

CGD REPORTS

# ANNUAL REPORT 2011

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**Caixa Geral  
de Depósitos**



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## AFRICA

### ANGOLA

Banco Caixa Geral Totta de Angola

### CAPE VERDE

Banco Comercial do Atlântico

Banco Interatlântico

Garantia

A Promotora

### MOZAMBIQUE

Banco Comercial e de Investimentos

Banco Nacional de Investimento

### SÃO TOMÉ E PRÍNCIPE

Banco Internacional de S. Tomé e Príncipe

### SOUTH AFRICA

Mercantile Bank

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# BOARD OF DIRECTORS' REPORT



# 1. Board of Directors' Report

## 1.1. Introductory Note

22 July 2011 saw the start of a new term of office for CGD's board of directors for the three year period 2011-2013, in an extremely complex environment, both on a level of the Eurozone and the country and the bank itself.

### FINANCIAL ASSISTANCE PLAN

The sovereign debt crisis, which originally affected Greece and Ireland, spread to Portugal and Spain at the end of first half 2010.

The memorandum of understanding, between the Portuguese state, European Commission, European Central Bank and the International Monetary Fund, which defined the conditions of the Economic and Financial Assistance Programme for Portugal was entered into on 17 May 2011.

It is common knowledge that the referred to memorandum also defined specific guidelines for the Portuguese financial sector and particularly CGD.

Portuguese banks were forced to prepare capital funding plans to comply with a series of objectives, set out in the Financial Assistance plan and communicated by the Bank of Portugal:

- a) Solvency: A minimum Core Tier 1 ratio of 9% in 2011 and 10% in 2012, considering Basel II rules;
- b) Liquidity:
  - A loans to deposit ratio of less than 120% in December 2014;
  - Reduction of the use of ECB funding over the medium term;
  - A stable funding ratio of 100% in December 2014.

In turn, CGD Group's structure will be rationalised to increase the capital base of its central banking operations, as required. Caixa is expected to increase its capital to the new level required from the Group's internal resources and improve Group governance. This will include the sale of the Group's insurance business, the definition of a programme for the gradual disposal of its non-core assets and, if necessary, a reduction of its activities abroad.

### CAPITALISATION PLAN

CGD submitted its capitalisation plan as required by the European Banking Authority (EBA) on 20 January 2012, to achieve a Core Tier I ratio (as defined by the said authority) of 9% at 30 June 2012.

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

### INSPECTIONS PROGRAMME

The Bank of Portugal, on 16 December 2011, announced 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 was performed on credit for the amount of EUR 71.8 billion, covering 84% of CGD Group's total credit portfolio. The assessment concluded that the global amount of impairment recognised in the Group's consolidated accounts was adequate.

### NEW GOVERNANCE MODEL

On the other hand and corresponding to the demands made by the evolution of the financial sector,

Caixa's new board of directors introduced a new governance model for CGD, translating into the appointment of seven executive and four non-executive directors.

The company was provided with an executive committee, audit committee and a strategic planning committee, the latter two solely made up of non-executive directors.

## PROFITABILITY AND SOLVENCY

In such an environment, the results of CGD's activities, in 2011, were most significantly affected by the evolution of two variables – credit and securities impairment – whose deterioration translated the difficult environment characterising Portuguese economic activity and the capital markets.

Notwithstanding the fact that gross operating income, at EUR 1128.6 million was similar to the 2010 figure, the effect of the two above referred to factors resulted in net losses of EUR 488.4 million for the year.

This less positive performance did not, however, prevent CGD from ending 2011 with a Core Tier 1 ratio of 9.5%, comfortably in excess of the limit of 9% required by the memorandum of understanding and evidencing a level of solidity which has been a hallmark of the Caixa Group.

## LIQUIDITY

The loans-to-deposit rate, measured by net credit to customer deposits, was 122.2% in December 2011, in comparison to a ratio of 136.0% recorded at the end of 2010 and was close to the amounts fixed for 2014 under the Economic and Financial Assistance Programme (120%).

CGD secured EUR 9 billion in funding from the ECB at the end of December 2011.

CGD's total assets, eligible for ECB funding operations at the end of December, were EUR 14.4 billion.

## SUSTAINABILITY

Management based on sustainability is growing in importance as it refers to CGD's responsibility in its relationship with customers, employees and the general community. It is also one of CGD's strategic priorities and is assumed at the highest level of management and transversally applied across CGD as a whole. The Sustainability Programme embraces different domains of intervention and is based on four fundamental thrusts: economic profitability; financial viability; socially fairness and environmental correctness.

CGD, as the benchmark institution in the Portuguese financial system, has added responsibilities on this level deriving from its history and values, which position it at the forefront of sustainable development.

## ACKNOWLEDGEMENTS

The board of directors wishes to express its recognition to its state shareholder, Bank of Portugal, CMVM (Securities Market Commission), statutory auditor and external auditor, for their valuable cooperation in monitoring CGD's activity.

The board of directors also wishes to thank customers for their preference and confidence and reaffirms it will do everything in its power to continue to merit such preference and confidence and lastly, to all CGD employees, its appreciation for the high levels of dedication and professionalism in the performance of their functions in the difficult circumstances, which have enabled the Group to retain a leading position in the domestic banking system.

# CGD Group – Consolidated Operations

## 1.2. Main Indicators

(EUR million)

### BALANCE SHEET

	2008	2009	2010	2011
Loans and advances to customers (gross)	77 432	79 627	84 517	81 631
Customer resources	60 128	64 256	67 680	70 587
Debt securities	19 929	25 182	19 307	14 923
Shareholders' equity	5 484	7 157	7 735	5 337
Net assets	111 060	120 985	125 757	120 565

### NET OPERATING INCOME

Net interest income including income from equity instruments	2 201	1 641	1 613	1 832
Non-interest income	845	867	978	695
Technical margin on insurance operations	515	491	509	505
Net operating income	3 561	2 999	3 099	3 032
Gross operating income	1 722	1 063	1 138	1 129
Income before tax	662	374	370	-536
Net income	459	279	255	-488

### RATIOS

Core Tier I (Bank of Portugal)	6.8%	8.3%	8.8%	9.5%
Tier I (Bank of Portugal)	7.0%	8.5%	8.9%	9.0%
Solvency ratio (Bank of Portugal)	10.7%	12.6%	12.3%	11.6%
Credit at risk / total credit <sup>(1)</sup>	n.d.	n.d.	4.2%	6.9%
Non-performing credit / total credit <sup>(1)</sup>	2.3%	3.0%	3.1%	4.3%
Overdue credit / total credit	2.4%	2.9%	2.9%	3.9%
Accumulated impairment / overdue credit	115.1%	105.3%	105.3%	105.0%
Accumulated impairment / credit overdue for more than 90 days	137.3%	122.4%	117.4%	116.5%
Cost-to-income (consolidated operations) <sup>(1)</sup>	51.2%	64.7%	63.3%	62.6%
Cost-to-income (separate operations) <sup>(1)</sup>	41.9%	59.6%	58.5%	55.7%
Gross return on equity – ROE <sup>(1)</sup>	12.6%	5.9%	5.0%	-8.0%
Return on equity after tax – ROE <sup>(1)</sup>	9.6%	4.8%	4.1%	-6.4%
Gross return on assets – ROA <sup>(1)</sup>	0.61%	0.32%	0.29%	-0.43%
Return on assets after tax – ROA <sup>(1)</sup>	0.47%	0.26%	0.24%	-0.35%

### OTHER INDICATORS

Branches	1 223	1 273	1 326	1 352
Portugal	831	848	864	861
Abroad	392	425	462	492
Representative offices	11	11	10	11

<sup>(1)</sup> Indicator calculated in accordance with Bank of Portugal instructions

(EUR million)

**OTHER INDICATORS (CONT.)**

	2008	2009	2010	2011
Employees <sup>(2)</sup>	20 869	22 237	23 083	23 205
CGD Portugal	9 727	9 791	9 672	9 509
Other banking institutions	4 170	4 495	5 029	5 531
Insurance companies	3 587	3 642	3 559	3 463
Financial companies	314	357	368	368
Other activities	3 071	3 952	4 455	4 334

**RATINGS (LONG / SHORT TERM)**

Moody's	Aa1/P-1	Aa2/P-1	A1/P-1	Ba2/N/P
Standard & Poor's	A+/A-1	A+/A-1	A-/A-2	BB+/B
Fitch Ratings	AA-/F1+	AA-/F1+	A/F1	BB+/B
DBRS				BBB / R-2 (high)

<sup>(2)</sup> Does not include 257 CGD employees in the CGA Support Department or 95 employees engaged on public service secondment or in other situations, in 2011.

## 1.3. Executive Summary

Caixa Geral de Depósitos Group's results, in 2011, were heavily penalised by the difficult economic and financial situation, leading to the recognition of such extraordinary annual costs as loans and securities impairment account headings. Credit impairment was therefore up to EUR 825.9 million with securities impairment totalling EUR 613.2 million. This latter amount particularly provided for the depreciation of CGD's equity investments and its EUR 133 million exposure to Greek debt, most of which held by the Group's insurance companies.

Gross operating income of EUR 1128.6 million was similar to 2010 and in conjunction with provisions appropriations of EUR 1673.7 million for the year, resulted in consolidated net losses of EUR 488.4 million in comparison to net income of EUR 254.9 million, in 2010.

Net interest income, including income from equity instruments, was up 13.6% by EUR 219.3 million to EUR 1832 million over 2010, exclusively deriving from the 19.1% increase of EUR 270 million in net interest income.

Income from commissions (net), at EUR 504.6 million was slightly up over the year 2010 figure of EUR 502.3 million.

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

As a result of the above, net operating income from banking and insurance activities was down 2.2% by EUR 67.6 million to EUR 3031.8 million in comparison to the preceding year.

Operating costs at EUR 1903.2 million, were down 3% by EUR 58 million over the preceding year, based both on employee costs and external supplies and services. This reduction of operating costs had the effect of improving efficiency ratios, particularly cost-to-income, which was down from 63.3% at the end of 2010 to 62.6% in December 2011 within CGD Group (0.7 percentage points). In the case of separate operations, the ratio was down 2.8 percentage points to 55.7%.

CGD Group's consolidated net assets of EUR 120.6 billion, at the end of December 2011, were down 4.1% over the end of the preceding year, translating the effect of the bank's current balance sheet deleveraging process.

Securities (including assets with repos agreement) and loans and advances to customers portfolios were therefore down 17.6% by EUR 5.4 billion and 4.5% by EUR 3.7 billion, respectively, partly offset

by cash and loans and advances to credit institutions which were up 40.5% by EUR 2.5 billion over December 2010 to EUR 8.6 billion.

The credit more than 90 days overdue ratio was 3.6% and the credit cover ratio was 116.5%. The credit at risk ratio increased from 4.2% to 6.9%.

On the liabilities side reference should be made to the 22.7% drop of EUR 4.4 billion in debt securities and the 4.3% increase of EUR 2.9 billion in customer resources. In turn, resources taken from credit institutions were up 8.6% by EUR 1.3 billion to EUR 15.9 billion.

CGD secured EUR 9 billion in funding from the ECB at the end of December 2011.

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

The loans-to-deposit rate, measured by net credit to customer deposits was 122.2% in comparison to the ratio of 136.0% recorded at the end of 2010 and was close to the amounts fixed for 2014 under the Economic and Financial Assistance Programme (120%).

The Group had shareholders' equity of EUR 5.3 billion in December, down 31.0% by EUR 2.4 billion over the end of 2010, having been particularly affected by the negative change in fair value reserves.

The solvency ratio on a consolidated basis, including retained earnings, was 11.6% in December 2011. The core tier ratio, in turn, was, at 9.5%, much higher than the 9% minimum fixed for the end of 2011.

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## 1.4. Group Presentation

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### 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 100 million at 31 December 2011 increasing CGD's share capital to EUR 5150 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, merged with CGD in 1885.
- 1896** CGD is spun off from the Junta de Crédito Público. The Caixa de Aposentações for salaried workers and the Monte da Piedade Nacional, for pawn broking operations were created under CGD administration.
- 1918** CGD starts to perform general credit operations.
- 1969** CGD, up to the said date, a public service, governed by state 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 witness the formation of property fund managers Fundimo (1986) and unit trust investment fund company Caixagest (1990). Equity investments are also made in the brokerage companies Sofin (1998) and consumer credit company Caixa de Crédito (2000).



- 1983** Creation 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, taking the name of Banco Luso-Español.
- 1992** Acquisition of a stake 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 the development of the country.
- 1995** Acquisition of Banco Simeón (in Spain).
- 1997** Formation of new Banco Comercial e de Investimentos de Moçambique.
- 1998** Formation of HPP – Hospitals 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.  
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 da Extremadura and Banco Simeón.
- 2004** CGD Group becomes the domestic insurance sector leader with 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 with a share capital of EUR 1 billion: 51% CGD and 49% Parpública.  
Permission to set up Banco Caixa Geral Brasil, with operations beginning in 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 HPP from Fidelidade Mundial's balance sheet to the Caixa Seguros 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 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.  
Formation of Banco Nacional de Investimento (BNI) in Mozambique, with 70 million meticaïs or around EUR 1.6 million of its share capital having been paid up.  
CGD Group agrees to take a 70% stake in Banif Corretora de Valores e Câmbio ("Banif CVC").

**2011** The deed for the formation of Banco para Promoção e Desenvolvimento with a 50/50 capital split between CGD and Sonangol groups is signed in Angola.

In Mozambique, permission was obtained for the start-up of Banco Nacional de Investimento (BNI), 49.5% owned by CGD, 49.5% by the State of Mozambique, through the National Directorate for the Treasury and 1% by Banco Comercial e de Investimentos (CGD Group).

In the insurance area, start of the merger process between Fidelidade Mundial and Império Bonança and formation of Universal Seguros, in Angola, in which Caixa Seguros e Saúde has 70% of the capital and Angolan partners the remaining 30%.

### 1.4.3. GROUP DIMENSION AND RANKING

CGD Group retained its lead in most of the business areas in which it operated in 2011. The following table provides information on CGD Group's position in the domestic market:

MARKET SHARES IN PORTUGAL	Dec.2010		Dec.2011	
	Share	Ranking	Share	Ranking
<b>BANKING</b>				
Net assets <sup>(a)</sup>	31.4%	1st	31.8%	1st
Loans and advances to customers <sup>(b)</sup>	21.0%	1st	20.9%	1st
Loans and advances to companies	16.4%	2nd	16.4%	1st
Loans and advances to individual customers	23.6%	1st	23.4%	1st
Mortgage loans	26.8%	1st	26.6%	1st
Customer deposits <sup>(b)</sup>	28.5%	1st	27.5%	1st
Individual customers' deposits	33.2%	1st	32.0%	1st
<b>Insurance <sup>(c)</sup></b>	<b>34. %</b>	<b>1st</b>	<b>33.4%</b>	<b>1st</b>
Life insurance	37.0%	1st	37.2%	1st
Non-life insurance	27.1%	1st	26.5%	1st

#### SPECIALISED CREDIT <sup>(d)</sup>

Equipment leasing	21.8%	2nd	18.4%	3rd
Property leasing	19.4%	1st	15.1%	1st
Factoring	13.1%	4th	14.5%	4th

#### ASSET MANAGEMENT

Unit trust investment funds <sup>(e)</sup>	23.1%	1st	23.0%	1st
Property investment funds <sup>(e)</sup>	14.7%	1st	13.9%	1st
Pension funds <sup>(f)</sup>	11.1%	4th	15.7%	2nd
Wealth management <sup>(e) (g)</sup>	27.0%	1st	30.0%	1st

(a) Considering the consolidated operations of the five largest Portuguese banking system groups.

(b) Source: Bank of Portugal (Monetary and Financial Statistics). Credit includes securitised operations.

(c) Dec. 2010 and Dec. 2011 – Source: Portuguese Insurance Institute. Activity in Portugal.

(d) Source ALF (Portuguese Leasing and Factoring Association).

(e) Source: APFIPP (Portuguese Investment Funds, Pensions and Wealth Association).

(f) Source: Portuguese Insurance Institute.

(g) Starting 2nd quarter 2008 CaixaSeg took over the management of the CGD Pension Funds which have been included in wealth management for market share and ranking purposes.

In global terms, the market share of loans and advances to customers was slightly down from 21.0% to 20.9% at the end of 2011, with a share of 16.4% in loans and advances to companies and a downturn in the remaining segments.

Caixa retained its leading position in customer deposits, in Portugal, in 2011 with a market share of 27.5% (notwithstanding the decrease of 1 pp over December 2010), with a share of 32% of the individual customers segment and 11.2% of the corporate segment.

As regards the insurance area, operations in Portugal were responsible for most sales, with direct insurance premiums down 31% to EUR 3895 million. Caixa Seguros e Saúde therefore succeeded in retaining its lead of the domestic insurance market with an overall market share of 33.4% (down 1.0 pp

over 2010), coming in top position and markedly so in terms of life insurance (with a market share of 37.2%) and non-life insurance as a whole with a market share of 26.5%.

In terms of leasing, Caixa Leasing e Factoring (CLF), owing to the slowdown in property activity, decreased its share of the market from 21.8%, in 2010, to 18.4% in 2011. In the case of property leasing notwithstanding the reduction of its market share from 19.4% in 2010 to 15.1%, in 2011, it retained first position in the subsector ranking. CLF retained fourth position in the factoring sector ranking with a market share of 14.5% against 13.1% in 2010.

In its management of unit trust investment funds, Caixagest, SA retained its market lead with a market share of 23%. In the property funds area Fundimo, SA also retained its lead with a market share of 13.9%. In the case of pension funds management, CGD Pensões had a market share of 15.7%, in 2011 and moved up to second place in the ranking by amounts. Lastly, in the portfolio management market, geared to mandates from major institutional customers, Caixagest, SA retained its market lead with a share of 30%.

During the course of 2011 CaixaBI's good performance continued to merit the recognition of its customers and partners and was rewarded by leading positions in the main rankings of which reference should be made to: the "Best Investment Bank in Portugal" award from *Global Finance* and *EMEA Finance* magazines; "Award for Excellence 2011 for the Best Debt House in Portugal 2011" category, from *Euromoney*; and "No. 1 Corporate Bond House", from NYSE Euronext Lisbon.

#### 1.4.4. EVOLUTION OF CGD GROUP

Notwithstanding the difficult economic and financial circumstances, CGD Group reinforced its intervention in international markets with which it enjoys historic, linguistic and cultural affinities, in 2011. Special reference should be made to the Group's activities in Lusophone Africa and Brazil, which represented yet further progress in exploiting the synergies generated by CGD's worldwide presence.

The deed for the formation of Banco para Promoção e Desenvolvimento (BPD), with a 50/50 capital split between CGD and Sonangol groups was signed in February, in Angola.

In Mozambique, permission was obtained for the start-up of Banco Nacional de Investimento (BNI), whose capital is 49.5% owned by CGD, 49.5% by the State of Mozambique, through the National Directorate for the Treasury and 1% by Banco Comercial e de Investimentos (CGD Group). The shareholders increased their investment in the bank to 2240 million meticaís (around EUR 64 million) on 22 November 2011. BNI's activity will be geared to supporting the development of Mozambique's economy.

Caixa-Banco de Investimento (CBI), in furthering its international strategy, also has short term plans to operate in Angola and Mozambique.

The Brazilian economy remains robust with huge growth potential, for which CGD's market operations, through Banco Caixa Geral Brasil (BCG Brasil), were and continue to be highly successful.

With the objective of developing the Group's corporate and investment banking operations in the Brazilian market, a share capital increase of 277 million reais was realised last year and a partnership agreed with the Banif Group in Brazil in which CGD Group signed definitive agreements for a 70% equity investment in Banif Corretora de Valores e Câmbio (Banif CVC).

In Spain, with the objective of maintaining Banco Caixa Geral's solvency ratios at adequate levels, there was a EUR 30 million capital increase, fully subscribed for and paid up by CGD. BCG's current capital is EUR 518792 094.80.

As regards the insurance area, concentrated in Caixa Seguros e Saúde, SGPS, reference should be made to the start of the merger process between Fidelidade Mundial and Império Bonança and formation of Universal Seguros, in Angola, in which Caixa Seguros e Saúde has 70% of the capital and Angolan partners the remaining 30%.

Parcaixa, SGPS, SA, a company 51% owned by Caixa Geral de Depósitos and 49% by Parpública-Participações Públicas, SGPS, SA, took part in the share capital increase of INAPA – Investimentos, Participações e Gestão, SA, and now owns 33% of the said company. It also has a 5% holding in the share capital of OMIP – Operador do Mercado Ibérico (Portugal), SGPS, SA.

The full amount of the IHRU – Instituto da Habitação e da Reabilitação Urbana investment was sold in December.

CAIXA GERAL DE DEPÓSITOS GROUP <sup>(1)</sup>		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%
			Banco Promoção e Desenvolv. (Angola) 50.0%
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%	Promoleasing (Cape Verde) 60.2%
	Credip – IFIC	80.0%	
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%	Universal Seguros (Angola) 70.0%
	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 – 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%	

<sup>(1)</sup> Percentage of effective participating interest.

CAIXA GERAL DE DEPÓSITOS GROUP <sup>(*)</sup>	Domestic		International	
AUXILIARY SERVICES	Caixatec – Tecnologias de Informação	100.0%	Inmobiliaria Caixa Geral (Spain)	99.8%
	Imocaixa	100.0%		
	Sogrupa Sistema Informação ACE	100.0%		
	Sogrupa Compras e Serv. Partilh. ACE	100.0%		
	Sogrupa IV Gestão de Imóveis ACE	100.0%		
	Caixa Imobiliário	100.0%		
	CaixaNet	80.0%		
	ESegur	50.0%		
	SIBS	21.6%		

<sup>(\*)</sup> Percentage of effective participating interest

OTHER EQUITY INVESTMENTS	Domestic		International	
OTHER PARTICIPATIONS	Parcaixa, SGPS	51.0%	La Seda Barcelona	14.8%
	Caixa Participações, SGPS	100.0%	Banco Inter. São Tomé e Príncipe	27.0%
	Wolfpart, SGPS	100.0%		
	Banco Comercial Português	3.0%		
	Portugal Telecom	6.2%		
	EDP	0.2%		
	REN – Redes Energéticas Nacionais	1.2%		
	GALP Energia	1.7%		
	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 the year, comprised 1352 branches of which 861 located in Portugal and 491 abroad. The overseas network was reinforced by an additional 29 branches, whereas, on domestic territory there was a reduction of two branches and one Caixa Empresas corporate office. In terms of international activity and as in the preceding year, the Banco Comercial e de Investimentos networks, in Mozambique and Banco Caixa Geral Totta de Angola networks continued to expand, increasing respectively by 25 and 3 branches.

CGD GROUP BRANCHES	2010	2011
CGD (Portugal)	863	860
Branch office network <sup>(*)</sup>	824	822
Corporate offices	39	38
Caixa – Banco de Investimento (Lisbon+Madrid)	2	2
France branch	46	46
Banco Caixa Geral (Spain)	211	209
Banco Nacional Ultramarino (Macau)	14	14

## CGD GROUP BRANCHES

	2010	2011
Banco Comercial e de Investimentos (Mozambique)	95	120
Banco Nacional de Investimentos (Mozambique)		1
Banco Interatlântico (Cape Verde)	9	9
Banco Comercial Atlântico (Cape Verde)	32	33
Mercantile Lisbon Bank Holdings (South Africa)	15	15
Banco Caixa Geral Brasil	1	2
Banco Caixa Geral Totta de Angola	21	24
Other CGD branches	16	16
Macau offshore subsidiary	1	1
<b>Total</b>	<b>1 326</b>	<b>1 352</b>
<b>Representative offices</b>	<b>10</b>	<b>11</b>

<sup>(1)</sup> Does not include branches without personal enquirers' services.

A representative office was opened in Toronto, Canada, in June, strengthening Caixa's international presence which now embraces 23 countries.

The level of service at CGD branches benefited from the consolidation of the new customer care/service model at 643 branches, up 129 over the end of 2010 (around 80% of the network) and the expansion of the Caixazul service for premium customers to 19 new spaces and now operational at 561 branches.

## INTERNATIONAL BRANCH OFFICE NETWORK

EUROPE		
<b>Spain</b> Banco Caixa Geral 209 Caixa – Banco de Invest. – Branch 1 CGD – Spain Branch 1 Fidelidade Mundial – Branch 1 <b>France</b> CGD – France Branch 46 Fidelidade Mundial – Branch 1 Império Bonança – Branch 1	<b>Germany</b> CGD – Representative Office 1 <b>United Kingdom</b> CGD – London Branch 1 <b>Luxembourg</b> CGD – Luxembourg Branch 2 Fidelidade Mundial – Branch 1 Império Bonança – Branch 1	<b>Belgium</b> CGD – Representative Office 1 <b>Switzerland</b> CGD – Representative Office 1 BCG – Representative Office. 1 <b>Madeira</b> Offshore Branch 1
AMERICAS		
<b>United States</b> CGD – New York Branch 1 <b>Mexico</b> BCG – Representative Office 1	<b>Venezuela</b> CGD – Representative Office 1 BCG – Representative Office 1 <b>Canada</b> CGD – Representative Office 1	<b>Cayman Islands</b> CGD – Cayman Islands Branch 1 <b>Brazil</b> Banco Caixa Geral Brasil 2
AFRICA		
<b>Cape Verde</b> Banco Comercial do Atlântico 33 Banco Interatlântico 9 Garantia 11 A Promotora 1	<b>São Tomé e Príncipe</b> Banco Internac. S. Tomé e Pr. 8 <b>Mozambique</b> Banco Comercial e de Invest. 120 Banco Nacional de Invest. 1	<b>South Africa</b> Mercantile Bank 15 <b>Angola</b> Banco Caixa Geral Totta de Angola 24

## ASIA

China		China / Macau		East Timor	
CGD – Zhuhai Branch	1	Banco Nacional Ultramarino, SA	14	CGD – East Timor Branch	8
BNU – Shanghai Representative		CGD – Macau Offshore Subsidiary	1	<b>India</b>	
Office	1	Fidelidade Mundial – Branch	2	CGD – Representative Office	2

### 1.4.6. CAIXA BRAND

Caixa Geral de Depósitos is the Portuguese financial market benchmark. It has a strong culture based on the highest ethical standards, rigour and professionalism. The brand is currently the matrix of a modern financial group, prepared to meet the needs and expectations of millions of customers and companies and the challenges of market globalisation.

Caixa was the leader in "top-of-mind" and "spontaneous" brand recognition terms in the Portuguese banking sector, in 2011. Caixa has the highest level of adhesion to values of: Solidity, Confidence, Prestige and Reputation, and is also the banking brand recognised as being most associated with culture and sustainability (social, environmental and economic).

Source: *Brand Performance Barometer 2011* – BrandScore Group Consultants Report.

#### GLOBAL REPUTATION OF CAIXA BRAND IN 2011

As the Portuguese banking brand with the best reputation, CGD has achieved the highest reputational index of all bank brands in Portugal, in the eyes of consumers in general, notwithstanding the sector's deterioration on a level of the reputation of its brands and institutions.

Reputation is defined, by the Reputation Institute, as the result of a customer's 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

Caixa Geral de Depósitos was, for the 4th consecutive year the "Most Valuable Portuguese Banking Brand", with a financial value of EUR 721 million.

Source: Ranking Brand Finance Banking 500.

#### TRUSTWORTHY BRAND – READER'S DIGEST

##### CGD – Trustworthiness and Environmental Performance

As regards consumer confidence, in the Trustworthy Brands study, which has been performed by Reader's Digest for the last eleven years (since 2000), the Caixa Geral de Depósitos brand was re-elected for the 11th consecutive time as Portugal's Trustworthy Brand.

##### Environmental Performance

The Trustworthy Brands 2011 study assessed "Trust and the Environment" for the third time, this year, awarding prizes to brands with the best environmental performance. Caixa was recognised as the banking category brand with the highest number of initiatives designed to preserve the planet.

### Sustainability within Caixa Geral de Depósitos

The financial sector and banks in particular, play an essential role in promoting sustainable development on the basis of selective processes incorporating policies and criteria, notably socio-environmental risks, prior to making loans and customer satisfaction management. Requirements in the application of criteria will involve fewer risks which, as a consequence, will permit a greater accumulation of value.

It was in this context that Caixa Geral de Depósitos continued to elect and consolidate its sustainable development, in 2011, also, in conformity with its centenary heritage in terms of social responsibility.

CGD's performance which is also supported by CGD Group companies, comprises its voluntary adoption of economic, environmental and social commitments which far exceed its legal and compliance obligations and which produce a general, positive impact on economic and sustainable development, enhanced competitiveness, internationalisation and companies' innovation capacity, job creation, financial inclusion and promotion of responsible consumption and renewable energies.

The fact that CGD currently has the most complex, inclusive and structured sustainability programme in the Portuguese financial sector, has been recognised by domestic and international external entities, either in terms of their monitoring and auditing thereof or in the recognition and distinction afforded to them.

Sustainability is transversally applied throughout the organisation in the form of a management model comprising eight workgroups – Policies and Voluntary Codes, Risk, Products, Environment, Involvement with the Community, Report and Stakeholders, Human Resources in CGD Group Africa/Brazil – which report to the coordination team coming under the Communication and Brand Division (DCM) and the General Sustainability Committee, under the chairman of CGD's executive committee.

As the market leader and benchmark operator in the promotion of best practice in the financial sector, CGD ended 2011 having complied with a strategic objective: domestic sector leadership in terms of sustainability and the Iberian leadership in combating climate change.

CGD consolidated its commitment to sustainability, in 2011, in publishing its third sustainability report, relating to 2010. This third issue of the report makes reference to the correspondence with good governance principles, applied to the state's business sector, contributions by employees who are members of the multidisciplinary teams involved in the implementation of the sustainability programme, a summary of the activity of the workgroups allocated to the sustainability management model and the publication of the first carbon neutral report which also represents the first report of its kind in the Portuguese financial sector.

