:

- The first disbursements under the China Eximbank line of credit for EUR 300 million, in the sphere of Portuguese SME projects, which, benefiting from this support achieved their first sales in the People's Republic of China.
- Releasing the first funding under the commercial line of credit to Mozambique for EUR 300 million.

### 5.3. Investment banking

Investment banking activity is naturally sensitive to the current economic environment and is directly affected by the negative performance of capital markets and investor risk aversion to the assets of the Eurozone's peripheral countries particularly Portugal and Spain.

CaixaBI's net operating income of EUR 59 million was particularly impacted by impairment on financial assets and one-off costs related with the Investors Indemnity System without which net operating income would have been EUR 89 million, in line with 2010.

Net interest income of EUR 29 million was down 13% over 2010, owing to higher funding costs in the Portuguese financial sector.

Notwithstanding the slowdown in activity felt during the course of 2011 commissions were down by only 16% over 2010, to EUR 62 million, largely owing to CaixaBI's internationalisation strategy.

# Results presentation

## Main business area developments

CaixaBI's cost-to-income was 28.2%.

The bank's net income of EUR 8.5 million was highly impacted by increased impairment both on financial assets and its credit portfolio (totalling EUR 61 million).

However, notwithstanding the less favourable environment, CaixaBI had a positive year coming in the top positions in most league tables and having participated in the biggest operations in the markets in which it is active.

### *Prizes and rankings*

CaixaBI's good performance during the course of 2011 continued to be recognised by its customers and partners and rewarded by its leading positions in the main rankings.

- CaixaBI was distinguished by the US Global Finance magazine as the Best Investment Bank in Portugal in 2011.
- EMEA Finance magazine also awarded the same distinction in electing CaixaBI as the Best Investment Bank in Portugal in 2010.
- Euromoney selected CaixaBI as the winner of its Award for Excellence 2011 in the Best Debt House in Portugal category 2011.
- NYSE Euronext Lisbon awarded CaixaBI with No1 Corporate Bond House prize.
- CaixaBI was ranked as the principal bookrunner for euro-denominated bonds issued by national entities for the 5th consecutive year by Bloomberg.
- Dealogic's League Tables for the first 9 months of the year recognised CaixaBI as the leader of the ranking for the role of mandated lead arranger (MLA) for project finance operations.
- According to Bloomberg data, CaixaBI ended the year in 1st position in the Portuguese M&A ranking and 13th in the respective Brazilian ranking as the best placed Portuguese bank.

### *Project finance*

Caixa Geral de Depósitos Group, through CaixaBI, was involved in operations for around EUR 389 million, putting it in 1st place in the Dealogic MLA ranking for project finance operations in Portugal.

On an international level, reference should be made to a progressive geographic expansion of the bank's activity in accompanying operations in Angola and Mozambique, in addition to joint coordination with BCG Brasil for structuring and/or financial advisory services on a diverse collection of projects in Brazil. This endeavour has been distinguished by prizes such

# Results presentation

## Main business area developments

as the Americas Transportation Deal of the Year for the Embraport operation in which CGD Group was involved as the MLA, awarded by the prestigious Project Finance International magazine.

### ***Corporate debt finance***

CaixaBI's leading position in the debt capital and structured assets market in Portugal won another important international recognition, in 2011, with Euromoney's *Award of Excellence* for the *Best Debt House in Portugal* for the second consecutive year.

It should also be noted that the first issue of the NYSE Euronext Lisbon Awards, in 2011 with the main objective of promoting the recognition of the activity of capital market players awarded CaixaBI its *No. 1 Corporate Bond House* prize.

Notwithstanding the extraordinarily challenging environment in debt markets and notably in the bond sector, in 2011, CaixaBI led seven primary market bond issues, which performance continued to position the bank as the principal bookrunner for euro-denominated bonds issued by national entities for the fifth consecutive year according to the Bloomberg ranking.

Activity in the commercial paper segment was strongly conditioned by the growing balance sheet restrictions faced by domestic financial institutions in 2011. However, notwithstanding the unfavourable environment, CaixaBI retained its leading position in this market in Portugal, having, during the last year organised and led thirteen new commercial paper programmes<sup>2</sup>, for a global amount of around EUR 2 500 million.