The maximum A+ rating awarded by independent external entities, recognises the merit and evolution of CGD's implementation of good practice based on different economic, social and environmental sustainability pillars.

## ECONOMIC PILLAR

Based on the specific nature of the financial business, CGD has identified a series of positive impacts deriving from its activity, associated, *inter alia*, with economic and sustainable development and a reinforcement of competitiveness, internationalisation and companies' innovation capacity, job creation, financial inclusion and promotion of responsible consumption and renewable energies.

CGD, in the sphere of its sustainability policy, has committed to the creation of financial solutions designed to facilitate access to environmental and socially responsible products and services, in addition to the integration of such components in already existing solutions.

CGD through its branches and Caixa Empresas corporate offices provides a vast range of products/services, for individual and corporate customers.

In 2011, CGD committed to reinforcing and enhancing its value proposals, consolidation of service and quality of customer care / service models in addition to endeavouring to meet its customers' needs and retain their loyalty.

As the leading institution in the Portuguese financial system, CGD has risen to the challenges by making decisions based on criteria of economic and ethical rationality, aiming to contribute towards a more balanced and sustainable society.

From a viewpoint of continuously consolidating its strategic vision, CGD is an active partner of Portuguese companies and makes a solid contribution to economic development, reinforcing competitiveness, innovation capacity, exports and the internationalisation of Portuguese companies.

CGD's Caixa Empresas service, which has the largest nationwide network specialising in SMEs, comprises:

- Caixa Empresas corporate offices, for medium-sized companies;
- Caixa Empresas service on the branch network for micro and small companies.



## Micro Savings

The "PAP" (automatic savings plan), is an innovative commercial savings solution based on nine mechanisms grouped into three categories:

- Automatic reinforcements of savings accounts,
- Combined use of cards to generate automatic savings reinforcements and
- Automatic savings facilitators combining banking services or functionalities with savings,

Caixa encourages its customers to make micro savings, generating automatic savings flows, facilitating their build-up and automatically rewarding their permanence.

## Sea and Development

The "Economy of the Sea" is gradually starting to be included in international agendas, namely by considering the ocean ecosystem not only on account of the need to preserve a crucial platform for the balance of life on earth but also on account of the opportunities existing on the basis of its sustainable exploitation: renewable energies, fishing, transport and commercial sea lanes, controlled extraction of renewable energy or alternative sources, tourism and sport, scientific oceanography research and the preservation of biodiversity and marine ecosystems.

Emerging initiatives in geographical centres from the north to the south of the country such as in Viana do Castelo, Póvoa do Varzim, Peniche, Aveiro, etc. represent a return to the "Portuguese Sea" and the multiple possibilities it provides to form companies or businesses developing Portugal's capacity to generate wealth and be competitive in an international context.

CGD is committed to the sea on the basis that it affords Portugal a unique competitive advantage, which should be exploited and capitalised upon to contribute to the sustainable development of the Portuguese business environment, export of competencies and opportunities on an international level and to reinforce the reputation of the "Portugal" brand abroad.

This explains why CGD has decided to play an active promotional role in Portugal's return to the "Culture and Economy of the Sea", essentially in its support for Portuguese companies, identifying business opportunities to promote exports and internationalisation.

The sea could represent not only Portugal's reaffirmation of its presence as a global maritime nation, as in past times, but fundamentally as a domain of major importance, to the country's economic development.

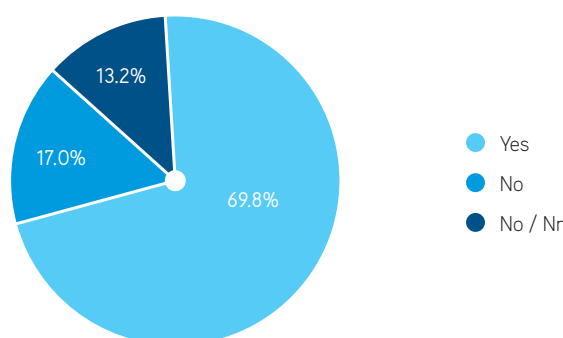
CGD, with the support of Group companies, has an important role to play as a "Portuguese Ambassador" and "Portuguese Bank", wherever Portuguese citizens may find themselves. This universal aspect, with its associated reputation and prestige will also make it possible to internationalise the "Portuguese Sea", exporting domestic brands and competencies, business opportunities, paving the way for projects geared to the sustainable development of the Portuguese economy.

Portugal has a vast coastline and the European Union's largest exclusive economic zone. A legal proposal to double the size of our territorial limits was submitted to the United Nations, in 2010, with the aim of expanding the maritime area from 1660 million to 3600 million square kilometres. This proposal ranks us among the world countries with the largest continental platforms.

Portugal has achieved the status of a credible, benchmark operator in the domain of innovation and the development of oceanography and hydrography. Diverse studies of our maritime deep have demonstrated the existence of promising biotechnical and bio-diverse energy resources. Commitment to the maritime transport and ports sector, development of maritime energy sources, equipment for high technology underwater exploration, live sea products for biotechnology, equipment industries, naval constructions and repairs, maritime-tourism, nautical recreational activities, cruise ships, aquaculture. maintenance of a sustainable fishing fleet and sustainable exploitation of energy from the sea will enable dependence on overseas sources to be reduced and new technologies to be developed.

CGD is the fourth largest domestic brand most related with the "Economy of the Sea" and the leading bank in terms of this association – Source: BrandScore Consultancy Group, 2012; sample of 934 SMEs.

## OPINION ON INVESTMENT IN THE ECONOMY OF THE SEA FOR THE COUNTRY'S ECONOMIC GROWTH POTENCIAL? (%)



Considering banking sector brands for the "Economy of the Sea", CGD has a share of 81%. Portuguese SMEs identify CGD as the fourth domestic brand related with the "Economy of the Sea".

CGD is also the preferred brand of SMEs in its support for investment and initiatives in this sector.

CGD has played an important role in providing information on the importance of the sea as an essential agent for the country's economic growth.

In this context and in 2011 Caixa supported the following initiatives:

1. Scope: Caixa as the "Knowledge Bank" and in its promotion of a re-encounter between Portugal and the "Culture and Economy of the Sea", promoting scientific progress regarding the sea.
  - CGD chair on "Studies of the Sea" – University of Aveiro;
  - "So much Sea" week / *Schools and Professions related with the Sea* handbook (second edition).
2. Scope: CGD as the bank promoting a re-encounter between Portugal and the "Culture and Economy of the Sea", between its branch office network and businessmen associated with the sea, providing information on examples of entrepreneurial success in these sectors.
  - Second CGD / *Jornal de Negócios* conference on the "Economy of the Sea – A partnership for competitiveness";
  - Sea Fair – Exponor.
3. Scope: CGD as the bank promoting a re-encounter between Portugal and the "Culture and Economy of the Sea", accompanying the debate and strategic reflection with the broadest nationwide scope.
  - BCSD Conference – "Economy of the Sea – Sustainability, Innovation and Valuation";
  - Second *Expresso* Conference – "Portugal and Sea – our commitment in the 21st century";
  - Lisbon Atlantic Conference.

## SOCIAL PILLAR

After establishing its position as a player in the innovation and social entrepreneurial zone Caixa created a social innovation co-laboratory in 2011.

"Collaboratory" as this is a collaborative, plural space with places for persons from the widest environments and most diverse range of experience – reminding us that we are all called upon to play a part in building a fairer, entrepreneurial society.

The Colab programme was launched in June 2011, bringing together participants from the public, private and social sectors who are interested in finding new solutions to social problems. The objective became one of involving persons and creating responses for the future, providing various resources for the purpose.

Caixa launched and has developed this social innovation project since its beginning, putting its organisational capacity, expertise and support at the service of good ideas and social entrepreneurs.

The six projects created under Colab are being developed for the implementation of various corporate businesses in 2012.

In the sphere of the implementation of its involvement policy with the community, CGD has been developing best practice in its response to the challenges facing Portuguese society in the form of

three strategic thrusts: social innovation, culture and education and financial literacy, having, in 2011, implemented and/or supported the following projects:

### Social Innovation and Charity

CGD has been playing a significant role in its support for the country's economic and social development by associating with major causes in charitable areas. Reference should be made to the following projects:

#### CAIXA FÃ FUND

The Caixa Fã Fund was created in 2008, to support the feasibility of structural social intervention projects, undertaken by well regarded institutions with the capacity to implement the proposed initiatives.

The Caixa Fã card, whose use by customers generates funds which revert to charitable institutions, associated with the Caixa Fã fund, is an innovative initiative in the domestic financial market, as regards the integration of social aspects in the business.

The selection of projects favours their potential in terms of social impact, especially job creation and the socio-economic development of vulnerable or needier populations.

The projects supported are accompanied and monitored as is the effective social impact of the support received. This process is performed in partnership with the BVS (Projects of Social Value Pool) which collaborates on the analysis of the projects applying for the Caixa Fã Fund, monitoring the use of donations to each of the supported projects and an assessment of the effective social impact of Caixa's support for each project.

Annual information on beneficiary projects is published on the bank's internet site and listed in the BVS thus enabling the general public to participate in social investments in such projects.

#### CGD'S BLOOD DONORS' GROUP

Reference should be made to CGD's Blood Donors' Group which enjoys the support of CGD's Social Services, with the objective of saving human lives based on the generous gift of blood. With around 5000 registered donors and nationwide implantation through its regional offices, this is the biggest group associated with a financial institution and one of the biggest nationwide.

#### ACTIVE WOMAN PRIZE

CGD, for the second consecutive time, has sponsored its Active Woman Prize. This is the eleventh anniversary of this prize which is considered to be one of the most important events in the sphere of women. It rewards the work of remarkable Portuguese women whose anonymous deeds, in the areas of social support, research, science, business or the arts have had a very positive, preponderant impact on Portuguese society and the quality of many people's lives.

Other initiatives considered of relevance to the implementation of the PEC (Stability and Growth Programme) were performed in 2011.

**Alzheimer Portugal** – A walk down memory lane;

**CIDAADS** – Centre for Information, Publication and Action for the Environment and Sustainable Development – conference: "Education for the sustainable development of the knowledge society";

**AFID Difference Foundation** (National Association of Families for the Integration of the Handicapped) – second seminar on the "Quality of Life in Social Intervention Contexts";

**BUS** – "Socially useful assets";

**CADIn** – Children's Development Support Centre – Financial support for the production of the 2012 calendar;

**Pro Dignitate Foundation;**

**Portugal "Solidary" Cup** – Financial support for the this tournament organised by Golfecom, Lda.

## EDUCATION AND FINANCIAL LITERACY

### KNOWLEDGE PROMOTION

#### Pmate National Science Competitions 2011

CGD has, since 2006, been sponsoring national competitions organised by PmatE (Educational Mathematics Project), providing grants and other prizes to the best students. It is held in May 2011 on the campus of the University of Aveiro and is a unique initiative, comprising one of the largest domestic educational events for more than 15 thousand students, from primary to secondary education from all over Portuguese territory and Mozambique who take part in nine competitions in the following knowledge areas: mathematics, biology, physics, Portuguese language and geology.

#### City of Lisbon Foundation

Annual grants from the University College of Cooperation.

### FINANCIAL LITERACY

CGD has, over the last few years, been reinforcing its investment in educational-financial actions and initiatives of which:

#### POSITIVE BALANCE

The Positive Balance site – which is a central part of Caixa's financial literacy programme – displayed a new visual concept in 2011, resulting from a major editorial restructuring process to make the navigation process even more useful and user-friendly.

The objectives of Positive Balance remain unchanged:

- to promote the financial literacy of Portuguese citizens;
- to combat household over-indebtedness ;
- to stimulate savings and investment;
- to provide the tools to improve budget management.

Contents are more detailed with videos, photography and infophotography, with a permanent focus on a user friendly pedagogical approach to issues and the possibility of a profile-based access to help users identify with the site.

The creation of an interview area with specialists, an opinion area and an area exclusively dedicated to savings permitted increased interest in and greater use of the site.

#### EDUCATION+ FINANCIAL

A financial literacy exhibition in partnership with the University of Aveiro, re-edited for the second academic year as a contribution to training more informed users, with a greater awareness of financial realities and better prepared to face the difficulties and challenges of day-to-day life.

This project, which in the academic year 2010/2011 was visited by more than 14 000 young people, is on the road once again up to April 2012, with various contents and games related with day-to-day financial issues particularly for younger people (from 7 – 17), but , also for the general public.

### CULTURE

#### CGD — Design Bank

CGD has been the "Design Bank" since 2009, in its support for the creation of innovation and value.

Design is a creative, fascinating and indispensable discipline of our culture, contributing to the harmony of our day-to-day lives. Designers incorporate their social and economic concerns, a vision of the global world and their surroundings as part of their creative processes, interacting with other creators and nature, absorbing their surrounds with a view to anticipating trends and human behaviour and habits to submit a result which will allow us to live better lives.

With this association CGD aims not only to emphasise the importance of this area to the

development of the Portuguese economy, in adding value to domestic products and services, but also to emphasise the primordial role of design as an active protagonist of change.

By sponsoring the Portuguese Design Centre (CPD), CGD has reinforced its strategic position as a bank geared to innovation, quality and excellence to meet social and economic needs.

CGD is also the official sponsor of ExperimentaDesign – Open Talks.

ExperimentaDesign Lisboa 2011 is an International Biennial in design, architecture and contemporary culture which presents original concepts and ideas in the form of conferences, exhibitions, urban interventions, workshops and debates. It is the largest regular Portuguese cultural event and since its first edition, in 1999, has been developing a network of excellent relationships with institutions, civil society agents, companies, creators and theoreticians.

The ExperimentaDesign project, which involves a multidisciplinary, transversal approach to the areas of industrial design, architecture, fashion design, multimedia design, "set design" and the new "media", *inter alia*, is a major event which, owing to its dimension and opportunity, puts Lisbon and Portugal on the itinerary of the most interventionist players in the European artistic scene.

Based not only on the development of this partnership – CGD | ExperimentaDesign – but also the status of Caixa as a "Design Bank", we were present in association with the "Open Talks", at an initiative held in the sphere of EXD with the aim of encouraging debate and critical thought on design.

This is an initiative in which leading domestic and international figures mix with journalists and the public to discuss pressing issues under the broader scope of the Biennale.

Modern day issues were approached from different viewpoints (producers, critics, users/receptors, etc.). The "Open Talks" aim to encourage broader public participation and approximation to the guidelines governing the disciplines comprising contemporary issues such as architecture, industrial design, urbanism and communication design, *inter alia*.

From another viewpoint, reference should also be made to the institutional and social importance of the project which permits the sharing and development of projects in the area of culture, environment, economy, industry, communication, research and education.

Also in the sphere of ExperimentaDesign, Caixa provided assistance to the events organised by the Palácio Quintela (IADE HQ), for the period of one year. The palace's prime setting in the Chiado area of downtown Lisbon enhances the visibility and projection of the programme of events for national and foreign visitors, making it an emerging cultural space.

## CGD ORCHESTRAS PROJECT

Reference should be made to the Orchestras Project, resulting from partnerships with entities supervising the Lisbon Metropolitan Orchestra, as well as the Orchestras of the North, Algarve and Clássica (central Portugal).

This project, starting 2001, consists of sponsorship for training activities and organisation of Caixa Geral de Depósitos's classical music and mixed concerts.

57 nationwide concerts were given, in 2011 of which 29 were essentially pedagogical, designed to create new audiences and the habit of enjoying culture en famille (didactical-pedagogical actions, family and promenade concerts).

## OTHER CULTURAL PROJECTS

Other projects, in different cultural areas, were sponsored by CGD in 2011:

### Music

**Jazz ao Centro** – International Jazz Meetings of Coimbra;

**Lisboa Cantat Musical Association** – Concert in Homage of Fernando Lopes-Graça;

**Inês de Castro Foundation** – Coimbra Arts Festival.

### Arts and Literature

**Serralves Foundation**;

**Ajuda National Palace** – acquisition and gift of original drawings by Cinatti and Rambois of

murals from the "Saxe Room";  
 Pessoa Prize;  
 Gazeta Journalists' Club Prize;  
 D. Diniz Literature Prize;  
 Júlio Pomar Foundation;  
 Arpad Szenes Vieira da Silva Foundation;  
 Casa de Mateus Foundation;  
 Centro Nacional de Cultura.

### Cinema and Documentary

DOCLISBOA 2011 – 9th International Film Festival;  
 INDIELISBOA'11 – Independent Film Festival;  
 Cinanima – International Animation Film Festival of Espinho.

### SPORT

CGD is committed to developing sport as a *sine qua non* for healthy, responsible lifestyles and the sharing of fundamental values such as dedication, loyalty, effort and team spirit.

CGD has therefore played an active role in developing amateur sport, helping young athletes to represent not only their clubs but even Portugal in international competitions in the future.

Reference should also be made to investment in sporting infrastructures which leverage the practice of sport and contribute to social development.

Special reference should, herein, be made to the partnerships with the Portuguese Rugby Federation and Coimbra Academic Association.

### VOLUNTARY WORK

At the end of 2011 – European Year of Volunteering, Caixa is proud of the fact that its employees have enthusiastically undertaken voluntary work, exceeding by far the challenge of achieving the proposed 20 thousand voluntary work hours by clocking up more than 30 thousand hours.

Caixa has promoted and incentivised its employees' participation in charitable and citizenship-related actions in the sphere of the protection of the environment and interaction with the communities in which it operates, notably support for the needier and/or citizens in poor health.

The actions taken, relying upon the active participation of hundreds of employees, family members and friends, confirm that Caixa is aware of the fact that sustainable development signifies contributing to a better society and assumes a commitment to good and ethical practice in its Involvement with the community in which it operates, both in the social as in the environmental spheres.

In addition to Caixa's anniversary action which mobilised hundreds of employees nationwide, beach cleaning and other actions in conjunction with the Banco Alimentar contra a Fome, we also benefited from the valuable contribution of the Social Services' Blood Donors' Group, ANAC (National Association of Caixa Retirees), Séniamor (Lisbon and Porto), delegates from the Social Services and the "Time Bank".

Owing to the enthusiasm of all participants during the course of the year, in different actions, both on a personal level as in reinforcing the company's culture and the highly positive feedback from the community, Caixa employees remain committed to the responsibility of responding to the challenges posed to the company's sustainable development.

### ENVIRONMENTAL PILLAR

Caixa continued to consider the environment as a determining factor in terms of value creation and business sustainability in 2011, supporting and strengthening its strategy, brand and corporate values. The Caixa Carbon Zero programme and its initiatives, Design Competition, "Our Forest" children's pastime, National Photography Competition, Eco Movement Association and the Polar Scientific Research Programme are several examples.

### Design Competition: Urban Furniture using Recycled and/or Recyclable Materials 2010-11

Based on the theme "Urban Furniture using Recycled and/or Recyclable Materials", the third edition of this competition (2010-2011), aimed to stimulate future designers' consideration of cities, assimilating and conveying interaction between space and man, the scale and operation of the Urban area. Caixa has allied such premises with the development of new practices, encouraging an ethical environmental attitude, conscious of the use of natural resources.

### Children's "Our Forest" pastime

This children's initiative was part of the commemorations of the International Year of Forests, 2011 and reinforced Caixa's "Caixa Forest" and "Caixa Carbon Zero Forest" initiatives. This was an online pastime aimed at providing space to children and young people up to the age of twelve for finding out more through questions/answers, ideas and contents related with the issue.

### National Photography Competition

Promoted by Caixa and the Nature Protection League, this was an online photography competition on national forests. This initiative aimed to improve knowledge of forest areas in "photo" format. Various participants took part to reinforce the feeling that forests and their surrounds are both national heritage and a global heritage which must be protected.

### Eco Movement

Companies against fire – by means of its activities in the environmental sustainability sphere, particularly forests. Caixa has made public opinion aware of the issue and in this International Year of Forests, renewed its membership of the Eco Movement (companies against fire) to reinforce the need for the community to understand the importance of reforestation and the preservation of existing forest areas.

### "The Reality of Portuguese Forests" Debate

This debate is part of a series of initiatives promoted by Caixa and the Nature Protection League and was designed to increase awareness of the sustainable management of forests, taking into account the problems currently threatening forests.

### "Portuguese Forests: What Future?" Debate

This debate is part of a series of initiatives promoted by Caixa and the Nature Protection League, in the sphere of the International Year of Forests.

Relevant papers were presented on forestry management and production, in addition to future strategies to prevent forest fires, during the course of the event.

### Nature Photography Workshop

The objective of this workshop was to provide information on various specific photographic methodologies applied to nature.

### "Domestic Composting" Workshop

This workshop on domestic composting, was another of Caixa's awareness initiatives in partnership with the Nature Protection League, for the sustainable management of forests and provided basic information on domestic composting principles.

### Celebration of Grandparents' Day with activities associated with the Forest Environment

The Caixa Ativa pastime to commemorate Grandparents' Day (26 July) aimed to take advantage of the companionship between grandparents and grandchildren to simultaneously raise young people's awareness of the importance of protecting forests. This was an educational and pedagogical event which was held in a specific environment – the Lisbon Fire Brigade Museum – involving activities associated with the forestry environment and its protection.

### New Generation of Polar Scientists Programme

A partnership between Caixa Geral de Depósitos and the Portuguese API Committee for the award of mobility grants designed to encourage the internationalisation of young Portuguese researchers. These mobility grants had the following objectives: participation at scientific meetings abroad, placements in foreign research institutions and involvement in research campaigns in polar regions.

### OFFSETTING OF CO<sub>2</sub> EMISSIONS AND CARBON NEUTRAL REPORT

2010 represents the year of compliance with the target of Caixa's Carbon Zero Programme, for emissions associated with CGD's banking operations in Portugal.

With its Carbon Zero Programme, a unique initiative in the Portuguese financial sector, in force since 2007 and which, in 2010, achieved its goal of offsetting a part of the emissions associated with its activity, Caixa achieved best practice status regarding climate change as a priority issue and became the first bank in Portugal to have a structured carbon neutral plan.

Caixa has been implementing a series of measures to reduce its carbon emissions. Several such initiatives have directly involved its premises and included the implementation of low carbon technological measures such as the installation of renewable energies in its HQ building and branch network – whereas others have been geared to making workers aware of the need to change their habits as in the case of the day-to-day Carbon Zero Guide, which promotes good energy efficiency practice.

In addition to the implementation of reduction measures and in line with the provisions of Caixa's Carbon Zero Programme, Caixa has offset the emissions associated with its commercial fleet, production of publications and Culturgest activities through its purchase of carbon credits.

Carbon credits used by Caixa to offset its greenhouse gas emissions were generated by a project for the reduction of carbon emissions based on technological change at a paper production plant in Brazil. The project also contributes to local environmental sustainability by replacing the use of fossil fuels by a renewable energy source. This project has been awarded an internationally recognised seal of quality – the Voluntary Carbon Standard.

Caixa's offset action recognises the global nature of climate change and the importance of international help to developing countries while, at the same time, affording the opportunity to co-fund a project in a country in which the bank operates. In addition to carbon credits generated by technology Caixa will also continue to use credits generated by the Caixa Carbon Zero Forest, notably in the Tapada Nacional de Mafra.

The quantification of carbon emissions to be offset was based on the following information on levels of activity associated with each source of emission considered:

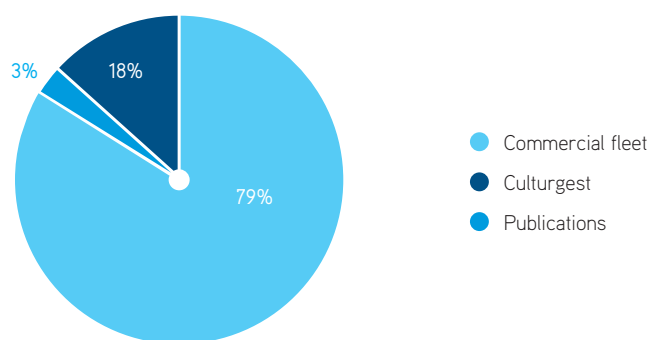
- **Commercial fleet:** amount of fuel used by Caixa vehicles;
- **Culturgest:** electricity consumption in Culturgest spaces located at Caixa's HQ building and amount of waste produced.
- **Publications:** energy consumption required for production of publications (paper pulp, paper, printing and finishing).

In addition to the quantification of emissions, both the commercial vehicle fleet and Culturgest were subject to an analysis of their operations in order to identify and apply emissions reductions measures. Special reference should be made to the creation of a vehicle pool, encouragement for the use of public transport and improvements to the energy efficiency of Culturgest's lighting system.

Emissions deriving from offset activities in 2010 comprised a total of 4021 t CO<sub>2</sub>, distributed as shown below.



## CAIXA'S CARBON ZERO 2010 GOAL – EMISSIONS OFFSET ACTION



Caixa's emissions offset action is part of Caixa's Carbon Zero Programme which comprises its climate strategy and derives from consideration of the risks and opportunities that climate change poses to its activity. This integrated action plan, which is unique in the financial sector in Portugal, includes the quantification and reduction of emissions, the market provision of financial solutions geared to a low carbon economy and the raising of customers' and society's general awareness of the issue.

This action was followed by the production of CGD's Carbon Neutral Report which was the first carbon neutral report in the domestic financial sector. The document aims to define the terms in which compliance with the Caixa Carbon Zero goal was achieved, identifying the scope of the offset emissions, the quantification methodology and the implementation of the selection and management process of carbon credits.

The Caixa Carbon Zero goal is a staged commitment which is examined by external independent sources within the sphere of Caixa Geral de Depósitos's sustainability report.

The continuity of Caixa's commitment to sustainable development on behalf of the planet and future generations has also been ensured by the definition of objectives for the reduction of emissions from its activity in 2015.

### CDP IBERIA REPORT 125 2011

*Caixa is the best Portuguese company and the best Iberian financial institution in its response to the requirements of a low carbon economy, in accordance with the classification of the Carbon Disclosure Project (CDP).*

The CDP Iberia Report 125 2011 – published by CDP – assessed the responses of the largest listed companies in Portugal and Spain, in the sphere of their climate responsibility strategies, for the first time. The carbon disclosure classification assesses the level of understanding and transparency of companies in relation to the issue as well as their effectiveness in mitigating greenhouse gases.

CGD was the first Portuguese financial institution to be a signatory investor to the CDP and has replied to the respective questionnaire since 2009. Its action has been recognised and it is one of the six Iberian companies with a classification of more than 85 points on a scale of 100, thus achieving an A- classification on the Carbon Performance Scale (only three Spanish companies achieved an A classification). CGD's 88 points represent the best classification of Portuguese companies and the best in the whole of the Iberian financial sector.

These results signify that the issue is fully integrated within CGD's strategy, in the form of highly effective initiatives. This is the scope of Caixa's Carbon Zero Programme, by means of which CGD has, since 2007, been engaged on developing a series of initiatives giving it the lead in the domestic financial sector in its response to the new requirements of a low carbon economy.

Launched in 2000, the CDP is an independent NGO which aims to supply information on the implications of climate change on companies' equity value. CDP uses its questionnaire to compile

annual information from the largest world companies giving it the most comprehensive database on emissions and corporate climate responsibility strategies. Such information is, nowadays, used by more than 75 per cent of signatory institutional investors as a means of reducing the risk associated with investment decisions and asset allocations.

### CLIMATE RESPONSIBILITY IN PORTUGAL – ACGE 2011 INDEX

CGD through the ACGE 2011 index, achieved the leadership of the financial sector, coming second out of a total of 82 assessed companies, as recognition of its commitment in responding to the challenge of climate change and a low carbon economy.

The ACGE 2011 index, assesses companies' responses to the challenge of climate change and a low carbon economy and establishes a ranking which makes it possible to compare the results of the management policies of the various participants, (82 companies and 14 sectors of activity), from a prospect of competitiveness and improved performance, including a dimension of awareness and public disclosure.

### INVOLVEMENT WITH STAKEHOLDERS

CGD recognises that the sustained development of its activity is also dependent upon an ongoing dialogue with the organisation's diverse interested parties, considering that the existence of transparent and trusting relations with its interested parties is fundamental.

Involvement with interested parties is an important tool for the identification and comprehension of the needs, concerns and expectations of such groups in relation to Caixa's performance. By means of an ongoing, expanding dialogue with its interested parties Caixa guarantees the alignment of such groups' expectations with its strategic performance as well as the identification and management of the risks and opportunities resulting from the dynamic interaction between Caixa and society.

The first consultations with stakeholders took place at the end of 2011 and were used as a basis for the definition of the relevant issues to be dealt with in the sustainability report.

#### Individual Customers

The development of balanced, transparent and lasting relationships with individual customers is essential to the continuity and affirmation of Caixa's business. Caixa, accordingly, supplies solutions to be used for a better and more prudent management of resources and financial needs, including their associated means of transaction for individual customers, contributing towards an improvement in their quality of life and endeavouring to meet their expectations.

#### Corporate Customers

The development of balanced, transparent and lasting relationships with this group is equally decisive to the continuity and affirmation of Caixa's business. Caixa, accordingly, aims to be a financial partner to the Portuguese business community, notably SMEs by supplying solutions providing for their growth and consolidation needs and expansion of their activities, helping to increase their capacity to respond to growing environmental and social requirements.

#### Employees

The sustained development of Caixa's activity depends on its employees' capacity to realise the organisation's strategy. Caixa, as a responsible employer, aims not only to guarantee the development of good working conditions but also the implementation of personal and professional development measures and its employees' motivation.

#### State Shareholder

Its state shareholder expects Caixa to live up to its benchmark status in the Portuguese financial system, endeavouring, during the course of its activity, to achieve balanced evolution between strength, profitability and growth, always pursuant to a prudent risk management framework, as a benchmark operator in terms of efficiency and quality of service, good governance and a deep sense of social

responsibility, supporting cultural and social actions and promoting sustainability.

### Community

Caixa's permanent, committed support for projects designed to incentivise innovation and social, cultural and environmental knowledge aims to achieve a lasting relationship with the community and notably with higher educational establishments, NGOs, charitable organisations and associative and civic movements.