### ***Corporate finance – advisory***

Notwithstanding the unfavourable macroeconomic context and reduced level of activity in terms of global M&A operations, CaixaBI's work and efforts were recognised in the Bloomberg ranking for 2011, in which it came first in Portugal on the basis of its involvement in 12 M&A operations with an aggregate value of around EUR 10 billion.

In Brazil, according to the same ranking, CaixaBI, in conjunction with BCG Brasil and with only two full years of operation in Brazil, came 13th in terms of announced/completed M&A transactions although the Portuguese bank was better placed with an aggregate value of around R\$ 17.8 billion.

Reference should be made, in 2011, to the financial advisory operation for Parpública's disposal of a 21.35% stake in EDP, as part of the company's 8th highly successful privatisation stage. Reference should also be made to the financial advisory operation for Galp Energia's disposal of a 30% stake in Petrogal Brasil in the amount of USD 4.8 billion.

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<sup>2</sup> Includes programmes maturing in 2011 which were fully or partially renewed.

Reference should lastly be made to the financial advisory operation for Portugal Telecom's investment in the Brazilian Oi group, following the disposal of its investment in Vivo, in which CaixaBI was also involved as a financial advisor. This was one of the largest operations to involve Portuguese companies in the last few years and is yet another of CaixaBI's successes in terms of its cross-border Portugal – Brazil operations.

### *Syndication and sales*

CaixaBI participated in 2011 as joint lead manager, for the issue of Portugal Telecom bonds, for the amount of EUR 600 million and the placement of a treasury bonds issue for the Portuguese Republic, for the amount of EUR 3.5 billion.

CaixaBI realised 341 commercial paper issues for a total amount of EUR 12 billion, having placed EUR 4.8 billion.

### *Venture capital*

CaixaBI's venture capital area comprises five venture capital funds enabling it to ensure the transversal cover of different target segments over the course of corporate life cycles and, in one specific case, geared to a sectoral investment: *Caixa Empreender +*, *Caixa Mezzanine*, *Grupo CGD*, *Energias Renováveis e Desenvolvimento e Reorganização Empresarial*, the latter of which formed in 2011.

210 investment opportunities were analysed in 2011, with 32 project approvals for a total amount of EUR 60 million, of which 21, involving an investment of EUR 17 million proceeded. There were also 8 disinvestment operations with a realisation price of EUR 15 million.

## **5.4. Insurance and healthcare activity**

### *Caixa Seguros e Saúde, SGPS*

Caixa Seguros e Saúde according to the accounting principles applicable by CGD, earned net income of EUR 3 million. This performance reflected the impact of several non-recurring factors such as impairment on the insurance area's exposure to the Greek state's sovereign debt and recognition of the depreciation of intangible assets in the hospital area.

Excluding such effects, current income would have been close to EUR 100 million, with the contribution of the insurance area being approximately EUR 115 million and with losses of EUR 15 million by the hospital area.

### INDICATORS<sup>(a)</sup>

(EUR million)

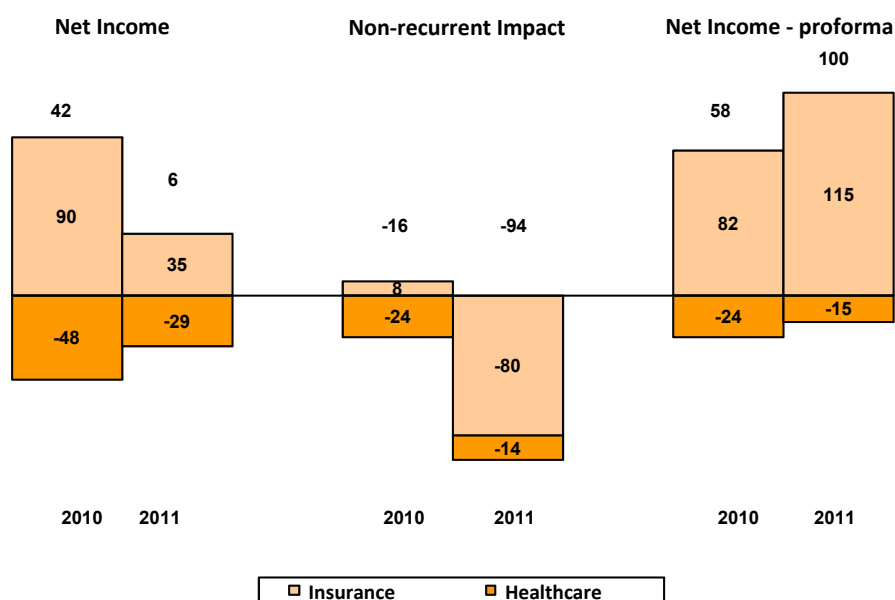
	2010	2011
Net assets	15 965	13 444
Shareholders' equity	1 064	730
Investment properties, securities portfolio, bank deposits and cash	14 405	11 887
Technical provisions, net of reinsurance	5 473	4 377
Liabilities for customer resources and other loans	7 944	6 955
Net income	67	3
	<b>2010</b>	<b>2011</b>
Solvency margin components	1 146	967
Required solvency margin	740	667
Surplus solvency margin	406	301
Solvency margin cover ratio	155%	145%

a) Amounts comply with the financial statements in IFRS/IAS format (CGD Group) and correspond to the consolidated accounts

Caixa Seguros e Saúde's statutory net income of EUR 6 million, in 2011, was also affected by the previously referred to non-recurring adverse factors.

### Caixa Seguros e Saúde Statutory Net Income

(EUR million)





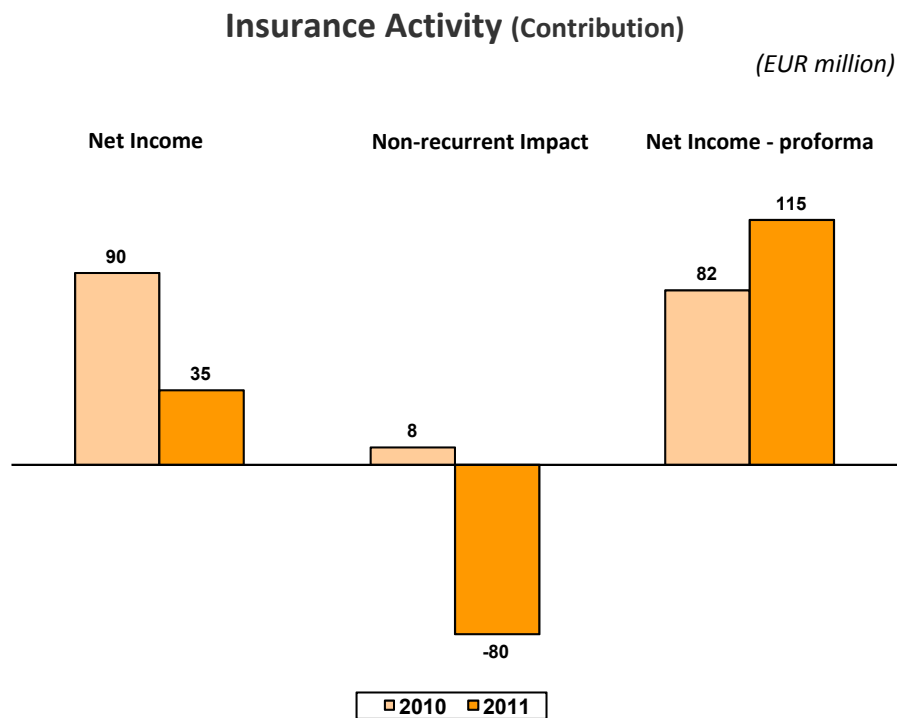
### Insurance area

#### Results

The results of EUR 56 million (EUR 35 million in the statutory accounts), attributed to the insurance area in CGD's accounts translated a high level of resilience to the adverse effects of the financial markets.