### Regulatory Bodies

The role of regulatory bodies exceeds issues of regulation and inspection. In addition to its duty to provide accounts to regulatory bodies, Caixa, as the benchmark operator in terms of Portuguese banking operations, is actively involved in actions and projects designed to improve the "architecture" of the domestic, community and international financial system.

### Suppliers

The quality and reliability of Caixa's products and services also depend on the responsible performance of its suppliers. As a means of guaranteeing an alignment of interests, Caixa has adopted a purchasing policy which values criteria of transparency and the development of responsible practices over the whole of the value chain.

## PARTNERSHIPS AND SUBSCRIPTIONS

CGD's conduct is in accordance with the good governance principles of companies in the state's business sector and initiatives such as UNEP – Finance Initiative, Carbon Disclosure Project, Global Reporting Initiative, WSBI / ESG, BCSD Portugal – Business Council for Sustainable Development, *inter alia*.

To improve its performance levels Caixa maintains links with interested parties and is actively engaged in diverse associations.

**Main organisations of which CGD is a member and on whose governing bodies it is also active:**

- › Association of Portuguese Banks (APB);
- › Portuguese Internal Audit Institute (IPAI);
- › Portuguese Association of Advertisers (APAN);
- › Civil Institute for Advertising Self-discipline (ICAP);
- › Business Council for Sustainable Development (BCSD Portugal).

**Main organisations of which Caixa is a member, considering its strategic or highly important participation for the company:**

- › United Nations Environment Programme – Finance Initiative (UNEP FI);
- › Carbon Disclosure Project (CDP);
- › Business Association for Innovation (Cotec Portugal);
- › Competitiveness Forum;
- › Portuguese Corporate Governance Institute;
- › European Savings Bank Group (ESBG) – Charter for Responsible Business;
- › Single Euro Payment Area (SEPA);
- › Portugal Africa Foundation;
- › Serralves Foundation.

## PRIZES AND DISTINCTIONS

- › Carbon Disclosure Project CDP Iberia 125 2011 (combating climate change):
  - › "Best Portuguese Company";
  - › "Best Iberian Financial Institution";

- In top 6 of Best Iberian Companies;
  - Membership of CDLI (carbon disclosure leadership index);
- "CGD – Most Sustainable Financial Group, Portugal", 2011 (TNE Awards, UK);
- ACGE 2011 Index – Climate Responsibility in Portugal
  - "Best Financial Institution";
- *Destaque* "Sustainable development" prize, biggest rise over 2010 – Heidrick & Struggles and *Diário Económico*, 2011;
- "CGD – Most Sustainable Financial Institution, Portugal", 2010 (TNE Awards, UK);
- Trustworthy Brand in terms of Environmental Performance – *Reader's Digest*, 2009, 2010 and 2011;
- Companies and Organisations Citizenship Prize – Carbon Zero Programme, best initiative in the area of the environment, PriceWaterhouseCoopers (2009).

## PUBLICATIONS

Publications management activity continued to develop, in 2011, in the sphere of the customer publishing strategy defined for the three year period 2010-2012, through the publication of magazines for various customer segments, as well as a specific publication for Caixa employees.

Reference should also be made, in the case of the referred to magazines, to the transversal nature of themes and alignment of contents with Caixa's communication strategy as defined for each target segment.

### Cx Magazine

This is a brand magazine which is distributed quarterly to employees and customers – either by mail or available at CGD branches as well as being sold on newsstands. Its main objective is to reinforce Caixa's status with various target readers, providing explanations concerning its mission, objectives and activity and as a means of enabling the ongoing transmission of messages of relevance relating to its global activity. Its distribution is accompanied by two specific enclosures, with eight pages each, to publicise financial offers and interest which are specific to each target public:

- **Caixa Azul enclosure** – for Caixa customers;
- **Nós Caixa enclosure** – for CGD retirees; CGD group companies; media; partners; official bodies; other pertinent entities.

For reasons of cost control, several of the print runs of such issues were reduced starting from no. 4 and the paper edition of *Cx + Nós Caixa* for active employees was discontinued and replaced by a digital version – in this case, the intranet. Both publications continue to be sent by mail to retirees.

### Caixa Activa

This is a quarterly magazine for customers over the age of 55, who comprise a highly relevant social and consumer group for Caixa.

One of Caixa's objectives is to take advantage of the opportunity to establish itself as the most relevant brand for this segment and the magazine therefore deals with subjects of interest to this demanding, active group notably in the areas of healthcare, well-being and behavioural, leisure, culture, travel and financial advisory-related issues. In addition to being sent to customers and distributed at Caixa branches, it is also sold at newsstands either individually or together with the *Cx* magazine.

### Caixa no Mundo

This is the favoured means of communication with customers resident abroad. It is published quarterly and sent by mail to customers with the main objective of providing information on Caixa's specific range of products and services for this segment, as well as sponsorships, initiatives and partnerships.

### Caixa Woman

Launched in 2009, this quarterly magazine contributes to the integrated communication strategy for women, together with traditional advertising, digital communication and public relations actions. Issues in 2011 particularly focused on the initiative and professional performance of figures interviewed by the magazine – always based on an approach of providing examples and mobilising readers.

In addition to attractively presented information, targeted and updated on our Caixa Woman offer, it fulfils an essential objective of establishing commercial links with women, notably in the form of pastimes, public relations initiatives, gifts and discounts. It is in pocket format and employs a language and a style highly attuned to women's magazines and inspired by a modern approach and themes: fashion, health and well-being, careers, consumption, decoration, quality of life and the management of family and domestic affairs. It also endeavours to personalise each issue's message in the form of key publicly recognised figures capable of creating empathy with readers. Each edition reinforces the communication of CGD's values in the sphere of social responsibility and sustainability. It is distributed on CGD's branch office network and at various events and since 2010, has also been on sale at newsstands, enhancing its visibility and brand recognition.

### Caixa Empresas

Targeted at CGD's corporate segment and published every two months as an enclosure in the *Diário Económico* newspaper, a part of its print run is distributed via CGD's Caixa Empresas corporate offices.

It comprises an essential support for the development of an integrated communication strategy for corporate customers, including the creation of a community of interests and partnerships between strategically relevant customers and institutions for the development of the Caixa brand. The *Caixa Empresas* magazine is also used to support the visibility and regular recognition of companies and national businessmen who have the opportunity to monitor the actions and the whole of Caixa Geral de Depósitos's specialised range of products and services.

## Digital Communication 2011

In 2001, the challenge of maintaining vectors of **Innovation, Creativity, Commitment and Leadership** based on mature, highly implemented projects in terms of commercial and personal relationships with the market and customers, transposed Caixa's digital communications activity into new areas of intervention in society.

During the course of 2011 Caixa developed and created diverse projects, leading communication strategies to differ from conventional and traditional fields.

The social genesis of some and the economic and financial scope of others contributed to the creation of different communication and information channels.

This was a year of a change of image and graphical features of the CGD brand whose chromatic alignment was, as a whole, transversal to the main channels, sites and presences on the social networks.

Themes were led by savings issues and the semantics of Web3.0 marked the contents and the whole of the contextual relationship between Caixa's publication of online information on its products and services, transversally to all of the bank's web channels.

New creativities and new digital communicational elements made their appearance to give support to the ads and display for campaigns on new subscriptions, savings, Caixazul segment and residents abroad and finally the "PAP" (automatic savings plan), using video and flash video as powerful online interaction and communicational tools, creation of business leads and viral actions with sharing on social networks, profiles and personal pages.

The consolidation of online communication projects launched in 2009 was reinforced in 2011, complying with good governance and ethical conduct policy and continued to be an integral part of the strategic thrust of the development of activity.

Caixa's digital communication, as part of its activity during the course of 2011, also integrated the strategic thrust of the development of activity, agreed in the good governance report as being profitable business growth, consolidation of leadership in CGD's traditionally strong areas, improvement of the

quality of service, as critical success factors in terms of financial activity and contributed towards cultural and social development as well as the promotion of sustainability.

In 2011 we aimed to include new digital paradigms and constructed new communication projects dealing with issues such as **Collaboration, Knowledge, Proximity, Mobility** and **Social Affairs** which opened up new areas of brand intervention to promote our offer in terms of collective, public and social aspects.

## COLLABORATION AND SOCIAL INNOVATION

### CO\_LAB Meeting Point

The CO\_LAB Social Innovation Meeting Point project, as a pioneering initiative in Portugal, in promoting social innovation based on inter sectoral collaboration, merited the creation of a collaborative site with the possibility of the generation of a multidisciplinary and multi-sectoral community with common objectives.

The ideas generated by the launch of this initiative show that the intersection of disciplines, cultures, knowledge, methodologies, difficulties and solutions, makes a positive contribution to innovation and improves the quality of life of all.

The social economy in "allying profitability and charity, plays an essential role in the European economy, creating high quality jobs, strengthening social, economic and regional cohesion, generating social capital, promoting active citizenship, charity and a type of economy with democratic values which places people first in addition to supporting sustainable development and social, environmental and technological innovation, (Resolution of the European Parliament [2008/2250 (INI)] of 19 February 2009).

Caixa has therefore created an open space for the sharing community, the sharing and introduction of new thrusts for the social economy, creating new platforms for dialogue, enhancing policies and capitalising on the importance of investment in people and ideas.

### Voluntary Work

The transversal introduction of voluntary work during the course of 2011 in terms of Caixa's actions and initiatives created an opportunity for communication with a multiplicity of contacts over the country as a whole, marking the national and local agenda of populations, organisations, institutions and corporations.

Digital communication gave essential expression in terms of dissemination, conveying to thousands of our daily visitors, stories, people, ideas and gestures in the form of reports, films and images, making information a powerful tool for motivation, example and dynamism.

The site, embodying all of the initiatives of Caixa volunteers, compiles information on the different actions performed during the course of 2011 as a whole, in different areas.

## KNOWLEDGE

### Site Research

The role played by Caixa in the construction of active, informed citizenship increases its responsibility to society in the form of knowledge sharing and its provision of impartial, technically accurate, transparent information which may contribute towards leveraging the participation of persons in the economy, social entrepreneurship and the building of a better future.

The transmission of **Knowledge** is another area we have been dealing with during the course of 2011 in terms of digital communication, essentially marked by the development of a space – site – within *cgd.pt* under the designation **Research**, which clearly indicates that this is an area which is exclusively dedicated to studies, research, analysis and reports.

These studies were also made available on an online platform for access or viewing on an iPad and desktop computers. Caixa is accordingly developing the best digital communication trends, entering the apps market for tablets and mobile platforms.

### Webinar – Online Seminar

Used by Caixa for the first time with excellent results in terms of audience and participation, with more than 1000 people connected during a broadcast period of 4 hours in partnership with the Lusófona University, we organised two Webinars (web-based broadcasting) for GET for the presentation of the two reports produced in the second half of 2011 – The Current Status of the Property Sector and Development of the Portuguese Economy.

This personally accessed digital platform which allows seminars to be accessed via webservice, ask questions, encourages intervention in the seminar and participation in the debate, corresponds to international trends and practices selected by organisations for the performance of presentations, seminars, conferences, workshops, open talks, etc. with a global, international scope in a personal, proximity-based effective manner.

The platform has become a knowledge tool enabling everyone to register and comfortably watch presentations and debates on issues of major importance and interest on their PC with a webcam and microphone (most often at no charge).

### Caixa Forest Site

A Portuguese Forestry site was also launched to promote participation in various pastimes in which children are invited to ask questions on forests and for whose quality and originality of questions prizes have been awarded.

The online Forest Caixa space provides information on the performance of all actions during the course of 2010 in partnership with ANEFA and other institutions associated with the environment such as Quercus and other organisations. The site hosts films and images of forestry actions, the Tapada de Mafra project, preservation of species, awareness and forestation actions as well as an advisory and good practice area.

## PROXIMITY

### Micro-site for Residents Abroad

2011 was proximity year, focusing on the Portuguese in general but particularly those living and working outside Portugal.

We renovated our digital space, reinforced our welcome message and information on the whole of the financial offer for customers who are far away but continue to rely on Caixa as their main bank.

The dimension of the residents abroad micro site was expanded to cover issues and the specific needs of people far from their home country, such as day-to-day management, loans for personal projects, legal and fiscal information, the opening and use of accounts, use of cards outside Portugal, fund transfers and subscribing for deposits.

### Customer Space

Quality and excellence, two primordial aspects focused on a customer-centric approach play an extremely important and valuable role within Caixa.

The Customer Space, as an online contact and information channel, exemplifies the close, permanent relationship Caixa establishes daily with the market, its public and customers.

This digital channel provides a response service to information on doubts, requests for information, suggestions and complaints in a personal, formal, specialised manner guaranteeing compliance with our complaints management policy and good practice and is also fundamental in processes involving the improvement of the quality of Caixa's services, processes and products.

Listening, understanding, answering and informing or explaining in an ethical and uniform manner are many of the functionalities of the customer space which has become a fundamental online tool in terms of contact and proximity between Caixa and its customers.

## MOBILITY

### Mobile

The [www.cgd.pt/mobile](http://www.cgd.pt/mobile) and [www.caixamais.pt/mobile](http://www.caixamais.pt/mobile) mobile channels have grown and technologically evolved on the basis of the MOSS platform and are now accessible on any item of mobile equipment with an internet connection.

### Publishing

We launched a free app for the iPad which supplies full information on publications available from Caixa's Customer Publishing and which are accessible to the general public which can view them at their leisure and read and review all contents during the course of several monthly, two monthly and three monthly editions.

Caixa Kiosk is an innovative, attractive, easy to read and intuitive mobile communication space with diverse functionalities native to Apple applications, with interactive navigation and menus enabling users to experience a dynamic and highly visual reading experience.

### Georeferencing

Launched in 2010, the georeferencing platform for the branch and corporate office network, created a service on the Caixa website making it easy to locate all sales outlets on a map. This technological implementation allowed us, in 2011, to evolve to the referencing of services, such as Caixazul, in which exclusively on the site, customers may consult directions, calculate distances and travel times between two or more points on the route, between their location and the point of contact with Caixa.

## SOCIAL

### UP2You Challenge

#### Talent and creativity on behalf of social investment.

The BVS (Projects of Social Value) pool created the Up2You Challenge, in conjunction with Caixa Geral de Depósitos, as an initiative awarding EUR 500 to the most creative young university students and challenged them to multiply the said amount within a month, on behalf of a social institution.

As this campaign was essentially based on Facebook, we created a participation mechanism on the said site.

An application was specifically developed to support the diverse functionalities of registration, participation, video uploads, photos, loading of contents, sharing and "likes" creating a social and viral dynamism to the challenge.

To participate, young people formed teams of four students and acquired a kit with four ribbons from Caixa Geral de Depósitos. Each kit cost 4 euros, the whole of which amount was paid to the social projects listed in the BVS.

The candidature was completed when the team submitted their text, image, video or music explaining their proposal for multiplying the amount received to a ballot on Facebook. The ideas competition – intended to be inspirational, charitable and highly creative – had a jury of Facebook users who, on the basis of their preferences elect the future social entrepreneurs.

### Integration of Social Networks

The Caixa website supplied an icon for sharing with the users of the main social networks – Facebook, Twitter and LinkedIn on its contents page.

Visitors to Caixa's website were given the possibility of sharing Caixa information on the whole of its portfolio of products and services and corporate and institutional information on their pages with their circles of influence – friends, family and acquaintances.

We now rely upon this network's sharing capacity provided by global communication which essentially lives off the speed and effectiveness provided by digital media to each of us.

Caixa has created its own buzz in the digital sphere.



## What we succeeded in maintaining in 2011

In 2011 we maintained investment in terms of technical facilities, creating new platforms which may, in the future support mobility requirements, new communication technologies and the distribution of information on different mobile supports.

## RESPONSIBILITY

### [www.cgd.pt](http://www.cgd.pt) – Caixa Portal with full accessibility.

In 2011, we maintained the number of unique access at more than one million users and supplied around 25 million pages per month at [www.cgd.pt](http://www.cgd.pt).

Caixa Geral de Depósitos's portal – [www.cgd.pt](http://www.cgd.pt) – maintained the highest parameters of accessibility. Its pioneering position in the financial sector guarantees total accessibility to the visually impaired or physically handicapped.

Our concern over digital inclusion, in the form of an increase in the levels and groups of information and respective accessibility, continued to register excellent levels of evolution, in 2011 and has always been at the base of all web projects on Caixa Geral de Depósitos's portal, complying with CGD's social responsibility policies which provided for the promotion of citizenship, equal opportunities for all based on technology and access to important financial information for the current management needs of people, households and companies.

Caixa Geral de Depósitos's web space has contributed to digital inclusion and general access to a complete financial information service for all, household aggregates and companies, consolidating Caixa's position as a responsible and active entity in the promotion of citizenship and generating of opportunities.

## SECURITY

### Combating online fraud

Caixa continued to combat fraud on the internet, during the course of 2011, providing regular information on various media, including the internet – [cgd.pt](http://cgd.pt) – on up-to-date mechanisms to enable people to protect their computers, notably by keeping their antivirus programmes always on, not using Caixadirecta *on-line* from email links, always using a firewall, examining a service's digital certificates, not using accounts on public computers, not opening any suspicious emails notwithstanding having been sent by family members, deactivating the mailbox preview facility.

Knowing how to identify a virus, avoid fraudulent emails, detect "phishing" attempts or make secure online purchases and identify secure sites are, *inter alia*, several warning messages in Caixa's security area, especially created to help people correct several areas of risk behaviour when navigating on the internet and accessing unsafe sites or unwittingly accepting malicious files which penetrate their computers and install programmes which execute specific operations with the objective of stealing their users' personal and banking data.

Caixa renews its security messages on its channels every month to consecutively remind its customers and citizens in general that their security also begins with their behaviour and their attitude, as Caixa's internet banking services are secure with no risks to users.

Caixa's security area recommended certain care to be taken and teaches users how to apply the correct procedures for banking operations and transactions on the internet and the use of debit and credit cards. Viewing this area is mandatory.

## EDUCATION AND LITERACY

### Positive Balance Site

During the course of 2011, Caixa Geral de Depósitos continued to reinforce its Financial Education Programme for customers and non-customers, with the objective of promoting financial literacy and

incentivising savings. This informational and good practice programme enables everyone to diagnose their financial situation with more precision.

At [www.saldopositivo.cgd.pt](http://www.saldopositivo.cgd.pt), Caixa sets out contents with a practical and useful application for the day-to-day management of household budgets as well as energy savings suggestions, consequent reduction of consumption and expenses.

This site makes it possible to access a financial diagnostics tools making reference, *inter alia*, to situations of over-indebtedness. Such diagnostics are based on situations of consumption and savings / investment, accompanied by scenario comparisons, consumption or management options, *inter alia*.

Positive Balance therefore improves knowledge of the financial lexicon, the main operations and financial products, personal / household budget management and particularly encourages conscientious savings, investment and consumption.

We believe that better informed people manage their financial lives better, substantially diminishing their costs and accordingly increasing savings rates.

## WEB 2.0

### Social Networks

We maintained our presence on social networks – Facebook and Twitter with our Caixa Mais, Caixa Woman and MTV card campaigns and the Caixa Vantagens portal, in which we were highly active in keeping pace with market demands.

The dynamism and enormous growth factor of these new web channels essentially sustained on the basis of personal accompaniment and effectively improved relationships with the maintaining of a highly significant number of subscribers helped us to promote actions at sales outlets, pastimes and create proximity with demonstrably leading strategic segments in their use of channels for intercommunication and with friends and family in addition to their favourite brands.

Caixa aimed, during the course of 2011, to progressively maintain a strong presence on these new channels, giving it a presence in places in which internet users and visitors spend more time than anywhere else on the web.

### cgd.pt statistics

CGD sites remain in the lead both in the number of unique users as in page visits. We have already attained one million two hundred thousand unique individual users per month accessing CGD sites from their homes. CGD also leads in number of pages visited with 23 million.

## Communication on promotional actions for market products and services

### CAIXAZUL

Caixa launched an advertising campaign for its Caixazul customers, in September 2011, based on the idea that Caixazul account managers always give their all to improve the lives of their customers and families. The campaign was present on television, internet, mobile and in the press.

Account managers identify the best opportunities to meet the financial needs of customers and select the best alternatives in terms of available products and services. In the television advertisement, the account manager suggest savings products using Caixadirecta *on-line* and information is given on the various contact channels available: telephone, internet and branch office.

With this campaign, the slogan of this service was changed to "Caixazul. Ever closer. Of course."

Various pastimes were organised this year on the Caixazul site. Customers were given prizes such as free tickets to KidZania, classical music concerts and accommodation at a *pousada*.

2011 also witnessed continuity of actions to develop the use of the Caixazul card, with the objective of issuing a Caixazul card to each customer in this segment. Special reference should be made to the mail shot to new Caixazul customers.

## RESIDENTS ABROAD

With the main objective of positioning Caixa as the benchmark bank for Portuguese citizens resident abroad, highly committed to innovative and competitive products, various communication actions were targeted at this segment in 2011, particularly the Easter, Summer and Christmas communications campaigns.

The Easter campaign was based on the provision of information on Caixa's savings solutions for this target, particularly focusing on the new specific term deposit for this segment "Depósito Caixa Mais Prémio RE" with the prepayment of interest.

The focus of the Residents Abroad Summer Campaign included information on savings solutions at attractive rates and foreign currency deposits, development of the Caixadirecta Internacional service permitting free, easy access to Caixa, and the reinforced communication strategy in welcoming procedures for emigrants.

This was a two-stage campaign:

- The first stage witnessed the development of the concept based on the fact that Caixa is a benchmark operator in the Portuguese financial market with a presence in more than 20 countries;
- The second stage comprised a "Welcome Campaign" for residents abroad, when returning to Portugal for their summer holidays.

Specialised customer care / service points were set up at 41 branches on the domestic network with a higher number of customers from abroad to improve the level of welcome to such customers.

Also in the sphere of the summer campaign, residents abroad customers subscribing to the "Depósito Caixa Mais Prémio RE" savings product were given Vista Alegre Prestige chinaware.

The Christmas campaign which was launched in early December in the international and national media aimed at securing resources with the launch of offshore deposits and information on several savings mechanisms adequate for persons living outside Portugal.

In addition to regular communication with customers by means of the *Caixa no Mundo* magazine, digital *Caixa no Mundo* newsletters were introduced for this segment at the end of the year.

## LIVE IN PORTUGAL

The "Live in Portugal" communication was reformulated in the sphere of property funding for foreign customers considered to be a high potential target.

"Live in Portugal" mortgages for residential tourism are for foreign, non-resident customers who wish to take out mortgages for the purchase, construction or building works on a second home in Portugal.

In light of the need to update contents, image and the adaptation of the new graphical features on mortgage loans in the tourism area, a new communication concept for information on this CGD offer was published together with a new communication proposal with new images and component parts.

The graphical restyling operation was aimed at making the layout more modern and sophisticated with the use of more inspirational images to convey feelings of tranquillity, family, leisure and lifestyle having also been chosen.

Reference should be made to the development of a portfolio of communicational items to support the branch office network, as part of the same graphical concept.

## COMPANIES

A communication campaign focusing on two key ideas was launched to further the strategy of positioning Caixa as an export support bank:

- Caixa's vast international network (in 23 countries) enables it to provide customers with in-depth services in the form of advisory and local support services in the market of destination of exports;

➤ Caixa has products and services which enable payments to be guaranteed thus mitigating business risk. Caixa's offer in support of export companies includes: export remittances, documentary export credit, concessional lines of credit for exports, programmes with supranational institutions, trade finance lines, external bank guarantees and sureties, Iberian offer, export support for emerging markets, etc.

A communication campaign providing information on Caixa's specific offer for the commercial and services sectors and restaurants, with the objective of positioning Caixa as a benchmark operator with small traders and increasing ties with this sector of activity, was developed.

The fundamental pillar for this year's campaign was geared to the reformulation of the netcaixa APT tariff, with special terms in line with a trader's level of involvement.

Information was also provided on the Caixa Maistessouraria integrated payments and collections solution for companies (factoring and confirming), available from CLF as another service designed to facilitate company's current management operations.

## CAIXA MAIS

With the objective of reinforcing Caixa's relationship with mass market customers, 2011 witnessed the fourth roll out which made it possible to allocate around 500 customers, to each of the new 325 commercial assistants totalling around 900 Caixa Mais commercial assistants.

After the 2010 launch of the concept: "Better customers deserve the best", 2011 was dedicated to improving involvement with customers on the basis of relational marketing actions. A Facebook profile was created and invitations sent to customers for events and games, with the introduction of commercial assistants and information on the specific financial advantages for each customer sent via mail shots.

This was followed up by regular communication with the objective of informing a group of segmented customers, on the advantages of a closer relationship with the bank. This communication was sent to customers whose wages are not paid into the bank.

We organised a "Savings Time" financial literacy action at several Caixa branches for Caixa Mais and Caixa Ativa, customers. These sessions, explaining the advantages of automatic saving were a continuation of the positive and active relational approach to this segment.

## CAIXA WOMAN

Several promotional actions were organised in 2011 to meet the expectations of this segment. In the sphere of the commemoration of Women's Day and Mothers' Day, Caixa subscribed to the Active Woman Prize and the "Tenacious Women" campaign at Sporting Clube de Portugal. Various business partnerships were also entered into to find new customers and boost savings products, member-get-member actions, with gifts from the partners; a trip to Brazil, cookery lessons, participations in workshops, weekends at prestige hotels, etc.

Based on an approach involving support and incentives for female entrepreneurialism, Caixa Woman was the official sponsor of the Portuguese Women's Business Forum in issuing invitations to customers.

Information on several of these initiatives was heavily based on specific communication media (monthly newsletter, quarterly magazine, Facebook presence and its own micro site).

To be eligible for the trip, customers needed to be Caixa Woman debit and credit card holders, making it possible to incentivise subscriptions for credit cards and increase billing.

Endeavours were made to strengthen the brand on social networks, with the Facebook profile having exceeded 7700 fans who keep a close eye on and participate in the diverse initiatives and pastimes.

The prepaid My Baby card was also launched in 2011. This card makes it possible to improve the effectiveness of cash used to pay for expenses related with the birth of a child, in addition to making or receiving payments (financial gifts from family and friends – e.g. grandparents who wish to pay for a cradle or help to pay for a pram etc.) in a user-friendly secure manner.

The My Baby card permits greater control over expenses and security and may be credited by anyone wishing to make a gift of cash.

Information on the promotion and card were sent to hospitals, notably, HPP Hospitals with the development of pregnancy and baby kits.

## CAIXA ACTIVA

2011 was particularly marked by the consolidation of engagement with customers over the age of 55. There were several public relations activities, three issues of the *Caixa Activa* magazine published, relational marketing actions in the form of newsletters and pastimes and the soft sponsoring of the RTP television series: Friends for Ever.

Simone de Oliveira was the key *Caixa Activa* figure, with the launch of the new creative concept for – “The longer I live the longer I want to live” segment. This comprises a series of advantages for active customers such as Simone de Oliveira, who are not defined by age.

*Caixa Activa* customers also benefited from diverse enhancing and inclusive experiences over the year: classical music concerts with the Lisbon Metropolitan Orchestra, jazz concerts, grandparents’ – grandchildren’s concerts and pastimes involving musical talent.

## MORTGAGE LOANS

In the sphere of mortgage loans Caixa Group reinforced its status as a specialist in sales and rentals of property through its offer of home decoration packs, presence in fairs, interactive kiosks at branches and diverse promotional actions.

## YOUNG PEOPLE AND UNIVERSITY STUDENTS

Commitment to communication with the under 18s segment involved diverse initiatives and campaigns notably: “Young People’s Savings Solutions”, at Easter and in November and actions at Caixa’s KidZania branch, at the time of World Savings Day.

The “Young People’s Savings Solutions” campaign concentrated on Caixa’s financial offer for young people with the objective of combating the constant presence of our competitors with campaigns and initiatives for the young people’s segment. The objective of this campaign is to provide information on the practical advantages and benefits of Caixa’s commercial offer, facilitating subscriptions by parents/guardians and young people involved with the banks for products which, in addition to being innovative, permit the efficient management of monthly / weekly allowances while also encouraging medium and long term savings habits.

The “Young People’s Savings Solutions” campaign, developed in November, aims to focus communication on the Savings Function, via LOL cards and the Caixa projecto card, giving young people responsibility for savings to enable them to achieve their long sought after goals.

A new brand, Caixa IU, was launched for communication with the university segment: advertised since September at the time of the actions targeted at the new academic year, with stands at partner universities.

Campaigns to secure and retain customer loyalty were also developed and include “Erasmus.Go” (solutions for young people studying outside Portugal), “Caixadirecta Universitários” (a service permitting access and distance use of bank accounts), “Fórmula U” (funding solutions for the acquisition of a car or motorbike) and “Crediformação” (for training).

Caixa was present in April / May and September / October at the academic celebrations for welcoming new students.

## MEANS OF PAYMENT

To stimulate the use of more efficient means of payment, several direct marketing actions, targeted at debit and credit card holders were organised during the course of the year with the aim of implementing new patterns in the use of such means of payment.

As has been common practice, since its launch in 2007, information on the MTV card is permanently provided during the course of the year notably, on specific channels such as the website and Facebook. Two multimedia campaigns were organised with the main objective of increasing the number of new customers.

To encourage the day-to-day use of cards information was given on the increase in new partners and functionalities at [vantagenscaixa.pt](http://vantagenscaixa.pt), which, in 2011, had a presence on Facebook.

Regarding several sports events during the year, Caixa organised communication campaigns associated with the Champions League and 2012 Olympic Games, in the form of ticket draws and trips to London based on MasterCard and Visa credit card billing indices, respectively.

Also in the sports sphere, Caixa continued to develop the Benfica credit card, in the sphere of the "Place of Gold" competition, having organised several promotional initiatives at Sport Lisboa and Benfica games and an advertising campaign.

During the course of 2011 communication on innovative projects in terms of the means of payment was ever present. Reference should be made to the pilot mobile payments scheme for several vending machines at CGD's HQ building.

In the Summer period and as in past years, promotional campaigns for credit cards were also organised (Caixa Gold and Soma), to incentivise billing in exchange for Tagus travel and points.

In terms of new products, reference should be made to the launch of the Caixa Platina card to complete and differentiate the offer for the best customers in the individual customers segment, with a current account with Caixa.

In the December period, which tends to reflect greater use of credit cards, information was provided on the Rounding-up Programme – as an automatic savings feature.

In 2011, the My Baby and Made By cards were nominated for the Trophées 2011 Inovative Cards event. The Made By card was the winner in the design category.

## SAVINGS

March, was "blue" month and was also the month of the launch of the bank's new slogan: "With Caixa. Of course". The new advertising campaign launched the new graphical design based on the institutional blue and a slogan designed to further enhance CGD's status as a solid, safe and reliable market institution.

With a clear commitment to anonymous faces, the advertising campaign was designed to attract the attention of the man in the street who, on a day-to-day basis must face choices regarding his future. This multimedia campaign comprised two stages: for a week it reaffirmed the guarantee and security afforded by the bank and launched a new slogan – "With Caixa. Of course" followed by a second stage when the public was invited to take advantage of this security and saving with the Depósitos Mais scheme.

With a positive message, the campaign conveyed happiness and action, in the form of several stories ranging from the young person who is saving up to start up his first business to the student who is studying his chosen academic subject, the girl who needs to save because she is thinking of starting a family and the father thinking of his daughter's future, the grandmother who is concerned over the growth of her grandchildren and the mother who has achieved most of her objectives, but who now dreams of becoming a photographer. All such personal stories begin with a movement initiated by Catarina Furtado.

26 October witnessed the start of what may well be the most daring campaign in the history of Caixa. António Nogueira Leite, deputy chairman of the executive committee, explained the campaign as the «result of years of accumulation of innovations in savings products and competencies in areas such as marketing, information systems, payment channels and media». He stated that this campaign made it possible «to take in savings in a more simple, sustained and effective manner, at a time when the Portuguese consider the act of saving to be extraordinarily difficult».

With the "PAP" (automatic savings plan) Caixa proposes to improve family life, making a constructive and positive contribution, in such a sensitive context. The objective was to show the Portuguese that saving was still possible in the form of a new savings concept – automatic saving. Based on the combined use of Caixa products and its use by customers "PAP" comprises nine mechanisms, grouped into three categories, capable of generating automatic savings flows.

The advertising campaign publicised the "PAP" using three of Portugal's best comedians. It was launched on 26 October with a teaser, in which it was announced on all media that the Troika would

be talking directly to the Portuguese on 31 October at 19:55.

On 31 October (World Savings Day) the country witnessed an extremely amusing "laid back" communiqué from a very special Troika made up of the comedians Bruno Nogueira, José Pedro Gomes and Miguel Guilherme. The Troika also announced the "PAP" simultaneously on RTP1, SIC and TVI, just before the news.

Following the communiqué, the campaign used was based on an inclusive media plan comprising television, radio, the press, advertising panels, digital media and Caixa branches with the advertising, very much attuned to the public mood, having a high recall factor.

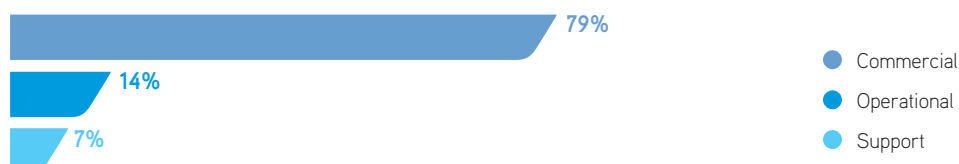
### 1.4.7. HUMAN RESOURCES

Direct support to business and the expansion of the branch network, recognition of merit and internal potential, development of employees' capacities and competencies and the creation of better balance between team members' professional and personal lives were strategic human resources management concerns, in 2011.

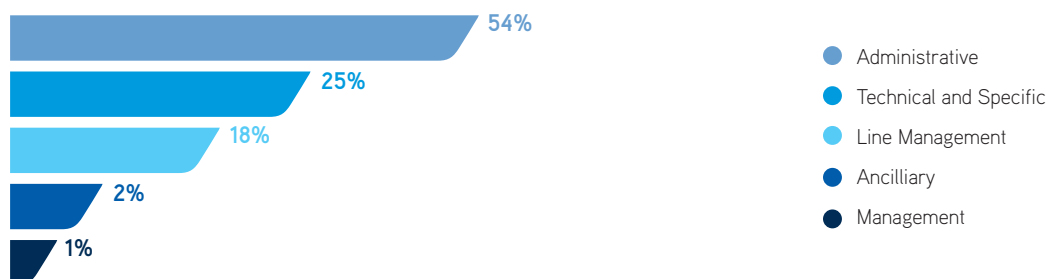
Caixa Geral de Depósitos had a global number of 10 564 employees at 31 December 2011. This translated into a decrease of 8.2% since 2005. CGD had 9509 full time employees in 2011.<sup>(1)</sup> Recruitment of young graduates, allied with the retirements of older staff members, enabled Caixa within the space of a year to ensure no more than a 0.1 year increase in average employee age levels (from 41.8 to 41.9 years) and gradually reinforce its staff complement with graduate employees (from 48% in 2010 to 50% in 2011).

In terms of gender the trend towards the reinforcement of the number of women (56%), more in evidence in the under 35 age group in which more than 65% 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. 79% of the total number of full-time employees are engaged on a commercial activity.

#### Distribution by Areas



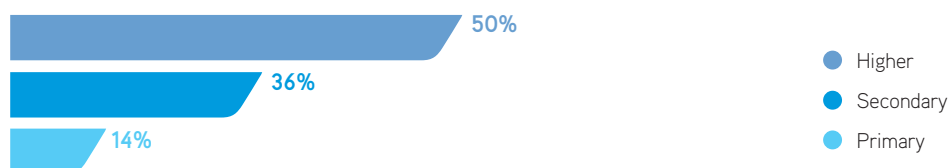
#### Functional Distribution



<sup>(1)</sup> Does not include employees seconded to Economic Interest Grouping, group companies, on secondment, unpaid leave and structures representing workers.



### Distribution by Academic Qualifications



CGD EMPLOYEES	2010	2011	Change	
			Total	Percent
<b>CGD Total <sup>(1)</sup></b>	<b>10 785</b>	<b>10 564</b>	<b>-221</b>	<b>-2.1%</b>
<b>Full Time</b>	<b>9 672</b>	<b>9 509</b>	<b>-163</b>	<b>-1.7%</b>
Joining the bank	1 058	566	-492	-46.5%
Leaving the bank	1 177	729	-448	-38.1%
<b>Main indicators</b>				
Average age	41.8	41.9	0.1	0.2%
Average seniority	16.95	17.14	0.19	1.2%
Higher than secondary education rates	48.04	50.15	2.11	4.4%
Female employees' rate	55.40	55.96	0.56	1.0%
Absenteeism	5.01	5.02	0.01	0.1%

<sup>(1)</sup> CGD employees.

### ATTRACTION

During the course of 2011, CGD on the basis of its placements programme gave 302 young people an opportunity to make contact with the banking world. Most of them were recent graduates or finalists on courses considered to be of interest in terms of a commercial banking activity. As regards the type of placements, reference should be made to the fact that 127 were professional and 115 curricular. Most professional placements were organised in the commercial area, on our branch office network, with only around 14% being held in central departments. 86% of curricular placements in the sphere of our social responsibility for students on courses of interest to the banking area, upon application by their respective schools, took place in the branch office network. The total also includes summer placements, referred to as Summer Academies and which, annually, provide 60 students on courses of interest to the banks and from leading nationwide schools, with their first contact with banking and more specifically Caixa Geral de Depósitos's banking business.

### QUALIFICATION

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 competencies, guaranteeing employees' professional development and optimising their potential.

The 2011 training plan was geared to the following:

- To support the transformation process to the New Business Model, focusing on customer relationships;
- To consolidate the promotional competencies of commercial teams;
- To reinforce the relational and negotiational competencies of employees with commercial functions;
- To place internal knowledge at the service of the business, in the form of training programmes led by internal trainers;



- To develop distance training packages to support the acquisition of banking competencies, either self-study or in support of local actions.

Special attention was also paid to functional development training, notably the exercising of the main commercial functions (managers, deputy managers, individual customers managers, corporate managers and commercial assistants), representing almost 40% of total training hours.

297 397 training hours including 97 590 participations were given in 2011.

NUMBER OF TRAINING HOURS	
FUNCTIONAL GROUPINGS	2011
Senior Management	3 518
Line Management	68 055
Technical and Specific	85 080
Administrative	138 303
Other	2 441
<b>Total</b>	<b>297 397</b>

## DEVELOPMENT

The admission of another 481 new employees on the branch office network and promotion of 151 employees to management bodies and 184 to customer manager functions, without outside recruitment, establish a direct relationship between CGD's strategic objectives and the activity of its human resources management.

## MOTIVATION AND RECOGNITION

2011, owing to the specificity resulting from the application of the state budget did not allow us, as has been our practice, to reward the merit of employees on the basis of a standard wage review process.

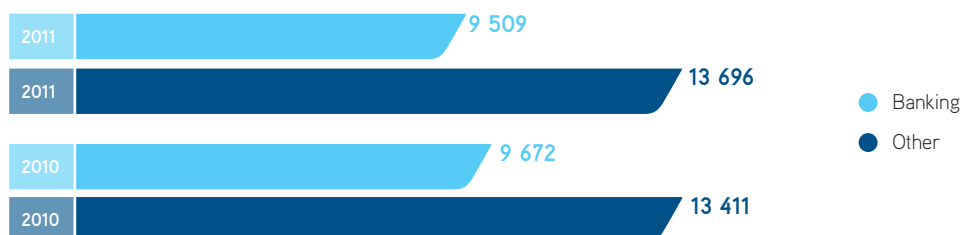
Nor was it possible to increase variable remuneration, for the same reason. It was, however, possible to maintain, albeit with a marked reduction, the system of commercial objectives and incentives, designed to motivate and reward the achievement of objectives defined either individually or on a team level of branch office network employees.

## EVOLUTION IN THE NUMBER OF CGD GROUP EMPLOYEES

At the end of 2011 CGD Group had 23 205 employees, up 122, notwithstanding the reduction of 163 employees on CGD's banking operations in Portugal and 255 in the insurance and healthcare area, in a context marked by cost containment. The increase accordingly translated into an expansion of international activity with an extra 505 employees of whom 359 in Banco Comercial e de Investimentos (Mozambique).

CGD GROUP EMPLOYEES	2010	2011	Change	
			Total	Percent
Banking Operations (CGD Portugal)	9 672	9 509	-163	-1.7%
Other	13 411	13 696	285	2.1%
<b>Total</b>	<b>23 083</b>	<b>23 205</b>	<b>122</b>	<b>0.5%</b>

#### CGD GROUP EMPLOYEES



## 1.5. Macroeconomic Environment

### 1.5.1. OVERVIEW

The world economy expanded once more, in 2011, albeit with a slowdown in economic growth in the last half. Following 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, the deteriorating economic indicators in many regions of the globe led to successive downwards revisions of growth estimates for 2011 by international institutions such as the International Monetary Fund (IMF), OECD and other organisations. In the case of interim estimates in January 2012, the IMF estimated world economic growth, in 2011, to be 3.8%, in comparison to a forecast of 4.4% in January 2011. The IMF issued a fresh warning over the increase of diverse fiscal and financial risks.

2011 was marked by a worsening of Europe's sovereign debt crisis. The first stage witnessed increased concerns over the situation in Greece, owing to fears of a restructuring of Greek debt, with such fears spreading to the public finances of other states on the European periphery. During this period, Ireland and Portugal applied for the joint support mechanisms of the European Union (EU) and IMF.

Whereas second half 2011 witnessed spreading contagion of the crisis to Spain and Italy, the economies in the centre of Europe such as France, Belgium, Austria or even Holland and Finland, hitherto unaffected, also suffered from the impacts of the crisis.

There was a fresh increase in the risk aversion of diverse financial market participants particularly in the second half as a consequence of the worsening sovereign debt crisis. This translated, on the one hand, into a new stage of widening spreads on government bonds and now not only in the case of the peripheral economies. This was also the case of corporate bonds together with a sharper reduction of new private debt issues in the market, in which the financial sector was more penalised. In this case, the widening of the spreads which reached their highest ever levels and even higher than following the bankruptcy of Lehman Brothers was particularly visible.

ECONOMIC INDICATORS	Rates of change (percent)				Rates (percent)	
	GDP		Inflation		Unemployment	
	2010	2011	2010	2011	2010	2011
<b>European Union</b>	<b>2.0</b>	<b>1.6</b>	<b>2.1</b>	<b>3.1</b>	<b>9.7</b>	<b>9.7</b>
Euro Area	1.9	1.5	1.6	2.7	10.1	10.1
Germany	3.6	3.0	2.2	2.5	7.1	5.9
France	1.5	1.7	1.7	2.3	9.8	9.7
United Kingdom	1.8	0.9	3.3	4.5	7.8	8.0
Spain	-0.1	0.7	2.0	3.1	20.1	21.7
Italy	1.5	0.4	1.6	2.9	8.4	8.4
<b>USA</b>	<b>3.0</b>	<b>1.7</b>	<b>1.6</b>	<b>3.2</b>	<b>9.6</b>	<b>9.0</b>
<b>Japan</b>	<b>4.0</b>	<b>-0.7</b>	<b>-0.7</b>	<b>-0.3</b>	<b>5.1</b>	<b>4.6</b>
<b>Russia</b>	<b>4.0</b>	<b>4.3</b>	<b>6.9</b>	<b>8.5</b>	<b>7.5</b>	<b>6.6</b>
<b>China</b>	<b>10.4</b>	<b>9.2</b>	<b>3.3</b>	<b>5.4</b>	<b>4.1</b>	<b>4.1</b>
<b>India</b>	<b>10.1</b>	<b>8.4</b>	<b>12.1</b>	<b>8.9</b>	<b>n.a.</b>	<b>n.a.</b>
<b>Brazil</b>	<b>7.6</b>	<b>2.7</b>	<b>5.0</b>	<b>6.6</b>	<b>6.7</b>	<b>6.0</b>

Sources: Eurostat, National Statistics Institutes.  
n.a. – not available.

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

Government officials and the central banks implemented measures to stabilise the financial markets and fuel economic activity, in 2011.

In the Euro Area (EA) and after the ECB had, on two occasions, announced an increase in its key reference rate in the first half, 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 the intensification of the debt crisis and slowdown of growth.

Unconventional monetary policy measures, ranging from a return to the purchase of public debt bonds on the secondary market, to the reopening of the covered bonds programme and reintroduction of unlimited liquidity injection auctions for maturities of between 6 to 12 months were continuously reinforced. The ECB also announced two liquidity injection auctions with a maturity of 3 years at the end of the year.

In terms of the activities of governments within the European Union with the aim of softening the effects of the debt crisis, 2011 was marked by several summits of heads of state and government and ministers of finance, resulting in commitments to increase the flexibility and the intervention capacity of financial stabilisation mechanisms such as the market acquisition of sovereign debt securities and funding the recapitalisation of financial institutions, in addition to reinforcing the coordination of economic and fiscal inspection policies.

Outside the EA, the other main central banks' operations also involved decisions to stabilise financial markets, translating into an increase in the dimension of asset purchase programmes. The Central Bank of Japan, Central Bank of England and US Fed held their key reference rates to minimum levels.

In terms of economic growth, 2011 was marked by a different level of performance between the two biggest economies. Whereas the US had a poor start to the year, followed by acceleration over the last few months, particularly on account of higher consumption and investment levels, the opposite was the case in the EA whose confidence indicators ended the year in the recessionary zone.

According to Eurostat, EA growth was 1.4% in 2011 as opposed to the preceding year's 1.9%. This expansion was essentially based on the performance of external demand.

On a negative note, reference should be made to the performance of the peripheral economies, particularly Portugal and Greece, as the only European states to record negative growth. On a positive note, Germany once again stood out with growth of 3.0%, in a year in which the labour market continued in evidence. Germany's unemployment rate of 6.8%, in December, was at its lowest level since reunification. On the contrary, unemployment, in the EA, rose once again in 2011, to an end of year unemployment rate of 10.4%, 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 higher than the 1.6% in 2010, mainly on account of the increase in energy prices.

ECONOMIC INDICATORS IN THE EUROPEAN UNION AND EURO AREA	Rates of change (percent)			
	European Union		Euro Area	
	2010	2011	2010	2011
<b>Gross domestic product (GDP)</b>	<b>2.0</b>	<b>1.6</b>	<b>1.9</b>	<b>1.5</b>
Private Consumption	1.0	0.2	0.9	0.2
Public Consumption	0.7	0.1	0.5	0.1
GFCF	-0.3	1.3	-0.5	1.4
Domestic demand	1.5	0.5	1.1	0.5
Exports	10.8	6.3	11.3	6.1
Imports	9.8	4.0	9.6	3.9
Rates (percent)				
Inflation rate (HICP)	2.1	3.1	1.6	2.7
Unemployment rate	9.7	9.7	10.1	10.0
General government deficit (as a % of GDP) <sup>(a)</sup>	-6.6	-4.7	-6.2	-4.1

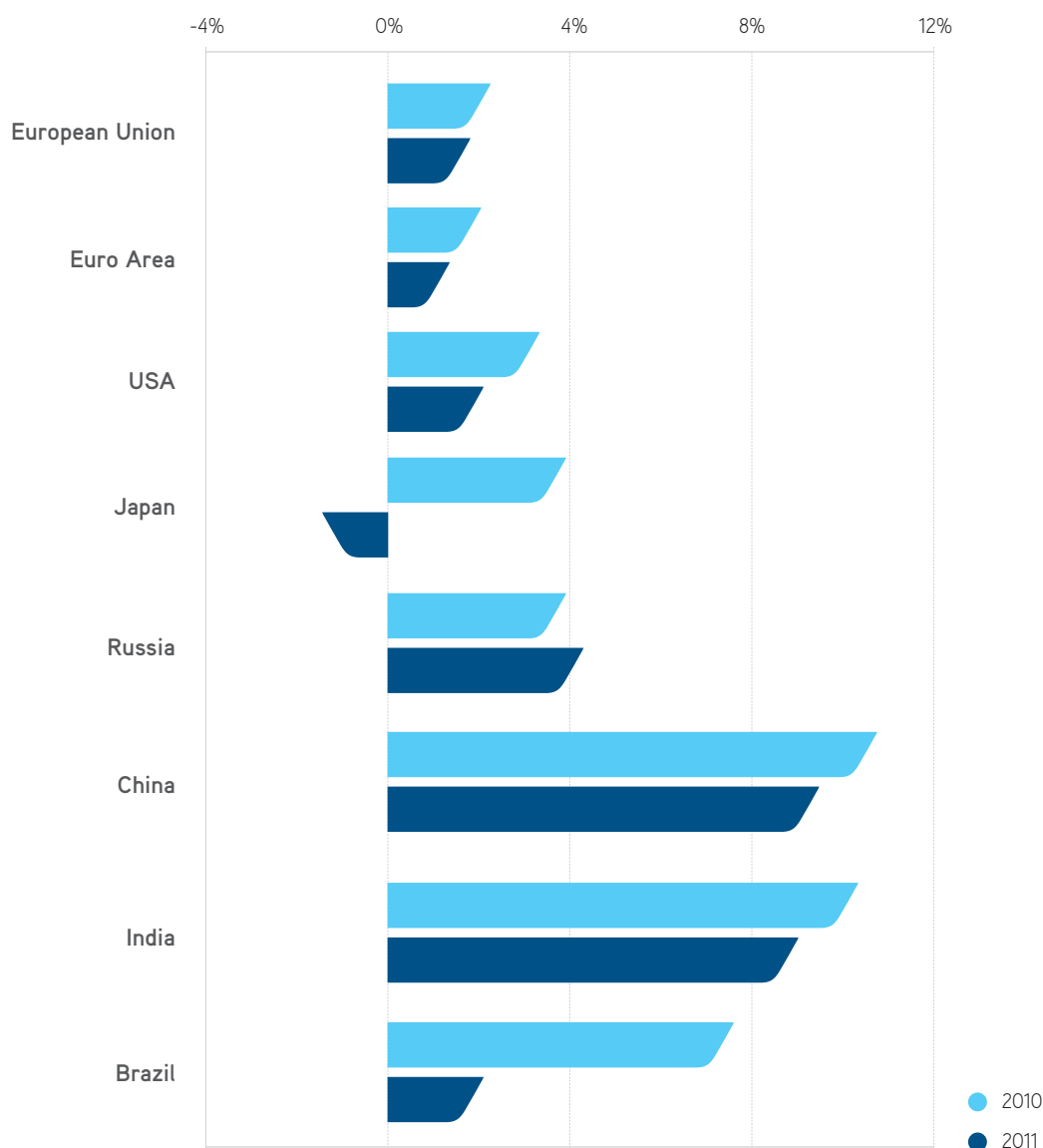
Source: Eurostat.

<sup>(a)</sup> 2011 values: European Commission: *European Economic Forecast* – November 2011.

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

Reference should also be made to economic performance in Brazil whose economic growth rate cooled substantially in second half 2011 with a contraction of 0.1% in the third quarter. The Central Bank of Brazil differed from the emerging bloc by announcing reductions to its reference rate, on three occasions, in the second half of the year, owing to the expected negative impact of international turmoil on Brazil's economy. The Brazilian government, at year end, announced a package of budget measures designed to stimulate consumption, boost economic activity and guarantee growth of 5% in 2012.

## GROSS DOMESTIC PRODUCT



## 1.5.2. DOMESTIC ECONOMY

## 1.5.2.1. Overview

In Portugal, 2011 marked the beginning of the economic adjustment process, in the form of a reduction of the fiscal deficit and gradual deleveraging of the private sector, including the banking sector.

Economic activity was down 1.6%, in 2011 and reference should be made to the consecutive negative changes in each quarter. This performance derived from the negative contribution made by private consumption, public consumption and a huge drop in investment, notwithstanding the good performance of net exports.

PORTUGUESE ECONOMIC INDICATORS	Rates of change (percent)		
	2009	2010	2011
Gross Domestic Product	-2.9	1.4	-1.6
Private consumption	-2.2	2.1	-3.9

PORTUGUESE ECONOMIC INDICATORS (CONT.)	Rates of change (percent)		
	2009	2010	2011
Public consumption	4.7	0.9	-3.9
GFCF	-8.6	-4.1	-11.4
Domestic Demand	-3.3	0.8	-5.7
Exports	-10.9	8.8	7.4
Imports	-10.0	5.4	-5.5

	Rates (percent)		
	2009	2010	2011
Inflation rate (HICP)	-0.8	1.4	3.6
Unemployment rate	9.5	10.8	12.7
General government deficit (as a % of GDP) <sup>(a)</sup>	-10.1	-9.8	-5.9
Public Debt (as a % of GDP) <sup>(a)</sup>	83.0	93.3	100.3

Source: INE.

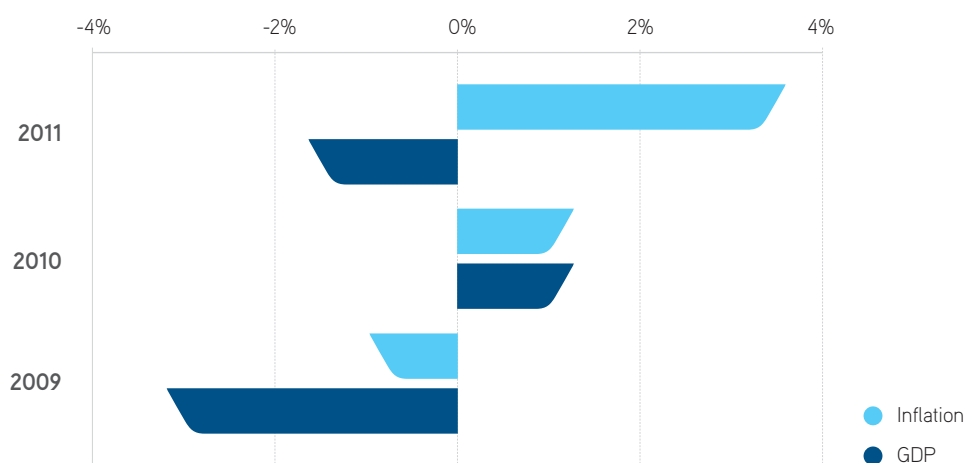
<sup>(a)</sup> State budget for 2012, October 2011.

In 2011, both private consumption, down 3.9% and public consumption, also down 3.9%, contributed to poor economic performance. The challenges of reducing the fiscal deficit and consequent approval and implementation of austerity measures under the Economic and Financial Assistance Programme for Portugal fuelled such components' negative contribution to economic growth in which lower consumer confidence levels were noted over the year as a whole.

Gross fixed capital formation was also down 11.4% partly on account of the level of economic activity and the outlook for domestic demand, in addition to lower public investment. The contraction was more evident in investment in transport equipment and construction.

On a positive note, reference should be made to the contribution made by external trade. On the one hand, exports were significantly up by 7.4% and imports down 5.5%. This behaviour derived, in part, from the increase in external demand, notwithstanding worldwide economic slowdown with a 16.4% year-on-year increase in new orders from abroad. In turn, the reduction in imports mainly derived from the drop in domestic demand.

#### PORTUGUESE ECONOMIC INDICATORS



In 2011, inflation as measured by the Harmonised Index of Consumer Prices recorded an average rate of change of 3.6%, particularly on account of the increase in the price of energy goods and diverse indirect tax hikes, notably VAT. The inflation rate, in Portugal, was up 0.9 percentage points in comparison to the Euro Area.

As regards the labour market, the average unemployment rate, in 2011, was 12.7%, with 706 thousand unemployed, up 17.2% over 2010.

### 1.5.2.2. Deposits and Credit Aggregates

The M3 liquidity aggregate, excluding currency in circulation, registered its third consecutive year of contraction, in 2011, in this case 2.6%. Total deposits were up 11.3%, representing an acceleration in comparison to the preceding two years, in which an essential contributory factor was the behaviour of individual customers' and emigrants deposits.

MONETARY AGGREGATES IN PORTUGAL <sup>(A)</sup>	Annual rates of change		
	2009	2010	2011
<b>M3, excluding Currency in Circulation</b>	<b>-3.3%</b>	<b>-3.8%</b>	<b>-2.6%</b>
Total deposits	1.6%	5.7%	11.3%
Deposits made by non-financial companies	5.3%	18.1%	-8.2%
Individual customers' and emigrants' deposits	1.3%	2.0%	9.8%
<b>Total domestic credit</b>	<b>6.4%</b>	<b>10.0%</b>	<b>-2.8%</b>
Loans and advances to central and local government <sup>(B)</sup>	99.7%	107.7%	-31.1%
Loans and advances to non-financial companies	2.6%	0.8%	-3.6%
Mortgage loans	2.6%	2.4%	-1.6%
Consumer and other credit	0.9%	-0.6%	-4.9%

Source: Bank of Portugal – *Statistics Bulletin*, February 2012.

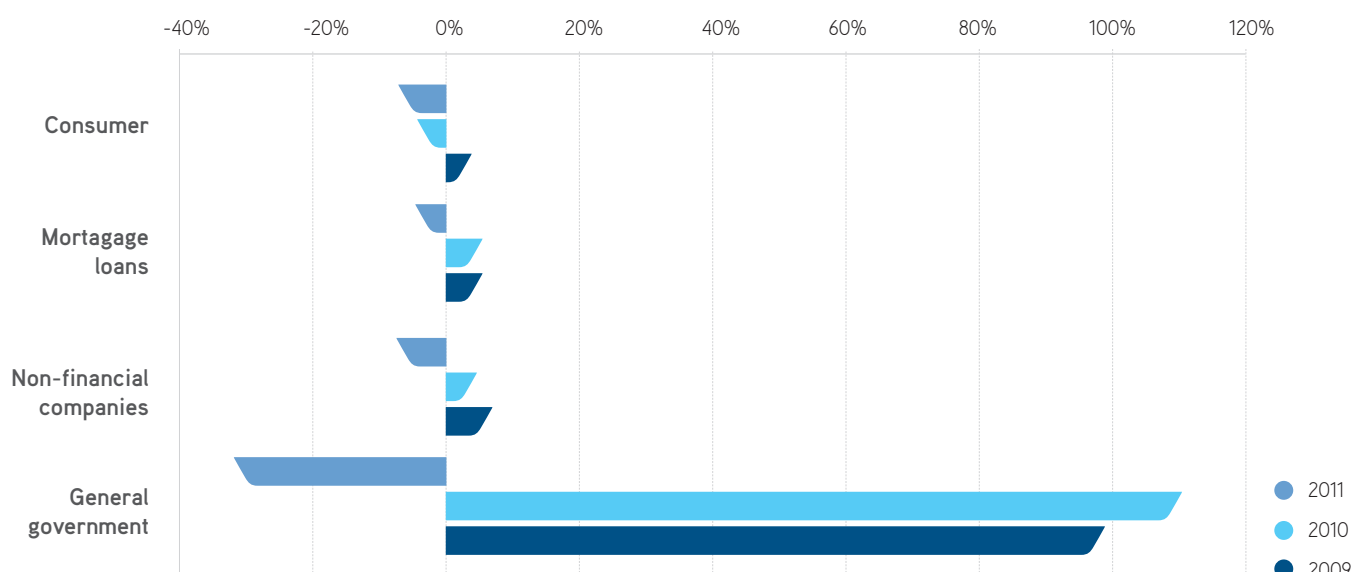
<sup>(A)</sup> Rates of change based on end of month balances. Deposit aggregates do not include NMFI (non-monetary financial institutions) deposits.

Credit aggregates include securitised loans.