Non-recurring factors during the year comprised a gross negative balance of EUR 111 million, of which special reference should be made to impairment of EUR 121 million on Greece's public debt.

Excluding such extraordinary impacts, there would have been a EUR 33 million improvement (from EUR 82 million to EUR 115 million) during the year in the insurance area's statutory results owing to across-the-board improvements in life and non-life insurance technical operations and reduction of operating costs.



#### Premium evolution

There was a reduction in the activity of the domestic insurance market, in 2011, with direct insurance premiums (including resources taken from investment contracts) of EUR 11 648 million, down 28.7%.

# Results presentation

## Main business area developments

Life insurance, with premium income of EUR 7 533 million, was down 38.1% over the preceding year essentially on account of financial capitalisation insurance and retirement plans.

Non-life insurance as a whole with sales of approximately EUR 4 115 million, was down 1.2%, as a reflection of the unfavourable socioeconomic context and very high levels of competition particularly in the case of motor and workman's compensation insurance.

Caixa Seguros e Saúde posted EUR 3 895 million in direct insurance premium sales from its operations in Portugal. This was down 30.8% over the preceding year, particularly on account of the 37.8% reduction of life insurance.

Premium income from non-life insurance as a whole, centred on motor, transport and particularly workman's compensation insurance, was down 3.4%, essentially owing to the economic slowdown and competitive position adopted in this area, designed to avoid the depreciation of the respective technical margin.

### ***Market shares***

Caixa Seguros e Saúde reinforced its lead of the domestic insurance market by clearly maintaining top spot with a global market share of 33.4% (with life insurance at 37.2% and non-life insurance at 26.5%).

An analysis by business areas shows that Caixa Seguros's insurance companies reinforced their share of the life insurance market (with an increase of 0.2pp in market share), with the reverse being the case for non-life insurance as a whole (down 0.6pp). This was especially the result of the commercial policy adopted for workman's compensation insurance with the aim of avoiding the depreciation of the insurance companies' technical margins.

In the case of international operations and despite the decrease in premium sales to EUR 66 million, Caixa Seguros e Saúde continued to account for more than 90% of sales of domestic insurance companies in other markets.

# Results presentation

## Main business area developments

### DIRECT INSURANCE

(EUR million)

	2010	2011
<b>Operations in Portugal</b>		
Total market share	34.5%	33.4%
<i>Life insurance</i>	37.0%	37.2%
<i>Non-life insurance</i>	27.1%	26.5%
Direct insurance premiums	5 632	3 895
<i>Life insurance</i>	4 502	2 802
<i>Non-life insurance</i>	1 131	1 092
<b>Foreign insurance operations</b>		
Direct insurance premiums	81	66
<i>Life insurance</i>	43	32
<i>Non-life insurance</i>	38	34

### *Improvements in technical income*

The total technical margin, excluding financial operations was up EUR 38 million over the preceding year to EUR 319 million, with EUR 97 million from life insurance (up EUR 16 million over the preceding year) and EUR 222 million from non-life insurance areas (up EUR 22 million over 2010).

In contrast, income from financial operations after customer allocations was EUR 36 million, a decrease of 77.5% over the preceding year. The exclusion of non-recurring impacts would have increased the respective income to around EUR 220 million, up by around EUR 15 million over 2010.

In terms of technical operation, the combined ratio net of reinsurance was 100.5%, down 4.1pp over the preceding year, having benefited from a 2.4 pp reduction of the loss ratio and 1.7 pp reduction of the expense ratio.

### TECHNICAL INDICATORS

(EUR million)

	2010	2011
<b>Direct insurance premiums</b>	<b>5 713</b>	<b>3 962</b>
<i>Life insurance</i>	4 545	2 836
<i>Non-life insurance</i>	1 169	1 126
<b>Combined ratio net of reinsurance (non-life)</b>	<b>104.6%</b>	<b>100.5%</b>
<i>Loss Ratio net of reinsurance (non-life)<sup>(a)</sup></i>	69.8%	67.4%
<i>Expense Ratio net of reinsurance (non-life)<sup>(b)</sup></i>	34.8%	33.1%

(a) Excluding technical income from mathematical provisions on workman's compensation insurance

(b) Excluding the effect of the provision for impairment on assets in 2012

In consolidated terms, Caixa Seguros e Saúde also maintained a comfortable solvency level of 145% which conveys a high safety level for all insured and economic agents associated with the Group's insurance companies.

#### *Solvency*

Notwithstanding the unfavourable evolution of financial markets, with its inevitable negative impact on the insurance sector's own funds, the Group's main insurance companies - Fidelidade Mundial and Império Bonança – posted a 159% solvency margin cover ratio in 2011.

In consolidated terms, Caixa Seguros e Saúde also maintained a comfortable solvency level of 145% which conveys a high safety level for all insured and economic agents associated with the Group's insurance companies.

#### *Hospital area*

HPP Saúde has continued to consolidate its respective brand as a strategic asset, centred on innovation on a level of medical and support services. The work performed has been reflected in the financial statements and sales indicators which, to-date, have developed most positively in year-on-year terms.

HPP Saúde's operating income, in 2011, was globally up by 11% over 2010, to EUR 189 million against the year 2010 figure of EUR 169 million.

There was also a highly significant improvement in EBITDA in comparison to the preceding year with a consolidated negative value of EUR 0 as HPP posted EBITDA losses of approximately EUR 14 million in 2010. The operational performance of the subsidiary companies made a relevant contribution to this improvement.

EBT, in 2011 comprised losses of EUR 15.6 million. This evolution was a favourable development in comparison to losses of EUR 40.8 million in 2010.

# Results presentation

## Main business area developments

There was also significant growth in sales of medical services between 2011 and 2010 with a 15% increase in consultations, more than 11% in urgent consultations, 12% increase in operations, 12% increase in hospital confinements, 13% increase in the number of imagiology exams and 29% increase in deliveries.

In terms of current net income, the hospital area's losses of EUR 15 million translated a substantial reduction in comparison to the losses of EUR 24 million in 2010 and confirm the current recovery trajectory.

**CAIXA GERAL DE DEPÓSITOS, S.A.**

**10 February 2012**

### 6 – CONSOLIDATED BALANCE SHEET

## CAIXA GERAL DE DEPÓSITOS

### Consolidated Balance Sheet at 31 December 2011

(EUR million)

#### ASSETS

	31.12.2010	31.12.2011	Δ Dec/11- Dec/10	
			Total	Percent
Cash and cash equivalents with central banks	1 469	2 704	1 235	84.1%
Loans and advances to credit institutions	4 689	5 942	1 253	26.7%
Loans and advances to customers	81 907	78 246	-3 661	-4.5%
Securities investments	29 654	24 398	-5 257	-17.7%
Assets with repurchase agreement	893	778	-115	-12.9%
Investment in subsidiaries and associated companies	28	36	7	26.3%
Intangible and tangible assets	1 569	1 556	-13	-0.9%
Current tax assets	90	90	0	-0.1%
Deferred tax assets	1 089	1 914	825	75.8%
Technical provisions for outwards reinsurance	265	226	-38	-14.5%
Other assets	4 208	4 837	629	15.0%
<b>TOTAL</b>	<b>125 862</b>	<b>120 728</b>	<b>-5 134</b>	<b>-4.1%</b>

#### LIABILITIES

	31.12.2010	31.12.2011	Δ Dec/11- Dec/10	
			Total	Percent
Central banks' and credit institutions' resources	14 604	15 883	1 280	8.8%
Customer resources	67 680	70 587	2 907	4.3%
Financial liabilities	1 712	1 918	206	12.1%
Debt securities	19 307	14 933	-4 374	-22.7%
Provisions	803	883	80	10.0%
Technical provisions for insurance operations	5 743	4 608	-1 135	-19.8%
Subordinated liabilities	2 800	2 089	-711	-25.4%
Other liabilities	5 373	4 503	-870	-16.2%
<b>SUB-TOTAL</b>	<b>118 022</b>	<b>115 405</b>	<b>-2 617</b>	<b>-2.2%</b>
<b>SHAREHOLDERS' EQUITY</b>	<b>7 840</b>	<b>5 323</b>	<b>-2 517</b>	<b>-32.1%</b>
<b>TOTAL</b>	<b>125 862</b>	<b>120 728</b>	<b>-5 134</b>	<b>-4.1%</b>