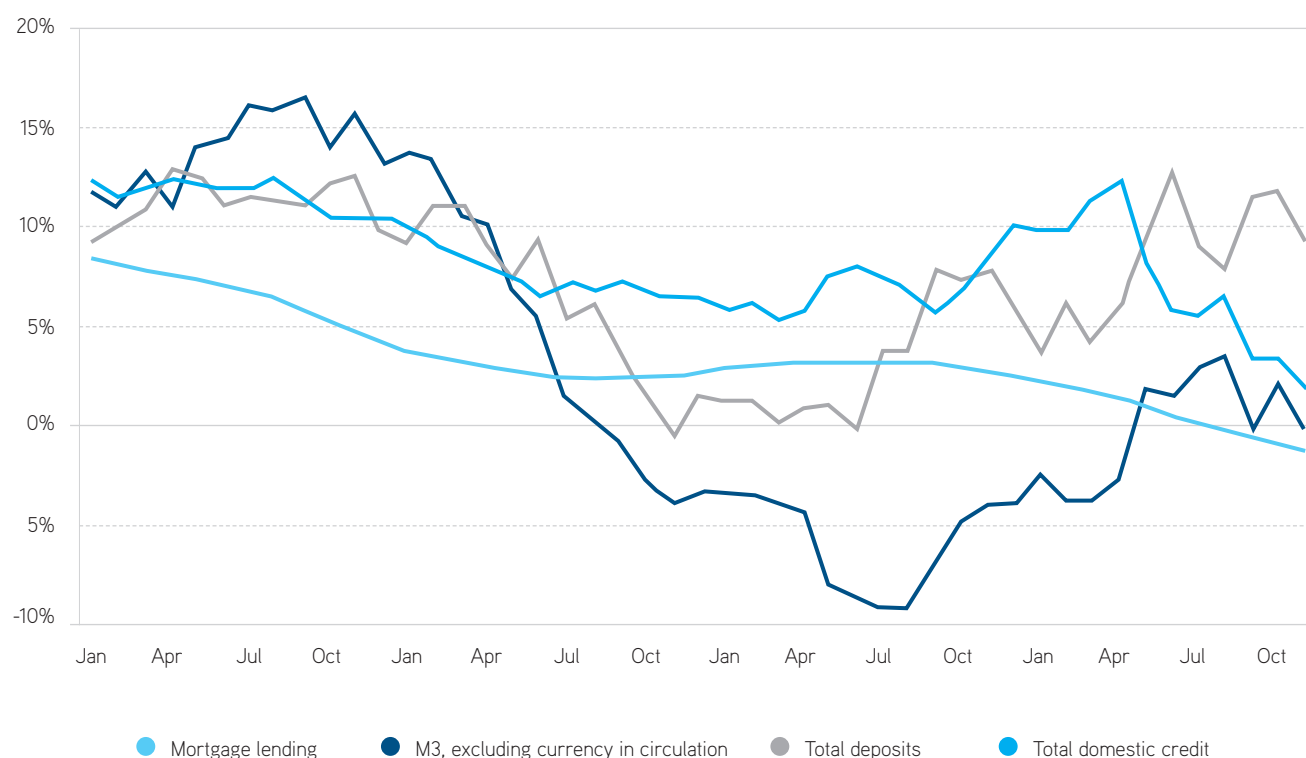
<sup>(B)</sup> Net of liabilities to central government.

Total domestic credit was down 2.8%. Loans and advances to central and local government, net of liabilities to central government were down 31.1%, whereas loans and advances to non-financial companies contracted 3.6% and loans and advances to individual customers, down 2.2%.

### EVOLUTION OF CREDIT IN PORTUGAL



## CURRENCY AND CREDIT (YEAR-ON-YEAR RATES OF CHANGE)



## 1.5.2.3. Interest Rates

As a response to the signs of an upturn and acceleration of economic activity and fears of an increase in inflationary pressures in the euro area, the European Central Bank (ECB) announced two increases in its key reference rate in April and July 2011, in both cases 25 bp, to 1.50%, a level that the European monetary authority has characterised as expansionist.

	INTEREST RATES (%)					
	2009	2010	2011			
	Dec.	Dec.	Mar.	Jun.	Sep.	Dec.
<b>Fed funds rate</b>	0 - 0.25	0 - 0.25	0 - 0.25	0 - 0.25	0 - 0.25	0 - 0.25
<b>ECB reference rate</b>	1.00	1.00	1.00	1.25	1.50	1.00
<b>Euribor</b>						
Overnight	0.410	0.817	0.902	1.715	1.463	0.629
1 month	0.453	0.782	0.968	1.325	1.356	1.024
3 months	0.700	1.006	1.239	1.547	1.554	1.356
6 months	0.994	1.227	1.546	1.788	1.753	1.617
12 months	1.248	1.507	1.996	2.162	2.084	1.947
<b>New credit operations</b>						
Non-financial companies <sup>(b)</sup>	3.26	4.59	4.85	5.21	6.18	6.16
Individual customers – mortgage loans	2.22	2.96	3.18	3.74	4.16	4.33
<b>Term and savings accounts <sup>(c)</sup></b>						
Non-financial companies	1.68	3.10	3.35	3.77	4.35	4.46
Individual customers	1.67	1.81	2.29	2.74	3.25	3.49

Source: Bank of Portugal – *Statistics Bulletin*, January 2012.

<sup>(a)</sup> Rates relative to last day of month.

<sup>(b)</sup> Operations for more than EUR 1 million.

<sup>(c)</sup> Deposits with an agreed maturity period of up to 2 years.

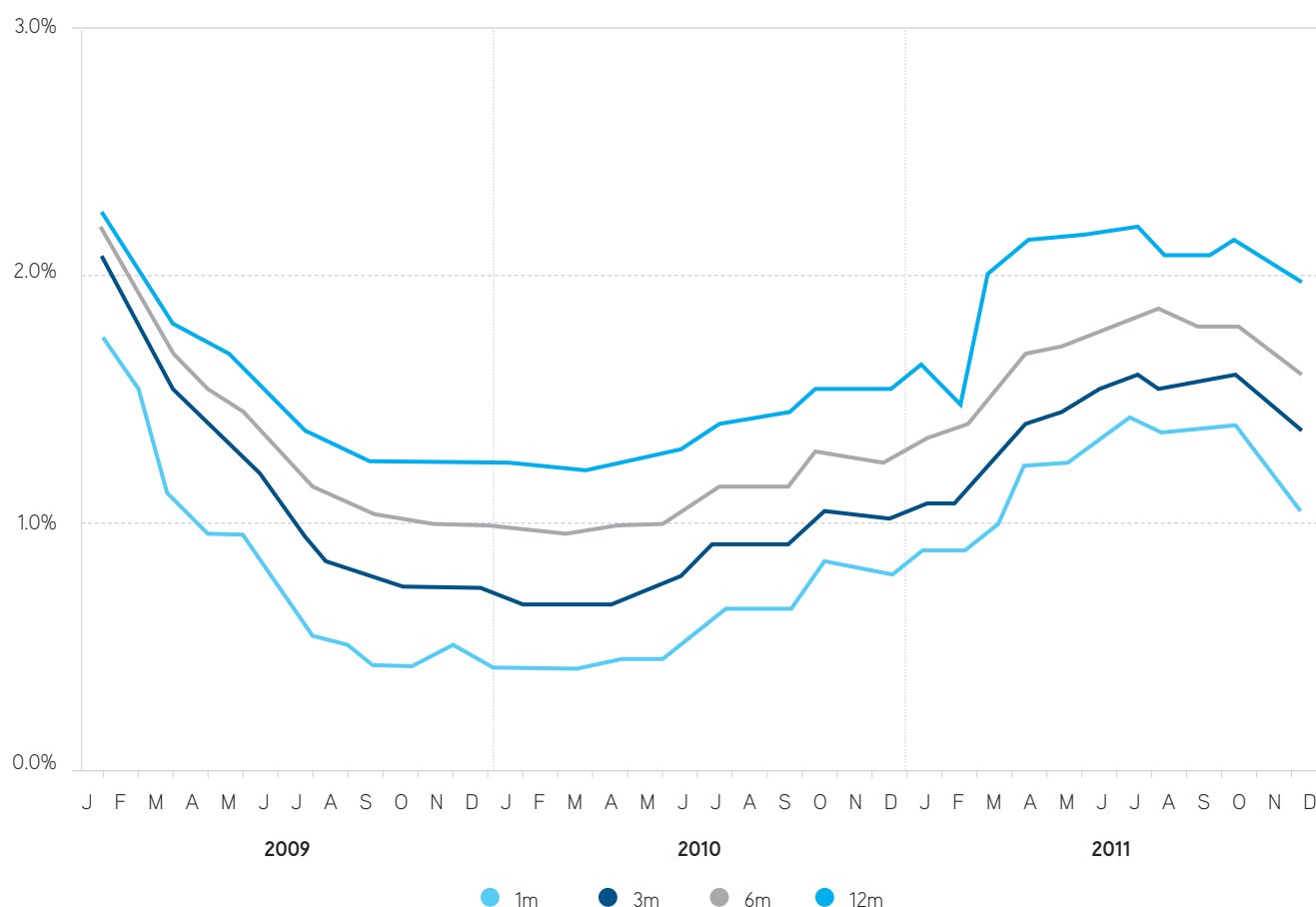


The maintenance and intensification of tensions in the public debt market and slowdown in economic activity led to a situation in which second half 2011 was marked by the inversion of monetary policy. After having upgraded risk factors in the third quarter, the ECB announced two reductions of its key reference rates, each of 25 bp, in the last quarter of the year, down again to the former minimum level of 1.00%. The ECB also reinforced its unconventional measures in announcing new liquidity injection auctions for maturities of 6 and 12 months, in addition to two auctions with a maturity of 36 months.

In first half 2011 the trend on interest rates used as indexers for credit operations continued upwards over a large part of 2010 and reached its highest level of the last two years at the start of the Summer. The change of monetary policy led to an inversion of the downwards trend with interest rates starting to fall up to the end of the year.

2011 closed with a fresh increase in Euribor rates. As a result of the period of increases noted in the first half, the changes, in 2011, were higher than those noted in the preceding year except for maturities of one month having oscillated between 0.242 bp for the said maturity and 0.44 bp. over 12 months.

#### EURIBOR <sup>(\*)</sup>



Source: Bank of Portugal.

<sup>(\*)</sup> Values related to the last day of the month.

The evolution of Euribor rates was one of the determinants in the increase of both lending and borrowing rates, together with the economic and financial context in force in 2011, in which the changes noted were of similar magnitude. In the case of lending rates the increase was slightly higher in the non-financial companies segment in comparison to individual customers, whereas in the case of borrowing rates the change was relatively higher in this latter segment.

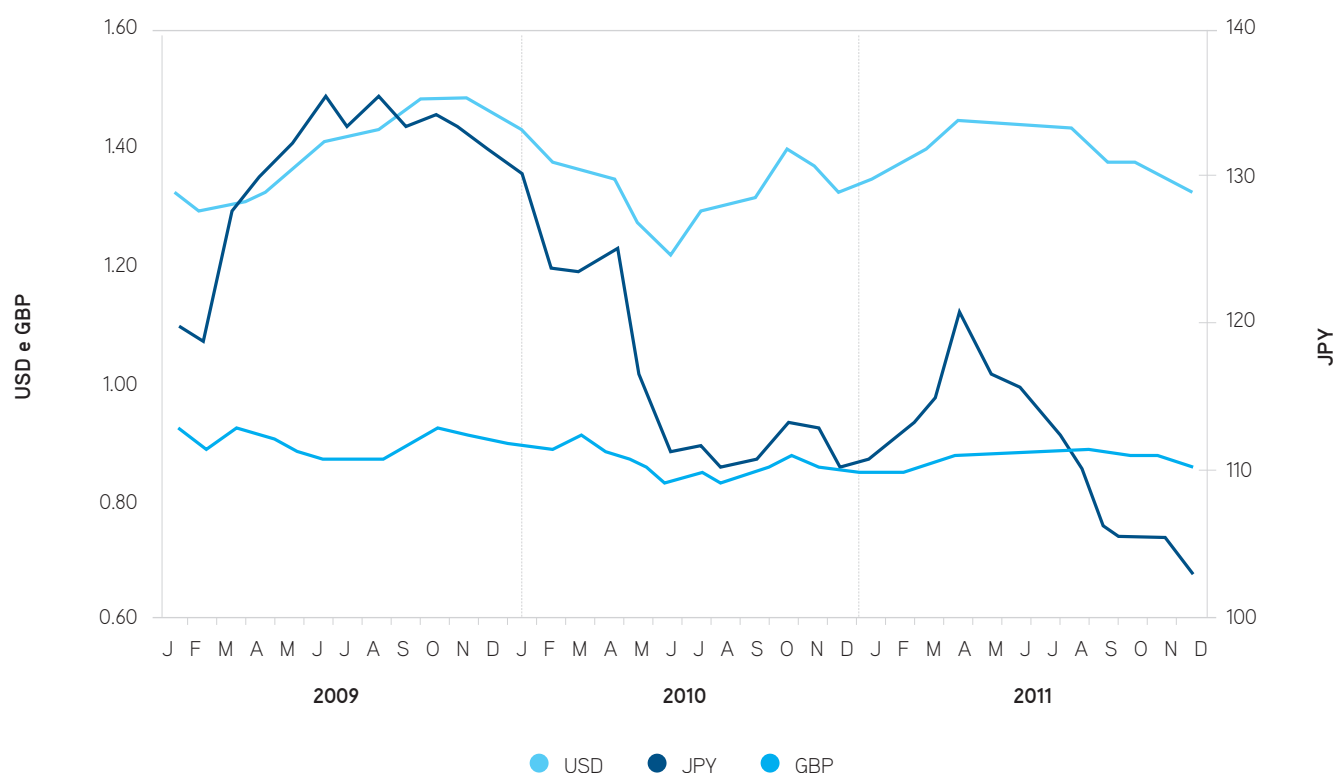
### 1.5.2.4. Exchange Rates

After having benefited, in the first months of 2011, from better economic figures and the expectation, latterly confirmed, of an increase in the ECB's key reference rate, the single European currency recorded a depreciation trend up to the end of the year. This derived from the public debt situation in Europe and its negative impact on investor confidence in the single currency and diverse assets issued by Euro Area entities, in addition to economic growth in the region which, as a whole, led the ECB to fully reverse the increases in the formerly announced direct rate and which was an additional reason for the euro's depreciation.

In December 2011 the average euro exchange rate against the dollar was 1.318 - depreciation of 0.3%. After appreciating by around 11% up to the end of April, the single currency registered a downwards trend up to the end of the year.

There was also a drop in the value of the euro against the other main currencies such as sterling against which it depreciated by 0.5% and the yen with a loss of 6.9%.

EURO EXCHANGE RATES (AVERAGE MONTHLY VALUES)



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
Dec. 11	1.318	0.844	102.55

### 1.5.2.5. CAPITAL MARKET

Notwithstanding doubts related with the sovereign debt issue, inherited from the preceding year, the first few months of 2011 continued to be marked by expectations of an economic upturn, with the announcement of positive economic indicators. Central banks upgraded growth estimates at the time and, in several

cases, announced higher rates, owing to a spurt of inflation in several blocs. This was accompanied by ever more visible signs of capital market stabilisation and a decline in risk aversion by investors.

The natural catastrophes in Japan, conflicts in North Africa and the Middle East and intensification of the sovereign debt crisis in the Euro Area (EA), particularly following increased fears over the restructuring of Greece's public debt, led to lower investor confidence, starting from the second quarter and clearly apparent in the drop in the prices of risk assets, coming after the cooling of the main economies. Whereas the central banks, including the Fed, downgraded their growth estimates, in the case of the EA, the ECB governor, Jean-Claude Trichet, issued a warning on increased risks to financial stability owing to the debt crisis.

Third quarter 2011 was characterised by a marked decline in investor confidence, with signs of cooling economic growth and intensification of the sovereign debt crisis. This took on a different form in the EA, after the spread of contagion to Italy and Spain was witnessed. The crisis, to a certain extent, spread to the US, with a subsequent S&P rating downgrade from AAA to AA+, albeit without any lasting effects on investor confidence in US public debt. Share indices in the US and Europe were sharply down, making the third quarter the most negative since the collapse of Lehman Brothers.

Together with the worsening sovereign debt crisis in Spain and Italy, fourth quarter 2011 was marked by the spread of contagion to other countries in the centre of Europe such as France, Belgium and Holland. The announcement of positive economic indicators in the US and China contributed, however, to a recovery of market sentiment in the last few months of the year.

Behaviour, in 2011, was therefore volatile and in which, in general, the more defensive asset categories realised gains as opposed to those perceived to be more at risk which made losses.

## EQUITY MARKET

The trend in equity share markets, in first half 2011, remained upwards, as noted over the last few months of 2010, followed by inversion in the third quarter, owing to the worsening sovereign debt situation in the Euro Area, uncertainties over public finances in the US and signs of a worldwide economic slowdown.

The improvement in US and Chinese economic indicators and reinforcement of the economic stimulus measures by the monetary authorities in several countries, led to a resumption of an upwards trend in the last quarter. Notwithstanding this situation and the positive surprises witnessed in terms of higher corporate profits, the main share indices failed to record gains at year close.

The year witnessed times of huge differences in value. After appreciating more than 5% in the case of the USA and 7% in the case of Europe, three months later, at the end of the 1st half in comparison to the start of the year, the indices of the said regions depreciated by 10% and 18%, respectively, with more negative returns in the cases of countries on the periphery of Europe.

STOCK MARKET INDICES	2010		2011	
	Index	Change	Index	Change
Dow Jones (New York)	11 578	11.0%	12 218	5.5%
Nasdaq (New York)	2 653	16.9%	2 606	-1.8%
FTSE (London)	5 900	9.0%	5 572	-5.6%
NIKKEI (Tokyo)	10 229	-3.0%	8 455	-17.3%
CAC (Paris)	3 805	-3.3%	3 160	-17.0%
DAX (Frankfurt)	6 914	16.1%	5 898	-14.7%
IBEX (Madrid)	9 859	-17.4%	8 566	-13.1%
PSI-20 (Lisbon)	7 588	-10.3%	5 494	-27.6%

2011 once again witnessed a different level of performance between regions. Among developed countries, Europe had a year of major depreciation in its respective equity indices, with a worsening sovereign debt crisis. Greece's ASE made increasing losses with a drop of 51.9%, followed by the PSI20 in Portugal and Italian index which were down 27.6% and 25.2%, respectively. Japanese indices were down 17.4%, affected by the natural catastrophes devastating the country. In the USA, reference should be made to the nil change in the year, which was the first time this happened since 1947.

The performance of emerging share markets in 2011 was negative and underperformed the bourses of the more developed markets owing to fears of an economic slowdown. The Morgan Stanley index for emerging markets was down 20.4%, although the level of behaviour was uniform, whereas, in China, the Shanghai exchange dipped 21.7%. In India the Sensex was down 24.6%, in Brazil the Bovespa fell 18.1%, and in Russia the downturn in the respective index was 16.9%.

## BOND MARKET

Widening spreads on sovereign debt once again had a conditioning effect on the bond market in 2011, having equally affected the corporate bond segment which also witnessed a considerable increase in spreads, particularly in the financial sector.

Yield trends on the sovereign debt of the European countries most affected by the crisis were up during the year to successive historic maximums. The trajectory towards higher yields worsened from the start of the second half owing to the heightening problems over the financial and political situation in Greece, coming on top of increased fears of a restructuring of Greece's debt.

In the last few months of the year, the spreading contagion of the debt crisis to more relevant countries such as Spain and Italy, followed by France, Austria, Belgium and Holland, also had the effect of increasing long term yields on such countries to historic maximums since the creation of Economic and Monetary Union. The increase in such yields was, to a certain extent, attenuated by the action of the European Central Bank (ECB), which responded by purchasing public debt securities with its secondary market bonds purchasing programme.

The positive reaction to these decisions made by the diverse summits of heads of state and government of the European Union and Euro Area was always short term, with uncertainty and risk aversion quick to return.

Yields on US and German bonds fell, in 2011, over the various maturities on the yield curve as was also the case of countries in the centre of Europe. The downwards trend, representing a flight to quality, led to new minimums yields on US and German bonds at the end of the third quarter. The decline thereof, was much more marked in the second half of the year owing to the economic slowdown, heightening sovereign debt crisis and change in direction of monetary policy by several European central banks, in adopting support measures for economic growth in the second half or reinforcing them in other cases.

Short term rates in the USA also benefited from the Fed's maintenance of its reference rate at a minimum level and the expectation that it will remain unchanged for a prolonged period of time as indicated by the Fed. Therefore, following an initial period with a certain increase, they fell to historically low thresholds. The Euro Area recorded a much more significant increase in the first three months of the year, as a consequence of increased expectations of worsening ECB rates, which was effectively the case. However, short term German interest rates converged at the end of the year to a lower level than that of the USA, at a minimum historical low, benefiting from the economic and financial environment in the region as well as the performance of the central bank, which reversed previously announced rate increases.

The performance of yields on the longer maturities, both US and German, was synchronised during the course of the whole of 2011. After maintaining the continuous increase occurring since summer of the preceding year in the first few months, there was an inversion starting from the spring which stabilised at minimum values in the autumn. In addition to other already referred to factors which have conditioned market behaviour, they also benefited from the decrease in inflationary pressures together with uncertainty over the level of the cooling of the economy.

The year as a whole, unlike the preceding year, witnessed a bigger drop in the longer as opposed to the shorter maturities. In the US, the 2 year yield was down 36 bp and the 10 year yield by 142 bp,

whereas, in Germany, the drop was 72 bp over a 2 year period and was also less than 114 bps over 10 year maturities.

Portuguese public debt bonds, as in the case of other countries on the Euro Area periphery, diverged from the evolution of German yields. A continuous upwards trend was noted with successive historic maximums being recorded, particularly following the request for financial assistance submitted to the European Union and IMF.

The widening of spreads on the yields of the countries on the periphery followed by several countries in the centre, against German yields, was a function of both the increase in rates on the periphery, which reached maximum levels and the fall of German rates to minimum levels as a consequence of the increase in demand for lower risk assets. This widening process was more visible in the second half of the year owing to the evolution of the crisis.

The adverse context had effects on the private debt market which continued to be affected by the flow of news on the evolution of sovereign debt. This was visible in the form of widening spreads in the primary and secondary markets and companies' greater difficulty in access to the market, particularly issuers in peripheral countries. This environment was especially visible in the last quarter, when spreads hit new peaks accompanied by a substantial reduction in the volume of new issues.

The financial sector was more penalised, with a more pronounced widening of spreads in comparison to non-financial companies, having, at the end of November, reached levels higher than noted at the time of the Lehman Brothers bankruptcy.

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## 1.6. Business Strategy and Model

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### 1.6.1. STRATEGIC OBJECTIVES

CGD Group has maintained and inclusively reinforced its leading position in the Portuguese financial market with several variables showing a more sustained situation than those of its main competitors in meeting the challenges to financial activity in Portugal posed by the current socioeconomic context. CGD Group has greater balance in terms of its loans-to-deposits rate with a more stable funding mix relying upon customer resources as opposed to interbank or ECB resources and a better, more effective asset management portfolio from a risk viewpoint.

CGD Group is, however, aware of several factors which could worsen the conditions affecting banking activity in Portugal over the next three year period. They include:

- The recessionary economic environment owing to the public finances adjustment programme;
- The increase in the level of risk and individual and corporate defaults;
- The risk of greater difficulties in access to funding, deriving from a possible failure of international debt markets and further downgrades of national ratings;
- Increased competitive aggressiveness from market participants, notably the appearance of major European banks;
- The tightening of regulatory capital requirements notably deriving from European demands regarding the capitalisation of banks in the Eurozone.

In such a context and taking into account CGD Group's objectives as defined and set out in the memorandum of understanding with the Troika, in the capital funding plan and government programme, the Group has performed an exercise involving consideration and the revision of its strategic challenge for the next three year period designed to create value and enable the mitigation of any impact of the already identified shocks.

Two major challenges have, therefore, been defined for the next three year period: (1) To protect and reinforce the Group's financial health (solvency, liquidity and profitability) and (2) to transform CGD, focusing on banking operations, strengthening them and adjusting them to the new circumstances.

Protecting and reinforcing financial health will involve responses to the needs created by the new economic context and the financial sector, even in more adverse scenarios, strengthening the evolution of the Group's indicators to ensure the bank's capitalisation with a Core Tier I ratio of 10% in 2012, generating a return on capital of 10% over 5 years (2015), maintaining a stable loans-to-deposits ratio of around 110%–120%, considering that markets will open after 2013 and the growing corporate integration of the Group's business units based on a multinational management, offer and service approach.

The transformation of CGD will permit the preparation of and guarantee the Group's sustainability and competitiveness on an organisational and business model level in light of the new paradigm in the banking sector, transforming the bank's current business model in Portugal, guaranteeing greater focus on service / transactions less reliant on net interest income, a service model more in line with the market's expectable evolution and needs of key segments – premium customers, non-residents and companies / tradable goods SMEs, supported on optimised platforms, processes and HRs to meet the new requirements of the market. The objective is, in short, to ensure the migration of a highly diversified financial group with a banking business particularly focused on mortgage loans, to a multinational group centred on banking business, lending to export companies and taking in savings from all individual customer and corporate sectors.

The approach to these challenges should be based on a series of strategic directives, duly sustained by a series of initiatives to be furthered and implemented over the next three year period.

The protection and reinforcement of financial health should be achieved on the basis of a set of five directives:

- To ensure the sustainability of CGD's funding: guaranteeing strict compliance with the Capital Funding Plan, preparing more aggressive deleveraging plans for non-core assets to provide for eventually more extreme liquidity contingency scenarios and launching programmes for the protection and taking in of funds from individual customers, particularly in more strategic segments;
- To review the offer and pricing model: ensuring the adequacy of pricing levels and collection models and exemptions from the new market circumstances and growing refocus on offer relating to the provision of services and support to customers, particularly in the corporate segment (e.g., trade finance, advisory and development);
- To optimise cost efficiency and organisational effectiveness through the implementation of a corporate management model permitting greater integration of activities on a business, risk, offer, platforms and resources level, rationalisation and increased flexibility of CGD's current functional organic model and, finally, the furtherance of programmes for the control and reduction of costs, both on a domestic level and the broadening thereof to other CGD Group units;
- To optimise and develop key processes: guaranteeing the optimisation of practices and processes on a level of the monitoring and recovery of credit, profitable management of the property portfolio and integrated, sophisticated management of risks on a corporate level, guaranteeing the growing importance of the role of risk management in preparing and making group level decisions;
- To develop the profitable and sustainable growth of the international area: supporting and developing group operations in high potential markets – Brazil, Angola, Mozambique and Macau – reviewing the model for its presence in Spain, reviewing the role and level of adequacy of CGD's smaller business units (e.g. branch network) and guaranteeing the furtherance of the internationalisation process of Caixa-Banco de Investimento and the effective development of trade finance.

In turn, the transformation of CGD should be based on the furtherance of a set of four directives, in line with several of the best international level practices designed to transform CGD's current business model in Portugal:

- To optimise the value proposal in key segments: reviewing the current value proposal and service model to provide for the needs and specificities of key segments, more specifically companies / SMEs (particularly exporters), individual high earners, individual non-residents in Portugal and guaranteeing the progressive development of more flexible customer care / service models at

lower servicing costs for the bank;

- To optimise the commercial approach model and infrastructure: promoting the revision, adequacy and optimisation of the profitability of the current commercial infrastructure (networks) and optimising a Group multichannel approach, particularly on the corporate segment level;
- To promote the rationalisation and excellence of processes: based on the launch of an operational excellence programme ("Lean") promoting the optimisation of processes, allocation of resources and productivity of operations;
- To optimise human resources policies and management: including the definition and revision of policies / programmes for the reconversion of resources in light of the radical change in the business model and respective priorities, career management plans, rotativity, staff mobility and performance differentiation.

## 1.6.2. BUSINESS AREAS

### 1.6.2.1. Retail Banking in Portugal

Caixa, in 2011, continued to implement its strategic objectives of reinforcing and consolidating its level of service to customers and their multichannel experience.

In a particularly adverse environment for the financial sector, notably the need for major adjustments to its macro and micro-economic variables with an impact both on the level of the balance sheet as the income statement, Caixa has reinforced its leading position in terms of funds taking – materialised in simple, practical concepts for customers such as the nine automatic savings mechanisms – with more than 25% of the customer base having an individual account manager or individual commercial monitoring – levels of quality and customer satisfaction and innovation in terms of products and services, particularly the consolidation and expansion of commercial service models.

At the end of 2011 CGD had a physical network of 822 branches and 38 Caixa Empresas offices, totalling 860 sales outlets.

The level of service at CGD's branches benefited from **developments in diverse areas** during the year:

- Consolidation of the new customer care / service model at 643 branches, up 129 over the end of 2010 (around 80% of network);
- Expansion of Caixazul service to 19 new spaces, now at 561 branches;
- Presence of Caixa Empresas service at 743 branches, up 137 over December 2010. This service is provided by account managers working in a single branch and multi-branch account managers;
- Rollout of the Caixa Mais service (personalised management for mass market customers) to 231 branches with a new customer care / service model, totalling 579 at the end of 2011;
- Establishing of the customer care / service model in 5 sales outlets, totalling 309 at the end of 2011.

The referred to interventions have helped to improve the customer experience, both on a level of attendance as in the quality of the time spent at the branch: pleasant reception facilities, proximity (reinforcement of physical presence), greater privacy and comfort, better circulation and support in performing self-service transactions.

These conclusions are mirrored in an analysis of the branch satisfaction index which shows higher values after the requalification, making it possible to conclude that the implementation of the new customer care / service model has made a significant contribution to the indicator's positive evolution.

Examples of such improvements include the customer waiting area, location of the personal reception services in reserved zones designed to improve interaction with customers, integration of the self-service area inside the branch and the diminishing of physical and visual barriers between reception areas.



In harmony with the implementation of the new customer care / service model, in 2011, working tools were continually improved with major relevance having been attached to the reinforcement of relational concepts and new transactional application indicators, in addition to the expanded scope of the incentives system.

In terms of **distance channels**, Caixa has strengthened the level of service on distance branches (Caixadirecta Mais, Caixazul Internacional, Caixadirecta Internacional and Caixadirecta IU), with customers directly benefiting from internet banking channel developments: more user-friendly, new savings products and new functionalities.

In the case of **Caixadirecta on-line** reference should be made to:

- Integration with CGD's website, with log in on [www.cgd.pt](http://www.cgd.pt);
- The new image, with a larger screen area and navigation support between functionalities, e.g. integrating records of frequent operations or consultation of receipts in diverse user options;
- Savings incentives with information on and ease in subscribing for financial products;
- Broadening of the online deposits offer with more diversified periods and amounts;
- Alerts associated with the maturity of non-renewable deposits (term and structured deposits) and non-processed direct debits;
- Scheduling of meetings with dedicated account managers for Caixazul and Caixazul Internacional customers.

In the case of **Caixa e-banking** the term deposits have been extended to pharmacies.

**Mobile banking** services, individual and corporate (Caixadirecta *mobile* and Caixa *e-banking mobile*), continue to focus on the main mobility transactions, particularly consultations, transfers and payments.

In 2011 and as in past years, great importance was attached to channel security, both in the case of the instruments provided to customers (SMS Token, Matrix Card and double confirmation of transaction), as in the early detection and prevention of fraud.

Caixa has maintained its commitment to **multichannel relational management**, improving the level of service and number of customers benefiting from the linkage between the three channels: Branch, Caixadirecta *on-line* and Caixadirecta telephone.

Growing customer empowerment, consistency of information and continuity of processes between channels are the three key dimensions of the multichannel experience. Caixadirecta *on-line* customers may request personal assistance when subscribing for campaign products, as well as sending and receiving secure messages with their dedicated account managers or commercial assistants.

Caixazul and Caixazul Internacional customers can also request support when subscribing for products (funds, cards and term deposits).

## INDIVIDUAL CUSTOMERS SEGMENT

### PREMIUM CUSTOMERS

The bank provides its affluent customers i.e. individual customers with greater potential involvement, with its **Caixazul** service. This is a personalised financial monitoring service, centred on a dedicated account manager available either in exclusive reception areas at Caixa branches, or distance services by telephone and internet (online managers). The Caixazul service provides customers with convenience and time saving solutions in the form of a personalised service and the manager's availability, even at a distance, providing rigorous high quality financial support and privileged access to Caixazul's range of financial and other products at special rates.

The service model was consolidated in 2003 by **improving the commercial relationship, adequacy and sophistication of offer and strengthening of the brand**.

The **commercial relationship** has been improved by:

- The leveraging of contact facilities and their respective success, using the various channels for linkage and interaction with customers;
- Access to the manager's schedule via Caixadirecta *on-line*, for arranging meetings;
- Promotion of contacts based on records of informational and commercial data (Caixazul Know



Your Customer structuring campaign 2011);

- › Business opportunities via *on-line* managers line (947 portfolios with this functionality);
- › Caixazul product factsheets, with sales arguments on starred and/or campaign products, for communication with customers with the appropriate profile (supply of 23 factsheets in 2011);
- › Communication via Caixadirecta *on-line*, with guarantee of "secure messages";
- › Compilation of information for the characterisation / registration of customers' investment profiles;
- › Cross-selling and up-selling actions providing customers with a diversified choice of products, covering varied financial needs.

The **adequacy and sophistication of offer** essentially comprise adaptations of exclusive online Caixazul deposits, i.e.:

- › Revision of the interest rate formation process of Caixazul Netf@cil, a new deposit with a one month maturity, renewable, fully liquid and payment of accrued interest even in the event of early withdrawals, with a fixed rate higher than indexed to Euribor;
- › Remodelling of Interest rates on Netpr@zo 6 M and 12M term deposits which are now fixed, for each deposit, at levels higher than the former levels indexed to Euribor;
- › Reformulation of personal loans, to the direct benefit of Caixazul customers in the form of lower spreads and maintenance of the specific "Vida Azul" line of credit;
- › Launch of the Caixa Platina credit card for affluent prestige customers. The card differs from other credit cards owing to its better insurance package which, *inter alia*, includes healthcare and hospitalisations and an exclusive concierge service;
- › Launch of the exclusive Caixazul retirement savings plan for these customers, with a guarantee of income in the first five years with no subscription fees.

Caixazul customers currently have access to 11 products / services with special terms and 10 exclusive products / services, of which:

- › *Vida Azul* personal loans, a loan facility for investors in Caixa's financial products, with interest rates indexed to Euribor and a low spread;
- › New advantages on premiums for a vast range of insurance, notably health (plans and cards) and personal accidents.

The **brand was strengthened** as follows:

- › An above the line campaign on various media, notably television and radio, providing information on the service, online manager, secure messages and scheduling of meetings via Caixadirecta *on-line*;
- › The bi-monthly issue of the Caixazul service newsletter sent to more than 160 000 customers;
- › A digital brochure with information on the advantages of Caixazul, supplied on the Caixazul service website at <http://caixazul.cgd.pt>, in addition to Caixadirecta *on-line* for Caixazul customers, contributing to the better identification and enhanced value of on-line managers;
- › Quarterly issue of the Azul enclosure with the institution's Cx magazine;
- › Monthly provision of a global statement of account with information on asset and liabilities positions;
- › Creation of a new area on the Caixazul website, especially geared to information on the integrated deposits offer;
- › Press announcements with information on specific, exclusive Caixazul service products;
- › Sponsorship of the magazines of professional orders, with advertising inserts.

## MASS-MARKET

### Caixa Mais service at a further 231 branches

Caixa Mais is a personalised monitoring and management service for individual customers with

business evolution potential (who are not eligible for the Caixazul service). It is provided by Caixa Mais commercial assistants who adjust and adapt the bank's solutions to the needs of each customer in their portfolio.

The service was expanded to cover 231 new branches with a further 325 Caixa Mais commercial assistants during the course of 2011.

In existence for only 2 years, this service model which has made a significant improvement to customer satisfaction, has already been implemented at 579 branches (around 70% of CGD's branch network), with a total of 893 commercial assistants. The Caixa Mais service has been provided to more than 400 thousand customers, and has increasingly become a quality benchmark in terms of Caixa's service.

January 2012 will witness a new expansion stage, with the Caixa Mais service expected to be operational on 82% of Caixa's branch network.

### Launch of "My Baby" Offer

Launched in June, My Baby is an innovative offer of products and services providing for specific needs related with the birth of a baby with a view to managing the extraordinary expenses incurred at this stage of life and a start on the preparation of the baby's future.

The offer consists of a prepaid My Baby card and permits the individualised management of expenses incurred on the birth and the first years of the baby's life, term deposits and savings, specific line of credit for larger expenses, special terms for HPP Hospitals and discounts from partners.

As the birth of a baby is of tremendous emotional importance for all the family, Caixa prizes each moment, with its offer of a pregnancy kit (for future mothers using HPP Hospitals), a baby kit (for children born at HPP Hospitals) and the baby's first euro coin collection when opening a CaixaProjecto savings account (for families with the My Baby card).

The involvement of family members and friends is one of the strong points of the My Baby card, as the reverse side of the card has the IBAN number for gifts to be directly credited to the card.

The My Baby card, launched in June, was recognised by *Publi-News* in December as one of the most innovative European cards in the prepaid category in 2011.

### Caixa Woman Offer Strengthens Value Proposal

The Caixa Woman offer, in 2012, as an innovative proposal for working women, continued to strengthen its position in the market in the form of an upgrade of its offer and commercial initiatives associated with events.

Reference should be made to the creation of new exclusive financial products (Caixa Woman 3 and 12 months online term deposits), a life insurance policy totally geared to women, in addition to the launch of a non-banking product (portable PC which is also a tablet) whose characteristics have been adjusted to the needs of this target.

In terms of promotional actions, various events were held to commemorate Women's Day and Mothers' Day, member-get-member actions with gifts from partners, the promotion of the Gala Mulher Ativa and the awarding of prizes to customers with the highest levels of use of Caixa Woman cards (which prizes include a trip to Cumbuco in Brazil and 100 iPods).

Information on these initiatives was based on specific communication media (monthly newsletter, quarterly magazine, Facebook and micro-site).

The satisfaction survey carried out with current and potential Caixa Woman customers indicated the value attached to the concept and its associated products and services.

### Communication to Customers on Consolidated Caixa Activa Offer

Consolidation of communication supports for Caixa Activa solutions, an innovative offer of products and services targeted at customers over 55.

Offer of *Caixa Activa* quarterly magazine to customers, with financial and leisure contents specific to the segment and also on sale at newsstands. Information on the *Caixa Activa* offer in the form of a specific monthly newsletter on the best financial solutions for this group of customers, without

forgetting intergenerational aspects as we are aware of the fact that one of the major concerns of our older customers is the well-being and security of their descendants.

Caixa Activa commemorated Grandparents' Day on 26 July, providing grandparents and grandchildren, with an educational and recreational programme at the premises of the Benfica Fire Brigade and Lisbon Fire-fighters Museum. This programme was offered to 50 Caixa Activa customers in the Lisbon region.

### Young People

Continuing its commitment to the young people's segment and incentivising stable, long term savings since their youngest days reference should be made to two major campaigns in 2011:

**Young People's Easter Savings 2011:** young people's savings solutions through the promotion of term deposits and savings accounts with different maturities at highly competitive rates.

**Young people's "PAP" savings:** information on products and interconnected mechanisms to enable young people's savings to continuously grow, automatically without additional efforts or concerns. By means of direct marketing, postal and *on-line* actions targeted at a broad range of young customers, followed by a commercial follow-up, the aim was to reinforce communication and the commercial and emotional relationship with guardians of minors' accounts, or with the young people themselves when reaching maturity, reaffirming Caixa's status as the savings bank for the young people's segment and financial educational partner and alerting them to the importance of saving for the future, notably the end result of a continued plan of scheduled even if small payments.

In addition to these campaigns, the permanent deposits offer was reinforced by the launch of two new term deposits for exclusive subscription on the Caixadirecta *on-line* service (DP online Caixa PopNet 3M and DP online Caixa PopNet 12M) with the need for only very small amounts when opening and paying into the savings account to permit and facilitate savings.

The usefulness of prepaid LOL cards to facilitate the management of weekly allowances and day-to-day expenses was also reinforced as a savings facilitator as they transfer any unspent amounts at the end of the month to the savings account.

The Financial Literacy Education+ Financial road show exhibition also contributed to affirming Caixa's status as a partner in the financial education of younger people. This exhibition is a joint initiative between Caixa and the University of Aveiro, based on the PmatE mathematical educational project which travels over the country making contact with primary and secondary education students.

### Savings Plus Solutions for Various Customer Segments

Caixa anticipated the market's growing savings concerns and that of its customers in particular, in 2011, by creating a new offer – Depósitos Mais – especially targeted at customers who use Caixa as their main bank and customers who transfer their deposits in other banks to Caixa.

The bank has also invested in supporting its customers' decisions, providing online simulators for savings products, intensifying communication on the need for savings with various individual customers segments and reducing the minimum amounts required to set up and reinforce savings deposits.

In the third quarter, Caixa strengthened this position, by proposing an innovative approach to savings – customers can save automatically without effort through the optimised use of Caixa's products and services.

The "PAP" (automatic savings plan) therefore proposes nine savings mechanisms transversal to various customer profiles. Based on a more selective approach, the various customer segments (young people, working women and customers over 55) were approached by commercial assistants and also by means of specific newsletters and SMS messages, on how "PAP" mechanisms can provide for their specific needs.

## UNIVERSITY STUDENTS AND UNIVERSITIES

2011 was yet another year for Caixa's affirmation of its leadership of the university market, as a business partner of the vast majority of higher educational establishments in Portugal, encompassing around 280 000 customers associated with the academic population, through its issue of the Caixa University Polytechnic banking card.

Promoting knowledge and academic merit, through the award of research grants, cash prizes for the best students and curricular placements and approximation to working life; encouraging entrepreneurialism through sponsorship of competitions and presentation of specific financial solutions for young entrepreneurs; supporting the financial needs of students during their academic lives and when they start work are Caixa's main thrusts in the university market.

The strategic interest in maintaining preferred relationships with higher educational establishments was the reason for the renewal of protocols, as a formal instrument for the presentation of benefits to the academic population of each educational establishment and the search for innovative arguments to strengthen such partnerships.

Reference should, accordingly, be made in 2011 to the installation of an IP system in Santarém polytechnic which uses cutting-edge technology associated with Caixa's University Polytechnic card, to control accesses, presences, entries and departures from the car park and internal payments. This was a significant expansion of the functionality of the card on the campus, designed to increase the probability of the card's use and Caixa's services outside the academic environment.

### New Brand

2011 was marked by the launch of a new designation with its own icon close to the segment – Caixa IU – which is intended to be a market brand capable of encompassing the whole of the offer targeted at the university segment and which aims to consistently incorporate values of modernity, innovation and genuine support for higher education and its academic population.

The use of the Caixa IU brand for an internet space geared to university students (formerly [www.cup.pt](http://www.cup.pt) and now [www.caixaiu.cgd.pt](http://www.caixaiu.cgd.pt)) with the complete reformulation of the website's look and feel, in addition to the change of denomination of the Caixadirecta Universitários service model to Caixadirecta IU began in 2011, in recognition of the new brand.

### Customer Service

Specifically configured to deal with this segment, the university service model which was launched in 2005, was based on the articulation and complementary nature of distance and personal customer care / services with the aim of securing new customers and achieving the satisfaction of university students in terms of their relationships with CGD, guaranteeing their continuity as customers during their working lives.

In 2011, **Caixadirecta IU's** distance facilities, which are responsible for commercial and relational monitoring on direct channels (telephone, online and e-mail) for more than 150 000 university students, witnessed an increase in its customer portfolio by assimilating around 35 700 new students moving into higher education in the academic year 2011/2012.

Personal enquirers at **university branches** at around 20 university campuses, especially configured to provide for the needs of the respective population, complement distance facilities in the form of a proximity service based on simplicity, availability and personalised attention in providing explanations and resolving problems as key times, guaranteeing due articulation between the two types of contact channels.

Special attention continued to be afforded to the continuity of the preferred relationship with Caixa at the completion stage of the academic cycle and integration when students start their working lives in 2011. By means of the transition to the **Caixadirecta Mais** service, launched in 2010 and based on distance relational management by a team of dedicated commercial assistants for customers who prefer a relationship based on the use of direct channels (telephone and online) or the **Caixa Mais** service for customers who value personal contact, or the **Caixazul** service for affluent customers, more than 23 000 recent graduate customers benefited from personalised management.

## Commercial Promotion

Under the slogan **"Follow your own course"** the **new university academic year campaign 2011**, in addition to fulfilling the commitment undertaken on the basis of protocols entered into with colleges of higher education for the issue of ID cards for the academic population (with and without banking facilities), enabled us to take advantage of our presence in more than 100 different locations to make first contact with new higher education students finding or "activating" customers and providing information on the offer for university students.

**Caixa Empreender** solutions (supporting entrepreneurial projects), **Erasmus.go** (training abroad, especially under Erasmus programmes), **Young people's products** especially online savings solutions and special PopNet Easter and Deposit Caixa IU Opportunity 2011 promotions, **Crediformação**, the **Caixa ISIC** card (international students) and the **Caixadirecta** service were the main targets for commercial promotion in 2011.

The **Knowledge and Activation campaign**, performed in waves during the course of the year, made it possible to develop the use of day-to-day products / services (means of payment, bank accounts for weekly allowances / wages and online banking) and update information on university and postgraduate customers. Especially to assess the academic situation and improve the service to be provided to customers at the post university stage, work began on the development of a new series of telephone contacts, targeted at around 60 000 potential finalist customers.

## RESIDENTS ABROAD

In 2011 and considering the value creation potential of this segment for Caixa, the main strategic objective continued to be Caixa's status as the main bank in Portugal for residents abroad (Portuguese or foreigners), with the challenges of retaining traditional emigration attracting second and third generations and "new emigration".

CGD made major progress in its relationships with customers resident abroad of which the consolidation of specialised distance banking in this segment and the broadening thereof to 13 countries spread out over 3 continents was one of the most striking examples.

Customers resident abroad were given the opportunity to make deposits in CGD's Cayman branch, in 2011 translating CGD's continued concern to develop products and services with the objective of optimising its offer to residents abroad.

Permanent contact with customers resident in Lusophone countries, is sustained on the basis of systemised, targeted actions either in the form of local structures or based on the development of regular distance contacts.

Resources taken from this segment account for around 10% of total resources taken from CGD's individual customers. Its management continues to be a strategic vector of CGD Group's performance, in which special attention is paid to the monitoring of new waves of emigration, with a view to reinforcing Caixa's status as the leading Portuguese Bank for residents abroad.

## Customer service

To significantly improve the relational management of customers resident abroad, as a complement to the branch office network, subsidiaries and representative offices abroad, the Caixadirecta Internacional service was extended to other customers resident abroad with a Caixadirecta contract, i.e. users of direct channels. Customers resident outside Portugal can use this service to contact their bank on free telephone lines and enjoy online access with the support of a dedicated commercial team. Selected customers received a letter setting out information on the service, followed by a welcoming action from the commercial assistants.

Simultaneously for higher net worth customers, the **Caixazul Internacional** service continued to operate its distance banking model based on dedicated managers.

The level of **customer satisfaction** with these two services was measured by telephone surveys and a highly positive assessment of the level of service on offer was once again confirmed.

Another **Caixa unit abroad** was inaugurated in June, further strengthening Caixa's international presence, now in more than 23 countries. The opening of this new representative office, in Toronto,

reinforced Caixa's close relationship with the Portuguese community resident in Canada.

To provide information on the segment's specific value proposals, Caixa communicates regularly with these customers via its *Caixa no Mundo* magazine and its [www.cgd.pt](http://www.cgd.pt) website in an exclusive customer area. An **electronic newsletter** for customers resident abroad whose email address is registered in the database was launched at the end of the year. This new communication support will be bi-monthly and have a more commercial remit with a summary of issues of relevance to the segment in question.

### Commercial Promotion Campaigns

To improve our knowledge of customers a three stage **Know your Customer Campaign** was launched (February / March, June and September / October) with the main objective of improving proximity and compiling information to support the production of new personalised proposals.

An **Easter Campaign** to develop Caixa's savings solutions, concentrating on innovative and competitive products, particularly a term deposit with pre-payment of interest, was launched in April. Flyers for point of sale and domestic and international press announcements under the banner **"Eggs, Almonds and Immediate Interest. A sweeter Easter for people making deposits in Deposit Plus Foreign Residents Account"** were developed.

With the objective of reinforcing proximity between Caixa and its customers resident abroad, a two stage **Summer Campaign** was launched. The first stage was organised abroad in June and focused on the transmission of proximity, universal presence and the advantage of products and services with special reference to deposits in various currencies (euro, US and Canadian dollars). The headline chosen for the first stage was **"Wherever you are, Caixa is by your side"** and **"Wherever you are, save with Caixa"**. The second stage was held between July and September with the aim of greeting and welcoming customers resident abroad to Portugal under the headline **"More value in Coming home"** and **"Welcome home"**. This campaign was backed by a comprehensive advertising campaign on foreign media and in Portugal with the collaboration of representative and branch offices, with the creation of 41 specialised reception areas on the branch office network in Portugal, in the summer months.

The **Christmas Campaign for Residents Abroad**, with the promotion of diverse savings solutions and launch of new offshore deposits in addition to information on several adequate savings mechanisms for customers living outside Portugal was organised at the end of the year. Various communication supports were developed for this campaign headline **"If you've travelled kilometres to improve your future you'll have no difficulty in taking one small step: Save"** was created.

### INVESTMENT AND SAVINGS

With the aim of taking in fresh and retaining existing resources, Caixa launched several savings and investment solutions in 2011, always targeted at adjusting its offer to customers' investment profiles, whether "prudent", "balanced", "dynamic" or "daring".

The actions / campaigns for taking in resources launched in 2011, making the most important contribution to the evolution thereof were:

- Upwards pricing review of a part of starred deposits;
- Launch of new deposit products ("Depósito Crescente Mais a 3 Anos" and "Caixa Aforro Poupe Mais");
- Launch of three new closed special investment funds ("Caixagest Valor BRIC 2015 – FEI", "Caixa Rendimento Fixo 2015\_FEI" and "Caixagest Rendimento Corporate 2014\_ FEI");
- Development of medium / long term financial insurance;
- Launch of the nine automatic savings mechanisms.

Translating a new savings concept within CGD – automatic savings – The "PAP" (automatic savings plan) which provided information on the nine automatic savings mechanisms, grouped into three categories, was launched in November 2011.

## 1. Automatic Returns on Savings Accounts

Easy, uncomplicated returns on savings.

- › **Caixa Aforro Poupe Mais:** savings with a half yearly loyalty bonus and possibility of automatic reinforcements;
- › **Young People's Savings Accounts:** deposits whose interest and capital are paid into the account on the maturity date. Account with a half yearly loyalty bonus and possibility of reinforcements;
- › **Caixa Activa Savings Account:** savings with guaranteed income and possibility of reinforcements plus other additional advantages.

## 2. Automatic Reinforcement of Savings via Use of Cards

Savings measures even when you are forced to spend.

- › **Cashback:** a percentage of the amount spent on purchases is paid into savings;
- › **Automatic transfers of unspent weekly allowances:** the amount of the unspent weekly allowance is paid into a savings account;
- › **Automatic rounding up of amount of purchases:** The amount rounded up is automatically transferred to a savings account.

## 3. Automatic Savings Facilitators

Mechanisms facilitating the act of saving should be viewed as useful advice for savings to be a natural occurrence.

- › **Automatic scheduling of transfers to a savings account** (available in-branch, Caixadirecta *on-line* and Caixadirecta Telefone);
- › **Automatic reinforcement of a savings account upon maturity of term deposits;**
- › **Automatic treasury management:** definition of a maximum amount in the current account and automatic transfer ("sweep") of surplus to a savings account and vice-versa.

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

- › **LIBER 3G motor insurance** – October 2010 launch of a new motor insurance with two solutions, one for the individual customers segment – **Liber 3G Individual customers** – and another for the micro and small companies and self-employed segment – **Liber 3G Corporate;**
- › **New Disclosure Requirements to Customers on Deposits** – continuation of Caixa's implementation (in articulation with other structural bodies) of the dispositions of Official Notices 4/2009 and 5/2009, in force since 18 November 2009, on disclosure requirements (i) pre-contractual, (ii) contractual and post-contractual.

## PROPERTY FINANCE

Profound changes were made to mortgage loans, in Portugal, in 2011, reflecting the existing economic cycle, the most recent evolution of the property sector and changes in confidence indices and the expectations of most Portuguese citizens.

This period, for the first time, witnessed an inversion of the growth trend on the balance of mortgage loans, owing to the significant decline in the volume of new operations.

In addition to the evolution of household indebtedness, diverse factors contributed to the occurrence of such changes in mortgage loan management, particularly:

- › Oversupply of housing to existing demand, resulting from the high levels of construction over the last few years;
- › Constraints in banks' access to financial markets, with repercussions on price policies;
- › The adoption of more restrictive lending criteria, reflecting worsening credit risk;
- › The across-the-board increase in unemployment, in a recessionary economic context, originating a reduction of household confidence indicators and postponement of decisions to purchase or change homes;



- The need to adjust banks' loans to deposit rates in line with the criteria imposed in the IMF/ ECB / EU memorandum of understanding.

Albeit accompanying the most recent mortgage loan trends, in 2011, Caixa Geral de Depósitos continued to guarantee its customers' access to mortgage loans, in providing diverse financing solutions, retaining its market lead in this business area.

In the sphere of new mortgage loan operations, the decision to take out a loan is considered very carefully by customers and Caixa therefore supplies detailed information on the elements of each loan and its associated costs, providing detailed information on the proportion of repayments to a household's financial resources.

In addition to compliance with the disclosure requirements, provided for in Official Notice 2/2010 of the Bank of Portugal and the availability of all of the information needed to make the decision, Caixa has been increasing its level of support and advisory services to customers.

At the same time, Caixa has reinforced its loan-making analysis and decision processes through the applicational optimisation of risk indicators, namely the demonstration of the calculation of the debt-to-income ratio and information thereon in the document for analysis and decision, to facilitate consideration of the operation's risk.

Endeavouring to facilitate access to housing in an adverse economic context of increasing living costs and a decline in disposable income, Caixa has been implementing integrated sales solutions for Caixa Geral de Depósitos Group properties and mortgage loans, on highly beneficial terms, giving priority to households with more limited resources.

Caixa has accordingly organised diverse auctions on Group owned property, with highly attractive financing terms regarding maximum maturity periods, spreads and finance / guarantee ratio, as well as exemption from the survey fee and dispensation from provisional registrations.

In this sale and/or rental process for Caixa Geral de Depósitos property, Caixa has relied upon the active collaboration of various property mediation networks with which it has entered into partnerships, in particular "Open House" initiatives, making it possible to arrange faster visits to properties on the market at lower than originally established prices.

Caixa has, at the same time, taken greater care over the management of its mortgage loans portfolio, taking into account growing debt servicing difficulties, improving its monitoring of the financial situation of its mortgage loan customers, analysing and proposing solutions for adjusting the amount of repayments to financial capacity.

To prevent future situations of default and/or over-indebtedness, warnings and financial stress indicators for mortgage loans are periodically generated, with the aim of studying loan renegotiation solutions and proactively proposing them to customers to reduce their monthly costs and bring them into line with their income levels and consequently reducing the risk of default.

Caixa has also developed a broad range of procedures to optimise the management of default situations, incorporating important reconciliation solutions.

CGD accordingly uses a collection of default management instruments, notably the extending of operations' maturity periods, change of contractual regime, introduction of a grace period on capital, deferral of a part of the capital to the end of the loan, endeavouring to adjust it to the date upon which customers' accounts are funded.

With the objective of contributing towards a reduction of household costs while also stimulating the housing rental market, Caixa, which was a pioneer in the creation and development of property investment funds for home rentals (FIIAHs), has been reinforcing its commitment to these instruments.

Such funds are increasingly more important in the search for credit recovery solutions while simultaneously incorporating a social aspect in permitting CGD customers in economic difficulties to remain in their present homes based upon the payment of a rent with the possibility of entering into rental agreements with a purchase option.

The option for FIIAHs has also contributed to another of CGD's strategic commitments, urban rehabilitation, to which CAIXA has committed by developing and commercialising specific financing lines of credit.



Registered as one of the "PES" (social emergency plan) measures, the "Social Rental Programme" was inspired by the "Rainbow Programme – New Horizons for the Rental Market", which resulted in a successful experience in the case of the Vila Nova de Gaia municipality and Caixa Geral de Depósitos Group. The programme is geared to social classes which, having income levels higher than permitted for the allocation of social housing do not, however, have the financial capacity to rent in the open market, representing a triple benefit:

- It resolves the difficulties of access to housing for families as the rents to be charged will be lower than on the open market;
- It makes use of the bank's property in its property portfolio;
- It promotes the urban rehabilitation market.

CAIXA's commitment to this important sector of activity, which is considered strategic for the country, is undeniable. In addition to entering into a broad range of protocols with diverse entities operating in this area, CGD has competed, in a consortium with IHRU, for the management of an urban development fund in the sphere of the JESSICA community initiative.

The referred to initiative, which was developed by the European Commission (EC) and European Investment Bank (EIB), in close cooperation with the Council of Europe Development Bank, is a financial engineering instrument designed to develop urban rehabilitation and regeneration projects and therefore develops social cohesion and sustainability.

The CGD/IHRU consortium will be responsible for the management of projects submitted in the sphere of the Regional Operational Programme for the Centre and the Operational Programme for Territorial Improvement (North, Centre and Alentejo), for a total amount of around EUR 51 million, leveraged by the funds of both institutions and of selected project developers.

This consortium, originally based on the transversal nature of CGD's and IHRU's operations, endeavours, in exploiting the synergies deriving from the activities of each of the referred to institutions, to provide future beneficiaries with the whole of the knowledge and experience accumulated in terms of funding urban rehabilitation and regeneration by both entities.

Caixa Geral de Depósitos was once again present at the Salão Imobiliário de Portugal – SIL (Property Exhibition), for the tenth consecutive year, as a sponsor of the event and its conferences from 11 – 16 October, at the premises of the Lisbon International Fair (FIL).

CGD Group was represented by the companies Caixa Imobiliário, Caixa Leasing e Factoring, CaixaTec, Imocaixa and Fundimo, in addition to CGD itself.

This year's special terms were notably based on:

- Highly attractive property prices;
- A large number of properties for sale or rent;
- A voucher for EUR 600 euros on the purchase of CGD property (excluding auctioned properties);
- Offer of "rent cheques" permitting customers who visit SIL and who enter into a rental agreement for CGD property, within the following two months, to benefit from a one month grace period on the payment of the respective rent;
- Differentiated borrowing terms on loans for CGD Group property.

Initiatives such as the Rental Exchange and SIL conferences have also leveraged the group's presence at the event. In turn, the Caixa Property Group organised three property auctions at SIL'2011, which was the largest property auction ever and which included properties for rent and not only for sale.

## CUSTOMER SEGMENT – COMPANIES

Following Caixa's strategic guidelines for the corporate business segment, in 2011, work continued to be carried out on the Caixa Empresas service model, reinforcing the proactive approach to customers and their levels of loyalty, support for export companies and Caixa's role as an engine for the domestic economy.

The Caixa Empresas service is based on a personalised management concept and financial

advisory services to the self-employed, micro companies and SMEs and the services of a specialised team of 229 customer managers accompanying 743 branches and a network with 38 offices specialising in monitoring SMEs, with 126 customer managers. At the end of 2011, based on an improvement of the commercial relationship with companies and businesspeople of most interest to Caixa, the Caixa Empresas service had more than 39 000 customers under management (including branches and corporate offices).