### 7 – CONSOLIDATED INCOME STATEMENT

#### CAIXA GERAL DE DEPÓSITOS

#### Consolidated Income Statement, at 31 December 2011

(EUR thousand)

	31.12.2010	31.12.2011	Change	
			Total	Percent
Interest and similar income	4 388 089	5 368 195	980 106	22.3%
Interest and similar costs	2 972 831	3 682 929	710 098	23.9%
<b>Net interest income</b>	<b>1 415 258</b>	<b>1 685 265</b>	<b>270 007</b>	<b>19.1%</b>
Income from equity instruments	197 477	146 724	-50 752	-25.7%
<b>Net interest income including income from equity investments</b>	<b>1 612 735</b>	<b>1 831 990</b>	<b>219 255</b>	<b>13.6%</b>
Income from services and commissions	648 628	655 988	7 359	1.1%
Costs of services and commissions	146 313	151 356	5 043	3.4%
<b>Commissions (net)</b>	<b>502 315</b>	<b>504 631</b>	<b>2 316</b>	<b>0.5%</b>
Income from financial operations	124 388	-24 766	-149 154	---
Other net operating income	350 963	215 125	-135 837	-38.7%
<b>Non-interest Income</b>	<b>977 666</b>	<b>694 991</b>	<b>-282 675</b>	<b>-28.9%</b>
Premiums net of reinsurance	1 323 352	1 243 666	-79 686	-6.0%
Investment income allocated to insurance contracts	206 767	143 399	-63 368	-30.6%
Claims costs net of reinsurance	931 660	788 719	-142 941	-15.3%
Commissions and other associated income and costs	-89 461	-93 326	-3 865	-4.3%
<b>Technical margin on insurance operations</b>	<b>508 998</b>	<b>505 020</b>	<b>-3 978</b>	<b>-0.8%</b>
<b>Net operating income from banking and insurance operations</b>	<b>3 099 398</b>	<b>3 032 000</b>	<b>-67 398</b>	<b>-2.2%</b>
Employee costs	1 047 134	995 705	-51 429	-4.9%
Other administrative expenses	721 197	694 974	-26 223	-3.6%
Depreciation and amortisation	198 849	212 489	13 641	6.9%
<b>Operating costs and depreciation</b>	<b>1 967 180</b>	<b>1 903 168</b>	<b>-64 011</b>	<b>-3.3%</b>
<b>Gross operating income</b>	<b>1 132 218</b>	<b>1 128 832</b>	<b>-3 387</b>	<b>-0.3%</b>
Provisions net of cancellations	51 130	146 104	94 973	185.7%
Credit impairment net of reversals	369 102	827 371	458 269	124.2%
Impairment of other assets (net)	354 660	701 139	346 479	97.7%
<b>Provisions and impairment</b>	<b>774 892</b>	<b>1 674 613</b>	<b>899 721</b>	<b>116.1%</b>
Income from associated companies	7 100	9 485	2 385	---
<b>Income before tax and minority shareholders' interests</b>	<b>364 426</b>	<b>-536 297</b>	<b>-900 723</b>	<b>---</b>
<b>Tax</b>	<b>65 039</b>	<b>-107 093</b>	<b>-172 131</b>	<b>-264.7%</b>
Current	129 220	67 696	-61 524	-47.6%
Deferred	-64 181	-204 187	-140 006	-218.1%
Extraordinary contribution on the banking sector		29 398	29 398	---
<b>Consolidated net income for period</b>	<b>299 387</b>	<b>-429 204</b>	<b>-728 591</b>	<b>---</b>
Minority shareholders' interests	48 806	59 221	10 415	21.3%
<b>NET INCOME ATTRIBUTABLE TO CGD SHAREHOLDER</b>	<b>250 582</b>	<b>-488 425</b>	<b>-739 007</b>	<b>---</b>