2011 was a historic year for CGD's corporate segment strategy, with the supply of a CRM tool to the branch office network and corporate offices and Caixa Empresas managers. This application permits an approach and more integrated, proactive, informed relationship between managers and corporate customers through the organised and systemised supply of a customer's relational information, current or potential, geographical intervention area and different prospects, articulated with the repository of economic-financial and risk information, helping to improve the monitoring of the portfolio with a range of functionalities permitting the integrated "customer" management (360° vision).

New functionalities on the application of limits were launched in the corporate CRM, with major advantages in terms of the improvement of the level of customer service, based on the allocation of pre-approved limits and speedier, more effective management and cover of the needs of companies, businessmen and respective employees.

The potentialities of CRM tools as leverage for the various initiatives in progress or promoted by CGD's Corporate Marketing are evident in the reinforcement of an improved level of customer service and marketing and commercial promotion activities.

Caixa has also, at the same time, developed a set of initiatives to support companies and businessmen with high quality products and services in 2011, notably the proactive definition of multiuse limits for treasury management as well as support for export companies and internationalisation, based on an assertive financial instruments communication policy for the supply of information and monitoring of domestic customers, both in domestic markets and markets in which Caixa operates, in an endeavour to contribute to the growth of the domestic economy.

Special reference should be made to the following 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 Promotional Actions.

## A) Investment Support

To improve Portuguese SMEs' access to funding, the following agreements were entered into:

- **Export Invest Line** (EUR 200 million), to meet the funding needs of direct or indirect exporters of equipment and products with manufacturing cycles of up to 18 months, during the manufacturing period of the goods to be exported;
- **Lengthening of Maturity of SME Invest Lines of Credit**, treasury support for companies whose operations are part of or have been contracted for under these lines, with a 12 month grace period on payments for the operations;
- **Azores Invest II Line of Credit** (EUR 40 million), for companies based in the Autonomous Region of the Azores for new investments in fixed assets and permanent capital needs;
- **Subsidised Line of Credit for Micro and Small Companies in Madeira** (EUR 10 million), for companies based in the Autonomous Region of Madeira for new investments in fixed assets and permanent capital needs.

Caixa continued to supply finance through its maintenance of:

- A special line of credit for small and medium sized companies (SMEs), with a mutual guarantee;
- Caixa Empresas Renewable Energies Solution;
- EIB XV and MIDCAP I line of credit;

- › Line of credit for the Educational and Health Sectors, CEB Lines of credit and CEB Line of credit for the Educational Sector;
- › Caixa SMEs Leader / SMEs Excellence Offer.

## B) Diversification of Offer to Companies

As regards the diversification of Caixa's permanent offer to companies, reference should be made to:

### International Offer

Caixa has been reinforcing its market status as an export support, market diversification and internationalisation bank.

A communication campaign on the theme "Caixa Export Support Bank", focusing on products and services supplied to export companies and companies intending to internationalise their operations was launched to achieve this objective in 2011.

The basis of this campaign and Caixa's international offer is CGD Group's knowledge on the markets in which it operates, particularly the main countries for domestic exports. With the largest international network of counters and managers who are second to none in their knowledge of export markets, Caixa has a series of unique solutions allowing exporters to receive faster payment and minimise their export risks, giving them the confidence to launch their company's products abroad.

Based on products and services such as remittances and documentary export credit, trade finance, concessional lines of credit, support for exports, programmes with supranational institutions, risk hedges, international payments and collections and banking guarantees and sureties for foreign operations, Caixa's international offer supplies more effective solutions for companies, enabling them to receive faster payment at less risk to their business and with greater simplicity in terms of customer relationships.

### Commerce and Services Offer

The "Commerce and Services Offer", in 2011, provided a series of advantages and more favourable conditions for potentially interested parties, rewarding customers' loyalty to Caixa. The main products were as follows:

- › Special terms for APTs associated with the Netcaixa current account or Automatic Treasury Management Service;
- › The internet banking service, i.e. Caixa e-banking or Caixadirecta *on-line*, associated with the current account;
- › Credit limit on the Caixaworks card or allocation of other limits;
- › Insurance for the commercial sector (multirisk and workman's compensation).

### Caixaworks Card – a Current Account in Your Pocket

This card was launched with businesspeople and small companies in mind as a "corporate treasury facilitator". It essentially operates with an aggregate credit limit on short term liabilities permitting greater financial autonomy and flexibility in terms 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 on subscriptions to Multicare, Multirisk and group life healthcare insurance.

### Multiuse Treasury Support Limit

To assist its corporate customers in all aspects of their activity, Caixa supplies a single limit which is convertible into a multiplicity of products in support of domestic and overseas commercial activity, treasury support and support for the acquisition of current equipment. Easy to take out and easy to use, the multiuse limit is supplied on the basis of a pre assessment of the company and may also include such current services as credit cards, bank guarantees and declarations of financial capacity, *inter alia*.

### Mutual Guarantee

Caixa promotes the use of mutual guarantees, in the sphere of partnerships between Caixa and mutual guarantee companies as an important instrument to improve access conditions and ensure more attractive prices for funding Portuguese SMEs.

The use of mutual guarantees also has positive effects on provisions for general credit risks, as CGD does not have to set up such provisions for loans guaranteed by mutual guarantee companies in addition to solvency ratios and an operation's profitability.

### Entrepreneurialism / Microcredit / Microfinance

In support of entrepreneurialism and creation of self employment, Caixa has retained its *Caixa Empreender* offer, in which reference should be made to the promotion of *Caixa Empreender +* and the *Microinveste* and *Invest+* lines of credit created in partnership with IEFP (Institute of Employment and Professional Training) and mutual guarantee companies.

In the microcredit area, it continued to develop the line of credit created under the agreement with ANDC (National Association for the Right to Credit).

In microfinance terms the *Caixa Young Entrepreneur*, *ANJE Microfinance*, line of credit for ANPME and line of credit for the *Raia Histórica* (area bordering Spain) were maintained .

### Lines of Credit for the Agricultural, Animal Husbandry and Fisheries Sectors

Caixa provided new application periods for its lines of credit for Support to Companies in the Agricultural, Animal Husbandry and Fisheries sectors (based on Decree Laws 1-A/2010 and 41/2011) and for a line of credit in Support of Fisheries (based on Decree Law 179/2008 and IFAP Circular Letter 1/2011). These lines were designed to support the acquisition of production factors, fixed assets investments and the restructuring / settlement of debts (with the objective of reinforcing such companies' working capital).

### PARES Line of Credit

Caixa maintained the possibility of contracting for operations under the line of credit for PARES (Programme for Expanding the Network of Social Facilities) investment projects submitted by charitable institutions under the protocol with the Portuguese Social Security Institute.

### FINICIA Line

Caixa has maintained this line for business initiatives / investment projects in the sphere of the FINICIA – Area 3 Programme (local business initiatives).

### Line of Credit for Tourism

Caixa has maintained its line of credit for tourism, for the funding of economically and financially viable investment projects in the tourism sector which contribute to improving the quality and competitiveness of national tourism, including the funding of projects for the reconversion of existing resorts.

### Line of Credit for Trade Schools in the sphere of POPH

Considering the interest and dimension of the educational sector, Caixa has maintained its line of credit for trade school beneficiaries of Community funding under the POPH (Human Resources Operational Programme) and continues to develop business relationships with the owners of the referred to trade schools.

## C) New Products and Services

### Netcaixa Service

This is the Caixa solution for accepting electronic payments on APTs (automatic payment terminals).

Netcaixa provides a comprehensive, high quality, secure service for transactions and its offer includes the installation of equipment. Customers also benefit from advantageous conditions on financial products and services, traders' service charges based on annual turnover scales and

average monthly transactions and mainly a cashback scheme comprising the return of a percentage of the service charge if the transaction involves the use of a card issued by Caixa.

### Automatic Treasury Management Service ("GAT")

The "GAT" service for Caixa customers is a product which facilitates corporate treasury management by automatically investing surpluses and funding liquidity requirements, whenever necessary.

### Financial Investments

Caixa Geral de Depósitos provides companies and the self-employed with a varied offer of term deposits, several of which exclusively subscribed for online. This offer make its possible to diversify corporate investments in different deposits, always with guaranteed capital and interest and for various maturities, in accordance with financial management, the activity's operating cycle and the amount each company intends to invest. The objective is to always have one high interest-bearing financial investment ensuring the availability of funds when required by the business.

### Management of Payments and Receivables from Suppliers

Caixa supplies its new "Caixa Maistessouraria" solution which makes it possible to manage payments to suppliers and receivables from customers based on a single limit, facilitating the management of companies' payments and receivables, enabling them to receive faster payment and giving them more time for their commercial activity.

### Financial and non-Financial Insurance for Companies

Domestic promotional insurance campaigns were developed in partnership with Fidelidade Mundial for Multicare, Workman's Compensation, Multirisk Businesses for companies and the self-employed, with special benefits for customers.

Domestic capitalisation insurance and fiscal savings promotional campaigns were also developed in partnership with Fidelidade Mundial.

## D) Protocols With Business Associations and other entities

Reference should be made to the existence of the following protocols with business associations:

### Protocol with the Portuguese Association of Environmental Technology Companies (APEMETA)

In the sphere of the protocol with APEMETA, Caixa participated in two seminars on "Energy Efficiency" and "Waste Management" as an important step in promoting Caixa's corporate offer.

### AIP Protocol

Caixa entered into a protocol of cooperation with AIP, with special terms on products and services for this Association and its employees, in addition to its associated companies and their managers, staff and technical operatives.

## E) Seminars and Other Informational Actions for Companies

### Information to Companies

Four digital editions of the *Caixa Empresas* newsletter were sent to 19800 addresses (16500 external and 3300 internal), stressing, in each edition, the campaigns, products and services pertaining to Caixa's corporate offer.

Six special *Caixa Empresas* newsletters were also sent: four on savings / financial investment issues and two on renewable energies / energy efficiency issues.

Five editions of the *Caixa Empresas* magazine, a bi-monthly editorial project inserted as an enclosure to the *Diário Económico*, were published.

A supplement on "Caixa as an Export Support Bank" was also published in a supplement to *Diário de Notícias*.

## Conferences and Seminars

Caixa provided support to the CGD / *Jornal de Negócios* conference cycle on Exports / Internationalisation. Three conferences were organised and published in three supplements in *Jornal de Negócios*.

Caixa was also involved in diverse seminars, in which information was provided on its corporate offer. Organising bodies included the local authorities of Albufeira, Mértola and Vila Pouca de Aguiar, the AIMINHO, ANJE, ENTRAJUDA, APME, APEMETA, AREAC, Viseu Business Association, EFMA and OPEN associations and the Universities of the Azores, Algarve, Beira Interior and Portalegre.

## QUALITY OF SERVICE AND CUSTOMER EXPERIENCE

Growing environmental concern and significant energy savings provided by renewable energy sources were the basis upon Caixa's Renewable Energies Offer, available since 2009, was launched.

Lines of credit with special terms for investment in the renewable energies area – solar, hydro and wind – geared to individual customers, SMEs and charitable institutions, were supplied under this offer.

**Quality of Service and Customer Experience** are a strategic fundamental pillar for Caixa's medium / long differentiation and reinforcement of its value proposals for customers.

Focusing on excellence, the management of the quality of service within CGD is in line with the best international multi-sectoral practices, notably methodologies for compiling information on customers' opinions from the analysis of data to the operationalisation of results.

The assessment and monitoring of the customer experience is performed by measurement systems based on techniques such as surprise visits to the diverse sales outlets and customer opinion surveys, including all business units and retail banking employees.

Regularly listening to customers is combined with online, benchmark and other occasional and qualitative market studies, especially for the assessment of the key interaction times with the bank and the level of adequacy of value proposals. The combination of the diverse quantitative and qualitative analyses of the results of these studies comprise 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.

Considering that the organisation, as a whole, is responsible for ongoing improvements to customer experience and satisfaction, the results are regularly announced to the whole of the internal structure, incorporated into training plans and translated both into concrete performance guidelines on the identified improvement opportunities and customer satisfaction and loyalty indices to be integrated into the incentives system on the branch office network and also with the objective of being used as a management and motivational instrument for the provision of a higher quality service.

In 2011, reference should be made to the consolidation of the ten quality and satisfaction programmes on customers currently in progress and customers' marked recognition of the continuous robustness of the service, offers and value proposals, translated into a continuous increase in the assessment of the quality of service.

The performance focus of the management of the quality of service was also centred on the operationalisation of results of which special reference should be made to the creation of a specific online platform for the announcement of results; development of new analyses and methodologies permitting the individual results to be acted upon with a view to improving specific customers' experiences; the launch of the production of a Customer Quality and Experience Table, whose conceptualisation is based on a 360° view of the customer, and the adequacy of the value proposal for the segment and optimisation of the service being performed, but also from an internal viewpoint which endeavours to make improvements to the efficiency and effectiveness of internal processes with a commercial impact.

In terms of the results achieved and notwithstanding the current socioeconomic context, their positive global evolution reveals CGD's growing concerns and focus on quality of service, rewarded by growing customer loyalty and retention levels.

## ELECTRONIC CHANNELS

In its exploitation of these new communication technologies, this banking service area has undergone significant development over the last decade, with the launch of new services, associated with new forms of access and new functionalities, based on the interest shown, intensifying Caixa's multichannel strategy, centred on the needs of its customers.

Innovation on behalf of customer service through the modernisation of self service, internet and telephone banking, with new equipment, functionalities and service models, bring CGD closer to its customers, providing a quality response to their expectations of multichannel convenience. Customers use the different channels according to their specific needs, location and most expedient form of access – PC, landline or mobile phone, smartphone or PDA.

The absorption of a significant proportion of current transactions by electronic channels has permitted a change in the banking service model, allowing branches to change the transactional banking model into an essentially relational one with a specialised enquiries services targeted at the needs of customers.

The importance of electronic channels, as an alternative point of contact is translated by the total volume of transactions – more than 1 billion a year, in addition to the distribution of financial products and financial services.

## SELF SERVICE

Caixa's self service facilities include the management of the ATM network as part of the Multibanco network and Caixautomática service, private in-house passbook updaters exclusively for the use of its customers. The 4909 automatic items of equipment performed 270 million operations and transferred EUR 17 billion.

The CAIXAUTOMÁTICA network, made up of 1523 in-house ATMs and 1037 passbook updaters was responsible for 136.8 million operations and movements of around EUR 9.4 billion. Reference should be made to the endeavours to improve the level of service with the supply of new functionalities (interbank transfers) and the technological upgrading of the channel, in which around 76% of ATMs already have an intelligent deposit functionality.

Caixa's Multibanco ATM network totalled 2349 units, accounting for a 16.8% market share with 133.3 million in operations and movements of more than EUR 7.6 billion.

## NETCAIXA

Caixa's netcaixa solution is available for its Acquiring<sup>(1)</sup> business. This is a complete service for the acceptance of electronic payments at automatic payment terminals (APTs), with a 24 hours a day hotline operating every day of the year on 707 24 24 77.

The netcaixa service comprises an integrated equipment, communicational and transactional solution which permits the acceptance of payments with national or foreign Multibanco, Visa and Mastercard debit and credit cards.

Pursuant to its strategic plan for 2011 and reflecting the dynamics of the performance context of the netcaixa service a series of initiatives based on the versatility and reinforcement of commercial operations was developed of which:

- Launch of the netcaixa online service (Virtual APT);
- Commerce and services campaign – netcaixa MB-Only and Multibrand offer;
- Introduction and implementation of the Premium installation and assistance service;
- Strengthening of the reaction capacity to increased competition in the acquiring market.

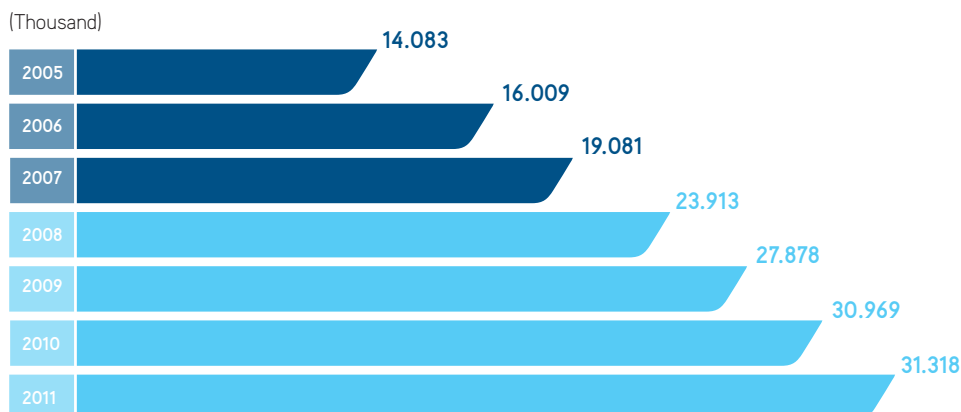
The definition of adequate service management strategies and policies to improving profitability in alignment with Caixa's and its management's and board of directors' strategy, made it possible to secure leading customers in various sectors of activity, mitigate risk and achieve higher commission levels.

(1) Acquiring comprises an activity enabling traders to accept the cards represented by the Acquirer which enters into an agreement on acceptance conditions with the traders and is responsible for paying for the transactions.



The acquiring activity was up 1% in number of items of equipment, closing 2011 with around 31.3 thousand units. Operations accounted for around 101 million in number, up 19.3% over the preceding year and around EUR 3.7 billion in value, up 11.7% over the preceding year.

#### POS ITEMS OF EQUIPMENT



#### CAIXA CONTACT CENTER

The **CaixaContactCenter** is responsible for inbound contacts and operations, provision of services and execution of outbound actions, ensuring the efficient management of contacts and information to customers and non-customers, in addition to securing business using up selling and cross selling strategies.

It performs telemarketing, customer loyalty, promotional and direct sales campaigns for customers and non-customers, for products and services, also provided in-branch, performing surveys and credit recovery actions.

The CaixaContactCenter platform's main functions include enquiries services for the Caixadirecta (informational and transactional) service and Caixa *e-Banking*, customer support lines - credit card and authorisation centre, Caixautomática, netcaixa, National Association of Pharmacies (ANF).

Caixadirecta Telefone, which is Caixa's telephone banking service, provides the secure, user-friendly execution of operations and banking consultations services as well as mortgage and personal loan simulations.

It also provides an automatic multilingual interaction (Portuguese, English, French and Spanish) voice guide (IVR) and personalised assistance, available 24 hours a day, every day of the year, on 707 24 24 24 (landline) 91 405 24 24, 93 200 24 24 and 96 200 24 24 (mobile).

Around 2.5 million calls were received in 2011, including both informational and transactional lines. 87% of the transactional calls were resolved automatically. Around 30 thousand emails from customers were also received and processed. Reference should also be made to the increase of around 7% in the number of contracts from around 1.4 million to around 1.5 million.

Around 3 million outbound calls were made and around 300 thousand customers contacted. More than 365 thousand SMSs were also sent to customers in the sphere of this activity. Complementing such calls and the sending of SMSs, processes involving the sending of emails and contacts made by telephone using voice simulation were created and globally accounted for an increase in the number of customers effectively contacted.

#### INTERNET BANKING

On a level of internet banking channels, Caixa is the market leader as regards the use of home banking services, (*Basef Banca Marktest* study), August 2011) provided to individual customers, companies and institutions, with the best security standards, best solutions, based on innovation, convenience and user-friendliness, attributing greater value to the relationship between customers and Caixa.

In the internet banking sphere, Caixa provides its individual customers with Caixadirecta *on-line*,



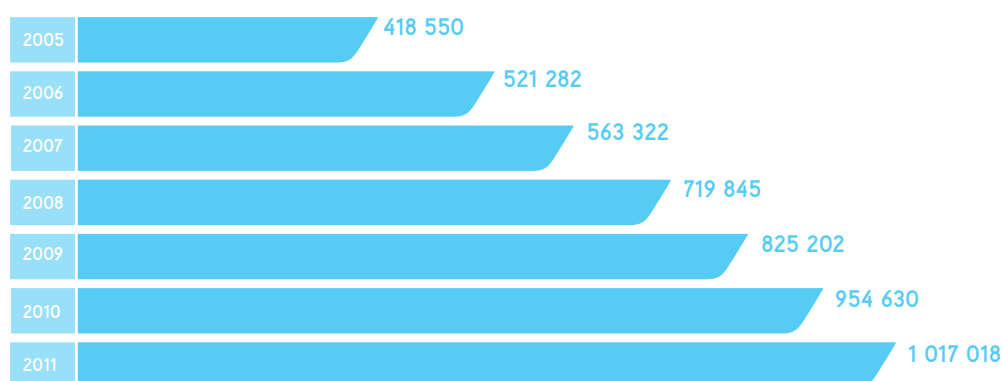
Caixadirecta *invest*, Caixadirecta *sms* and Caixadirecta *mobile* services and its corporate customers with Caixa *e-banking* and Caixa *e-banking* mobile services.

### CAIXADIRECTA ON-LINE

This service permits customers with a computer and internet access, at no cost and in the case of paid services, at a lower than in-branch cost, to access their accounts and make consultations, transfers (domestic and international) and payments, order cheques, subscribe for financial products, apply for cards, perform stock exchange operations, scheduling, manage their fund portfolios, consult documents (copies of cheques), access Caixadirecta *invest*, the online shop and the MB DOX service. Reference should be made, in 2011, to the supply of the new DUC (Prepayment of Justice, ADSE, and VAT charges / costs).

On a level of the use and number of contracts the service has maintained a sustained growth trend with a 19.5% increase in the number of operations performed and 13% increase in the number of active contracts. An average daily number of 1.7 million operations were performed, with, on days of greater use more than 3 million operations, up 75% over the daily average.

#### CAIXADIRECTA ON-LINE – ACTIVE CONTRACTS

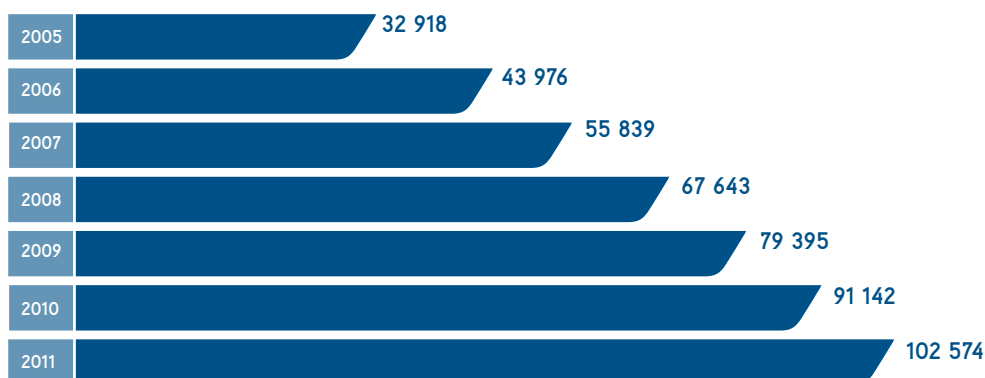


In 2011, the number of Caixadirecta *on-line* contracts accessed via Caixadirecta *mobile* grew 66% and the number of operations also evolved favourably, up by around 37%.

### CAIXA E-BANKING

This service allows corporate customers to perform banking operations on an internet-enabled computer or internet-enabled mobile phones, smartphones or PDAs, at <https://m.caixaebanking.cgd.pt>, with a requirement to be users of Caixa *e-Banking*. In 2011, several enhancements were made to the channel with customers being given new functionalities, notably, on a level of SEPA transfers and term deposits.

### CAIXA E-BANKING – ACTIVE CONTRACTS



Reference should also be made to the rate of growth of the use of the service, 16% for operations, *vis-à-vis* active contracts, with an increase of 12%. A daily average of 220 thousand operations was performed, with more than 700 thousand operations on the busiest days.

### DISTANCE BANKING

#### CAIXADIRECTA UNIVERSITÁRIOS SERVICE

Geared to university customers and anchored on a distance banking concept, this service aims to accompany customers during their university lives, increasing levels of satisfaction and promoting their preference for and loyalty to Caixa at the end of their academic studies.

This service model aims to improve the management of the relationship with this segment and is based on two relational and commercial management pillars, preferably directed by a team of commercial assistants from the Caixadirecta University Branch – AUC, but always, whenever necessary, complemented by the support of the personal enquirers service provided at university branches located on university campuses and general CGD branches.

University customers contact their commercial assistants on local rate number 808 212 213 or by email ([caixaup@cgd.pt](mailto:caixaup@cgd.pt)) and [comerciais4@cgd.pt](mailto:comerciais4@cgd.pt) 24 hours a day every day of the year.

#### CAIXADIRECTA MAIS SERVICE

Geared, at the first stage, to recent graduate customers starting work for the first time, the service aims to provide for the needs of customers who value and prefer the use of distance services, based on mechanisms leveraging the perception of innovation and a customer-centric approach promoting their preference for and loyalty to Caixa, via:

- › Systematic monitoring by a member of the commercial assistants team;
- › A fast and effective level of service in responding to requests;
- › Anticipation of needs and suggestion of opportunities.

Customers access the Caixadirecta Mais service on 707 24 24 24 plus their contract number, in automatic mode or can speak with an operator 24 hours a day every day of the year.

#### CAIXADIRECTA INTERNACIONAL SERVICE

The Caixadirecta Internacional service answers enquiries from customers resident abroad. In 2011, the service was expanded to customers resident in France and Switzerland and another 11 countries – Germany, Belgium, Holland, Luxembourg, Spain, United Kingdom, South Africa, Brazil, Canada, USA and Venezuela. Working hours were expanded to provide for this new challenge and the service is now available from 09.00 – 24.00.

## MICROCREDIT

The Central Microcredit Branch (ACM) specialises in microcredit and funding entrepreneurialism support programmes and the creation of self employment, under the protocols entered into with the ANDC (National Association for the Right to Credit), ANJE (National Young Businessmen's Association) and IEFP (Institute of Employment and Professional Training).

During the course of 2011, reference should be made to funding under the ANDC, ANJE and IEFP, protocols notably via the implementation of mechanisms to increase the flexibility of analysis, in addition to the reinforcement and alignment of information systems.

In terms of sustainability and social responsibility, ACM was involved in the promotion and disclosure of information on microcredit and entrepreneurialism, in multidisciplinary workgroups such as the partnership entered into between APB and Entrajuda and in nationwide actions with several groups such as charitable institutions or potential entrepreneurs.

## CARDS

DMP's main objective continues to be to ensure CGD's maintenance of its leadership of the domestic market as the main cards issuer, both debit and credit, ensuring the sustainable growth of its respective average share, notwithstanding the socioeconomic situation in 2011, namely the slowdown of economic growth and drop in consumption, together with the development of a highly competitive European-wide market, characterised by:

1. Elimination of barriers to the entry of new entities in the European area;
2. Price convergence with deep cuts in margins;
3. Globalisation, through the broadening of options; and
4. Regulation, with an increase in control mechanisms.

It therefore furthered a strategy of growth and innovation in the cards issuing business, focused on continuity of investment made in former years, continuing to sponsor the launch and development of innovative and unique proposals in which we are already a benchmark operator in domestic and international markets, in addition to the development of actions to secure customers, improving levels of service and customer loyalty either in the launch of new products or the portfolio of existing cards.

Control of default risk, improvement and effectiveness of costs and maintenance / increase in billing to ensure product profitability were the other main areas of concern.

The defined objectives, expansion of the database of CGD cardholders, in addition to the number of cards issued and consequently billing were globally achieved.

A detailed description of actions taken and developed in 2011 is given below.

The adoption of solutions to improve the technical capacity and security of cards, in terms of the validation of transactions, such as EMV/DDA (Dynamic Data Authentication) chip technology and PIN, whose certification process and migration took place in 2011, and which were incorporated in all contactless cards, currently at its development stage and mobile payments in which the aim is to eliminate cards as physical objects, with all functions being performed by mobile phone.

The existing base segmentation model was redefined by a new development model based on **Customer Loyalty** implemented on the basis of a customer as opposed to a product-centric approach, **Customisation**, creating a specific product for each customer, on a basis of micro-segmentation or discretionary choice of functionalities, (card Made By), and the **Purchasing experience**, based on the option to use a PIN, contactless, mobile, or point of sale payment options, debit / credit, split payments, programme rebates, immediate discounts.

Work continued to be performed on building strategic partnerships with companies associated with other sectors of activity, both CGD Group and external, which continued to be one of the supports of the activity for the launch of new and optimisation of current cards. Reference should, herein, be made to the establishing of commercial partnerships for the supply of new forms of short term funding to customers, using interest free split payments with associated savings benefits.

Work continued on the development of the **Partnerships Portal**, [www.advantagescaixa](http://www.advantagescaixa) with,

in addition to setting up an online shop, *LojaVantagens* and development of a Facebook profile, as instruments for the knowledge of customers from the viewpoint of their personal interests and available offer to meet such interests on a level of existing partnerships.

Promotional campaigns designed to intensify the selective use of cards and use of credit were developed in an ongoing commitment to customers and definition of new attributes, new segments and new functionalities, with the aim of differentiating between offer and channels.

This was the case of the **webuy** card campaign, in partnership with Mastercard, designed to develop the use of e-commerce. Caixa's **webuy** card, is a virtual prepaid card representing Caixa's response to this market niche, giving customers the possibility of having a specific, secure payment media for this type of purchase.

Campaigns for the launch of new products / services included the following:

- **Caixa Platina card** – credit card (dual ATM) issued solely by invitation to individual Caixazul customers in the affluent customers segment, available in-branch via direct marketing;
- **My Baby card** – a prepaid card for the management of expenses prior to birth and permitting cash reinforcements (financial gifts from family and friends);
- **Caixa Vitória card** – a prepaid card for members and fans of Vitória de Guimarães;
- **Win-Win card** – a deferred debit card exclusively for wholesalers and only usable on wholesalers' terminals (with CGD's APTS), enhancing security and enabling the control of movements. This is a private payment media, issued to each retailer who is a customer of the respective wholesaler, for the funding of current purchases. This card is a supporting tool for corporate activity, notable SMEs, in which Caixa has designed a product which is specific to this B2B segment. The project also helps to secure new companies and consequently increase the level of commercial relationship with them;
- **Caixautomática Visa / MasterCard** – deferred debit cards for non-segmented mass-market customers;
- **Caixa Mobile** – a pilot project operating on several vending machines installed in Caixa's HQ building, enabling payments to be made by mobile phone (2D or SMS);
- **TUB (Transportes Urbanos de Braga)** – the technical operationalisation stage was completed with the launch of the pilot project for the urban transport network of the city of Braga scheduled for January. This allies the ticketing function with the Caixa Classic credit card, for one-off ticket purchases;
- **Instant Issuing** – this service allows branches, to automatically issue cards for immediate delivery to customers. This project caters for the convenience of our customers, in addition to the needs of a business in constant evolution, with obvious advantages in terms of sales and service efficiency. Work began on the pilot project at the main branch and the service is expected to be expanded to an additional 12 Caixa branches next January;
- **Point of Sale Loyalty Solutions** – we undertook a concept trial with Yunit, at social services shops with the organisation of a campaign at sales outlets / payment terminals, for the automatic and immediate issue of vouchers, using Caixa cards;
- **Rounding-up functionality** – with the objective of stimulating savings through the use of CGD means of payment, Leve, Caixa Classic FNE, ITIC FNE, Caixa Classic, Caixa Gold, Caixa Woman, Ímpar, Soma and Caixa Activa cards are associated with a functionality for rounding up the amount of purchases made with the remainder being automatically paid into savings accounts associated with each product;
- A further two "PAP" (automatic savings plan) measures were also directly related with cards:
  - Automatic transfer programme for prepaid cards;
  - Cashback programmes associated with savings accounts, current accounts and cards

An article considering that CGD has the best "classic" credit card on the market was published in the weekly *Vida Económica*.

In 2011, as in the preceding year, we were finalists in the international "Publi-News 2011 Trophies for Innovative Cards" competition with My Baby cards in the prepaid category and the Made By card in

the design category, the latter of which was a prize-winner.

Internal informational network actions on the intranet, specifically on the card micro site, in addition to network training with classroom attendance for commercial area employees and cross-selling managers were also developed.

In the sphere of default management, several preventative measures were taken. They included the selective disclosure of information on the card business, in which eventual additional customer risks can be identified, enabling the network to take advance action.

Adjustments were also made to product parameterisation, as was the case of the reduction of the limit on split payments, the change in the decision-making scoring chart upon which the automatic assessment model for online card applications is based, reduction of extended credit on higher risk cards and, lastly, change in the collection model for the Caixaworks card.

### 1.6.2.2. Specialised credit

The leasing sector<sup>(1)</sup> was down 42% in year-on-year terms, reflecting decreases of 48% and 39% in the equipment and property leasing subsectors respectively. Sales were also down 2% over 2010 in the factoring<sup>(1)</sup> sector. The consumer credit<sup>(2)</sup> sector was down 21% over 2010.

(EUR thousand)			
SALES FOR SECTOR IN THE YEAR			
	2010	2011	Change
Equipment leasing	1 264 390	653 817	-48%
Property leasing	2 864 689	1 737 023	-39%
Factoring	28 418 096	27 879 548	-2%
Consumer credit	5 561 472	4 419 782	-21%

### CAIXA LEASING E FACTORING

Caixa Leasing and Factoring, Instituição Financeira de Crédito, SA (CLF), represents CGD Group in the specialised credit sector, operating in the equipment and property leasing, factoring and consumer credit sectors.

(EUR thousand)							
CLF Sales				CLF Market Share			
				2010		2011	
CAIXA LEASING E FACTORING	2010	2011	Change (%)	Ranking	%	Ranking	%
<b>Product</b>							
Equipment leasing	277 524	120 389	-57%	2nd	22%	3rd	18%
Property leasing	556 027	262 466	-53%	1st	19%	1st	15%
<b>Total Leasing</b>	833 551	382 855	-54%				
<b>Factoring</b>	3 694 722	4 033 212	9%	4th	13%	4th	14%
<b>Consumer credit</b>	30 538	13 124	-57%		0.55%		0.30%
<b>Vehicle finance</b>							
Property leasing (light vehicles)	229 539	94 740	-59%				
Consumer credit	21 880	8 279	-62%				

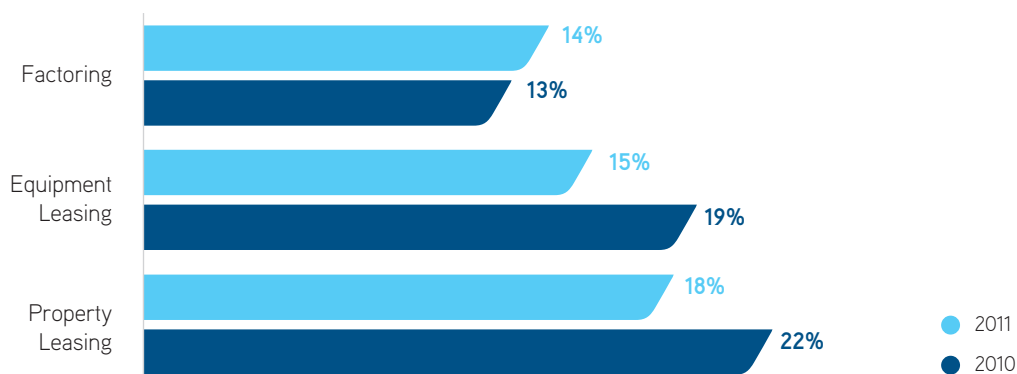
The company kept pace with the sector trend, with decreases of 57% and 53% in its equipment and property leasing businesses, respectively. Owing to the slowdown in property activity, CLF's market

<sup>(1)</sup> Source: ALF (Portuguese Leasing and Factoring Association).

<sup>(2)</sup> Source : ASFAC (Specialised Credit Institutions Association).

share was down from 21.8%, in 2010 to 18.4% in 2011. In the case of equipment leasing, although the company's market share was down from 19.4% in 2010 to 15.1% in 2011, it retained first position in the subsector ranking. Owing to this evolution, the company's global leasing sales were down 54%. The company retained fourth position in the factoring ranking with a market share of 14.5% (13.1% in 2010). In the domestic factoring segment, the company came first with sales of EUR 3684 million.

#### CLF MARKET SHARE



Caixa Leasing e Factoring's net assets were down 13.2%, as a result of the 13.9% reduction in its loans and advances to customers (net) portfolio.

CAIXA LEASING E FACTORING	(EUR thousand)	
	2010	2011
Net assets	3 642 086	3 163 272
Loans and advances to customers	3 629 242	3 177 609
Provisions for overdue credit, doubtful loans and foreign loans (balances)	-79 313	-120 960
Shareholders' equity	140 381	126 979
Net income	9 014	-11 402
Share capital	10 000	10 000
Group %	51%	51%
Employees	191	191

Net interest income and net operating income were down 6.3% and 5.5%, respectively. This evolution and the growth of 117.2% in provisions and impairment appropriations explain losses before tax of EUR 13.6 million.

The company, at 31 December 2011, posted net losses of EUR 11.4 million.

#### 1.6.2.3. International Activity

2011 was increasingly marked by the effects of the global economic crisis which, to different extents, affected all worldwide regions, including, directly or indirectly, CGD's operating geographies.

The sovereign debt crisis sharply affected government funding in several Eurozone states, particularly in bailout beneficiary countries such as Portugal, Ireland and Greece. The risk of contagion to other Eurozone countries intensified and generated successive rating downgrades or risks thereof in the main European economies, particularly Spain, Italy and France and the consequent instability of financial markets.

The successive rating downgrades on the Portuguese Republic had a strong impact on banks' funding operations in the international markets, including CGD, which naturally conditioned the Group's banking operations, not only in Portugal but abroad. The US market in which CGD traditionally sought its funding ceased to be accessible on account of investors' lack of interest

owing to CGD's rating.

The Spanish market, as Portugal's main trading partner, was also badly affected by the debt crisis, with yields on public debt increasing during the course of the year to maximum highs since the creation of the euro. Added to this was the crisis in the construction sector, which is one of the main barometers of the Spanish economy and which, following the boom of the last few years, was sharply down with an abrupt contraction in the value and volume of property transactions, which also had a penalising effect on banking activity. On the other hand, with unemployment reaching 20%, the household savings rate contracted sharply with its respective impact on banking activity.

The emerging markets in which CGD operates, were less affected by the global economic crisis, with several countries such as Angola, Mozambique and Brazil evolving in countercycle mode, with positive growth rates.

CGD Group considers internationalisation to be one of the fundamental thrusts of its strategy, which commitment was reinforced, in 2011, owing to the contraction of domestic economic activity. The Group, always accompanying its customers, therefore endeavoured to maximise the synergies deriving from its vast international network, with latter greater focus on the already referred to emerging markets and others to which Portuguese companies are now turning their attention for commercial or investment reasons. CGD is the benchmark operator for Portuguese companies aiming to expand their businesses, always based on highly prudent and rigorous criteria.

One of CGD's strategic objectives is therefore to operate either directly or indirectly in markets with the highest business potential for Portuguese companies, in addition to markets with high growth potential and particularly those with which it maintains cultural and linguistic affinities. The regions of Africa, Brazil and China have therefore been reinforced as strategic thrusts for international activity.

In 2011 and exploiting the diversity of support mechanisms and solutions for its customers, Caixa Group continued to support foreign trade and the internationalisation of Portuguese companies, particularly focusing on SMEs, supplying a diversity of support mechanisms and a vast range of solutions.

Group solutions also include corporate advisory services, provided by specialists in foreign markets and in trade finance who work closely with the branch office network, notably in terms of the provision of detailed information on the specific characteristics of each of the relevant markets for the internationalisation of Portuguese companies through the development of tailor-made operations for support to exports and investment, taking into account its customers' specific needs.

Caixa continued to comply with all of its commitments under concessional and commercial lines of credit with medium and long term maturities for export support purposes, making a marked contribution to boosting the export sector, continuing to provide support to its customers and overall economic growth.

As regards the monitoring and promotion of concessional lines of credit for exports, reference should be made to the following:

- First disbursements under the China Eximbank EUR 300 million line of credit, in the sphere of Portuguese SME projects which have benefited from this support to achieve their first sales in the People's Republic of China;
- First funding under the commercial line of credit to Mozambique for EUR 300 million.

Promotional actions and better facilities for Portuguese companies in internationalisation processes in strategic markets for Caixa Group were reinforced in 2011:

- September 2011 organisation of "Internationalisation Meetings – Mozambique" in articulation with CGD's corporate network CGD and Banco Comercial e de Investimentos, split up into three sessions organised in Porto, Leiria and Lisbon, with the objective of promoting Caixa Group's offer to the Mozambican market, which is seen as an increasingly more important destination for Portugal's foreign trade and investment;
- CGD's co-organisation and participation – with SOFID and AICEP – in the InvestimoZ Workshop, in November 2011, in Lisbon. This event, whose objective consisted of the presentation

of this fund managed by SOFID, to support Portuguese investment in Mozambique, was attended by Mozambican entities and various companies;

- Interventions in a multiplicity of forums and seminars to provide information on and facilities for Portuguese companies on Caixa Group's support for internationalisation, notably actions to provide facilities for internationalised SMEs or SMEs with internationalisation potential, organised by AICEP and business associations and chambers of commerce.

CGD also promoted partnerships and diverse initiatives, in the framework of the development of the consolidation of the Group's international network through its branches and subsidiaries abroad.

The France branch, committed to consolidating and expanding its presence with the local community, continues to operate a policy of taking in resources in supplying diverse packages of products and services: PrimeCaixa, TaCaixa and Libra Caixa, while also continuing to operate a prudent pricing policy. On the other hand, reinforcing its position in the construction sector, the France branch has formed an association with the Franco Portuguese Chamber of Commerce and Industry for the organisation of events associated with this sector (BATIMAT building exhibition and the Portuguese Embassy in Paris – Social Housing). The branch has also committed to the sectoral diversification of its credit policy and, in conjunction with its domestic network, is committed to supporting the internationalisation of Portuguese companies.

In Luxembourg, five years after the inauguration of its HQ building, the CGD branch reopened its mediatheque improving the quality of services and providing a suitably equipped training room. In addition to complementing its financial service, CGD's mediatheque is a symbol of Caixa's social responsibility.

In Cape Verde, Banco Comercial do Atlântico (BCA) placed 500 thousand subordinated bonds in the Cape Verde Stock Exchange. This was the most successful ever operation in the said market.

In Mozambique, Banco Comercial e de Investimentos (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.

In Angola, Banco Caixa Geral Totta de Angola furthered its branch office network expansion policy by opening another 3 business units. Banco Caixa Geral Totta de Angola also entered into a partnership with the Faculty of Economics of Universidade Nova de Lisboa to create one of the first business schools in Angola.

Banco Caixa Geral Brasil has been maintaining a highly dynamic trajectory based on a strategy especially geared to the corporate segment and investment banking.

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. Reference should be made to the fact that the new university campus project, as an important collection of infrastructures representing an important milestone in the country's educational and social scene is currently at its performance stage.

The growth of CGD Group's international network also translated into the opening of a representative office in Toronto (Canada) to improve relationships with the Portuguese community in this geography.

On the international network, loans and advances to customers (net) were down 1.2% in year-on-year terms to EUR 13 651 million. Customer resources were up 16.6% to EUR 11 716 million.

Resulting from a series of non-recurring factors particularly associated with the high level of impairment and the Group's global deleveraging plan which it has committed to implement in 2011 in the sphere of the Capital Funding Plan agreed with the Bank of Portugal, CGD's international activity's contribution to CGD Group's consolidated net income was EUR 10 million.

Net interest income from the international area posted growth of 4.4%, to EUR 456 million. The evolution of non-interest income was also positive, up 19.2% over 2010, to EUR 172 million.

In operating terms, consolidated gross operating income was EUR 256.5 million, down 3.2% year-on-year. The costs structure was up by around 11.7% deriving from the increase of cost-to-income in the international area, from 57.5% in 2010 to 59.4% in 2011. This evolution particularly derived from the Group's expansion process in several priority markets.



## BRANCH OFFICES AND SUBSIDIARIES

(EUR million)

INTERNATIONAL AREA <sup>(1)</sup>		Change		
BRANCH OFFICES	Dec. 2010	Dec. 2011	Total	%
<b>Loans and advances to customers (net)</b>	5 418	5 553	135	2.5%
Loans and advances to customers (gross)	5 668	5 921	253	4.5%
of wich overdue credit	184	181	-3	-1.7%
Credit impairment	250	368	118	47.0%
<b>Customer resources</b>	2 210	2 857	647	29.3%
<b>Net income</b>	22	-41	-63	
<b>Branch offices</b>	61	60	-1	-1.6%
<b>Employees</b>	698	648	-50	-7.2%
<b>SUBSIDIARIES</b>				
<b>Loans and advances to customers (net)</b>	8 393	8 098	-295	-3.5%
Loans and advances to customers (gross)	8 616	8 347	-269	-3.1%
of wich overdue credit	291	319	28	9.6%
Credit impairment	222	249	27	12.2%
<b>Customer resources</b>	7 841	8 733	892	11.4%
<b>Net income</b>	59	52	-7	-11.6%
<b>Branch offices</b>	411	423	12	2.9%
<b>Employees</b>	4 145	4 492	347	8.4%
<b>TOTAL</b>				
<b>Loans and advances to customers (net)</b>	13 811	13 651	-160	-1.2%
Loans and advances to customers (gross)	14 284	14 268	-16	-0.1%
of wich overdue credit	475	500	25	5.2%
Credit impairment	472	617	145	30.7%
<b>Customer resources</b>	10 051	11 590	1 539	15.3%
<b>Net income</b>	81	11	-70	-86.4%
<b>Branch offices</b>	472	483	11	2.3%
<b>Employees</b>	4 843	5 140	297	6.1%

<sup>(1)</sup> Does not include Madeira Offshore Branch and Representative Offices.

## EUROPE

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

### Spain

#### BANCO CAIXA GERAL

In the European context, the debt crisis had a deeply marked effect on the evolution of the Spanish economy. The high public deficit, largely deriving from the indebtedness of the Autonomous Communities, unemployment, of more than 20% of the working population, the household savings rate which fell sharply during the course of the year, in a climate of weak domestic demand and property transactions which, with a sharp drop mainly in the first quarter, registered their worst performance since the beginning of this statistical series in 2004 were several of the challenges the country had to face during the course of 2011.

In such a difficult market environment, Banco Caixa Geral, in 2011, made profound changes to its business strategy which had, in past years, been based on loans to companies and individual customers.

The priority objectives, in 2011, were included in the Group's general deleveraging plan, translating into a decrease of the respective average credit balances in the growth of balance sheet resources, resulting, for Banco Caixa Geral, in a notable improvement of its funding needs, in addition to its loans-to-deposits rate.

In terms of its operational structure, BCG has teams specialising in individual customers and SMEs, major companies, wealth management and Iberian business, providing a vast range of financial solutions tailored to its customers' needs. Reference should be made, this year, owing to its major market acceptance, to the range of Platino deposits which, with 100% guaranteed capital, enabled the bank to secure considerable funds over different maturities and expand its customer base.

Banco Caixa Geral is present in the regions with the highest economic and social development such as Madrid, Catalonia, the Valencian Community, Andalusia, Basque Country, Asturias, Cantabria, Navarre and La Rioja and, most particularly in regions with intense cross-border commercial relationships with Portugal, such as Galicia, Extremadura and Castile-León. BCG has particularly promoted activities associated with bilateral business, supporting corporate projects with Iberian interests. Reference should be made to the development of the "Iberian Passport" operations as a Group instrument to increase the flexibility of bilateral SME operations.

#### SPAIN BRANCH

The activity of the Spain branch has, since its creation, been based on complementing the functions of the activity of Banco Caixa Geral and the CaixaBI branch in the Spanish market, as an operational platform for the larger operations.

It is also an important and growing point of connection between the domestic branch office network and the BCG network in Spain.

### France

#### FRANCE BRANCH

Initially geared to the population of Portuguese origin, the France branch has been expanding its operations to other communities and particularly the Lusophone population in France. Together with its activities in the domestic market, the France branch has been playing an increasingly important role in supporting Portuguese exports and companies which are internationalising their operations and which consider France as a possible destination for their respective products and investments.

In its domestic market, the France branch has played a particularly relevant role both in securing resources and in lending to its customer base. The entrepreneurial character of the Portuguese community in France, in the form of small and medium sized companies has been accompanied by the branch, on a proximity basis, with its creation of a range of products and services tailored to their needs.

Equally important, in a context marked by tight liquidity was the branch's role in taking in resources and its remittances to Portugal.

The good performance of its retail and international activities and the low amounts of impairment for the year have enabled a marked increase to be achieved in the results of the branch which is one of the biggest and most profitable Group operations in the international area.

## Luxembourg

### LUXEMBOURG BRANCH

2011 confirmed the trend towards an increase in the number of residents in the Grand Duchy. The resident population grew 2% to 512 000 inhabitants. In comparison to surrounding countries, Luxembourg's demographic growth has been exceptional and is fundamentally the result of migratory movements. 43.2% of its population does not have Luxembourgish nationality and the Portuguese community is the largest (around 30% of the working population).

Luxembourg, in 2011, achieved a reasonable level of macroeconomic performance. Although with several oscillations, owing to the international crisis and the restructuring process of several financial institutions, the financial sector continues to represent 30% of the country's GDP and employs 10% of its working population, with a collection of 10 retail banks out of the 142 banks operating in Luxembourg's financial market.

CGD's Luxembourg branch particularly continued to perform its activity on a level of individual customers and support for SMEs in 2011.

In implementing its restructuring process and refurbishing several of its commercial units, with the aim of providing branches with more attractive, functional spaces, the structure of the branch office network comprised four commercial spaces: two branches, a Caixa Prime and a space for medium sized companies. Caixa Prime is geared to the middle and upper market segment and provides a high quality personalised service in its monitoring activities on this range of customers. The corporate space has been operating in support of local business projects, in addition to the projects of CGD Group's corporate customers.

## United Kingdom

### LONDON BRANCH

The London branch's activity is almost exclusively geared to the creation of value added financial products for the Group. The branch focuses on derivatives and dynamic hedge techniques to build a range of notably structured products.

In 2011, and notwithstanding the difficult market circumstances, the branch continued to "build" innovative capital guaranteed and non-guaranteed products in support of different Caixa Group structures, in different regions of the globe.

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

In 2011, the London branch increased its level of liquidity and futures business in accordance with the new FSA supervisory rules.

## AFRICA

CGD Group is present in Africa through eight subsidiaries and four associated companies: the subsidiaries are 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). There are CGD associates in São Tomé e Príncipe (equity investment in Banco Internacional de São Tomé e Príncipe managed by CGD) and Mozambique (GCI, BCI ALD and Imobci).

## Angola

### BANCO CAIXA GERAL TOTTA DE ANGOLA

Angola's economy continued to post positive growth rates, in 2011 of which reference should be made to the evolution of non-oil GDP which according to BNA's recent figures, was up 9% in the period.

BNA has been adopting an interest rate reduction policy. The year-on-year inflation rate still remains at two digits (11.38%) at the end of the year.

In the financial sector, reference should be made to the new "Monetary Policy Management Operational Framework" recently submitted by the National Bank of Angola and designed to improve the effectiveness of monetary policy transmission mechanisms and instruments, enabling the central bank to play a more active role in maintaining price stability in the Angolan economy.

The basic interest rate or "BNA Rate" was accordingly created. The objective is to establish monetary policy guidelines for the market, permitting the progressive evolution of its transmission mechanism, leveraging its impact on short term interest rates and therefore increasing the effectiveness of liquidity management in the market and the economy.

The monetary policy committee created for the purpose, chaired by the governor of the National Bank of Angola, will be responsible for determining monetary policy and basic income tax or "BNA" rate guidelines.

The new operational framework also includes the institutionalisation of **LUIBOR** – Luanda Interbank Offered Rate which is the daily rate in domestic currency based on the interest rates at which banks lend non-collateralised funds to each other in the interbank market and the information provided on the interest rates offered and accepted for maturities of between 30 – 365 days. The aim is for LUIBOR to operate as a permanent reference rate for the use of commercial banks when defining the interest rates on their loan contracts.

Reference should also be made, this year, to the general approval of the proposal for a law on foreign currency regulations for the oil sector. With the development of the Angolan financial sector, the foreign exchange operations for the activities of exploration, research, assessment, development and production of oil and natural gas have always benefited from a special regime. This proposal, after its definitive approval will enable the Angolan authorities to, *inter alia*, compile all of the rules on forms of payment for oil sector activities and arrange for all monetary movements in the sector to be realised in Angola under a single law. According to the governor of the central bank, payments of costs / charges and other tax liabilities to the state relative to oil sector transactions must first pass through Angola's financial system.

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

Banco Caixa Geral Totta de Angola has 24 business units in 9 provinces having, in 2011, opened 3 branches and 1 corporate centre.

The bank has remained visible in key sectors of economy (oil and diamonds sector) centralising its bank movements on a selected number of high quality, creditworthy companies and targeting its commercial retail operations to the said companies' employees.

### BANCO PARA PROMOÇÃO E DESENVOLVIMENTO

Banco para Promoção e Desenvolvimento was incorporated in February 2011, through a public deed signed between Caixa Geral de Depósitos, SA and Sonangol.

## Cape Verde

The indicators for the economic activity trend in Cape Verde indicate economic slowdown in 2011, accompanied, to a certain extent, by the evolution of next external demand.

The indicator reflecting the expectations of economic agents also suggests a slowing trend in the rate of growth of economic activity as a result of the less favourable evolution of confidence indicators in the construction, commercial establishments and industry sectors. Confidence indicators in the tourism and transport sectors were, on the contrary, on the ascendant.

There was a deterioration in the external accounts during the year, with the continuous worsening of the deficit on the goods account and reduction of official inflows and foreign direct investment. On a positive note, emigrants' remittances were up 42% year-on-year to November, particularly from the Eurozone with the highest growth and most especially from Portugal, the Netherlands and France.

From a fiscal viewpoint, the public accounts continued to deteriorate in 2011. The inflation profile remained upwards practically over the year as a whole with an average rate of change in the consumer price index of 4.5% at the end of 2011.

In terms of monetary policy, with the objective of stabilising the country's foreign reserves as a *sine qua non* for the sustainability of the foreign exchange regime and unilateral peg to the euro and reinforcing the efficiency of the banking system, the Bank of Cape Verde decided, in June, to expand the incidence base of the mandatory reserves to include 50% of the deposits of the general government sector and, in December, to include the full amount of the deposits in the incidence base.

### BANCO COMERCIAL DO ATLÂNTICO

In 2011, BCA was selected for the second consecutive year, as the brand of confidence of Cape Verdeans in the financial sector and considered the best bank in Cape Verde by the international magazine *The Banker*.

In 2011, BCA was also distinguished, in terms of social and environmental sustainability as the bank which values national culture and supports causes which contribute to the country's sustainable development.

On a level of commercial promotions and offers, BCA has furthered innovation and improvement of the quality of its services and resources taken as a matter of strategic importance, providing its customers with a service of excellence.

In this context, BCA has retained effectiveness and innovation on behalf of households and companies as a reference, developing a series of initiatives making it possible to intensify intervention in the market by taking in resources and retaining the loyalty of its present customers. This was achieved by the promotion of current products which continue to be exclusive offers on the market, notably BCA Leasing and BCA Factoring and the launch of new products and services.

The bank maintained its market expansion policy by opening another branch, in Achada São Filipe in Praia.

### BANCO INTERATLÂNTICO

Banco Interatlântico was not immune to the slowdown of economic growth which particularly translated into greater difficulty in taking in and, in several cases, retaining customer resources and a sluggish economy.

In terms of customer resources the situation as regards the individual customers and corporate segments was somewhat disparate. In the individual customers segment the bank retained an interesting level of growth in resources taken, particularly growth in emigrants' term deposits which grew at higher than two digit levels. The bank launched new deposit products for individual customers on World Savings Day to reinforce its capacity to take in savings. In the corporate and public sector segment, owing to the economic situation, resources were down over December 2010.

This was offset by bank lending which maintained a level of activity close to the average for the sector, with a reinforcement in the case of medium to higher earning individual customers as opposed to lending to companies, owing to the uncertainty over economic performance.

In 2011 Banco Interatlântico was, for the third consecutive time considered the best bank in Cape Verde, by *World Finance* magazine.

### GARANTIA

GARANTIA specialises in life and non-life insurance. It is the insurance market leader, in Cape Verde, with a diversified range of solutions for the protection of individual customers, companies and the professions.

This insurance company began to operate in November 1991 since when it has occupied a

leading position in Cape Verde's economy, achieving a strong market presence and major financial strength through the provision of a service of quality, constant adequacy to market needs and guaranteeing its customers' satisfaction.

In 2011, the insurance company continued to implement its policy of expanding and diversifying its branch office network, opening a branch in São Nicolau and two exclusive mediation outlets, one in Tarrafal de São Nicolau and the other in Santa Cruz, on the island of Santiago. The Exclusive Mediation outlets comprise yet another innovation in the Cape Verdean market by GARANTIA Seguros.

The company currently has eleven branches and three exclusive mediation outlets and although present in only seven of the archipelago's nine inhabited islands manages to cover the whole of domestic territory through synergies with Banco Comercial do Atlântico, Banco Interatlântico and Correios de Cabo Verde.

The experience and confidence achieved in 20 years of history, the quality of its products and services, financial rigour, multichannel strategy in the distribution of products and constant quest for new solutions are contributory factors to the fact that GARANTIA has been awarded the *Selo Morabeza*, which distinguishes it as Cape Verdeans' preferred insurance company.

## Mozambique

### BANCO COMERCIAL E DE INVESTIMENTOS

In 2011, Mozambique's economic performance remained strong, notwithstanding the less favourable than expected external environment.

In macroeconomic terms, the country turned in a high level of performance, with GDP expansion of 7.5%. The growth trend for Mozambique's economy is likely to continue up until at least 2016, as a result of the impact of foreign direct investment in the country, particularly in the mining sector. The strategic global objective of eradicating poverty which has been one of the major concerns of Mozambique's government is reflected in agricultural development for subsistence and self consumption. On a monetary policy level, reference should be made to the adoption of more restrictive monetary policies by the Bank of Mozambique, resulting in an expressive decrease in the inflation rate, which at the end of 2011, was 5.46%, after rising to 16.62%, in December 2010.

In more recent years Mozambique's banking sector has posted remarkable development characterised by the increase in competition translating into the implementation of more aggressive deposit-taking policies, development of new financial products and entry of new players in the market. The modernisation of the sector was evident in investments in technological infrastructures (modernisation of ATMs and POS terminals) expansion and decentralisation of the branch network into rural zones with the aim of expanding the general use of banking.

Mozambique's banking system remains highly concentrated in the country's four largest banks which, as a whole, are responsible for 87.45% of total deposits, 87.04% of credit and 86.8% of assets. Banco Comercial e de Investimentos is the system's second largest bank.

During the course of 2011, the bank reinforced the focus of its activity on a vast range of actions designed to improve its global performance, particularly:

- Strong investment in the human resources area;
- Increase in the volume of businesses under management particularly on a retail level;
- Development and launch of the BCI Exclusivo network (four centres and two exclusive spaces), to guarantee the best quality of service to the affluent customers segment;
- Expansion of the branch office network: in 2011 BCI's branch office network grew 26.3% as a consequence of the inauguration of 25 new distribution centres (including the four BCI *Exclusivo* centres);
- Increase in the customer portfolio: investment and results in the relationship with customers were reflected in a 57% increase of almost 148 000 new customers;
- Implementation of protocols: the policy of the implementation of protocols entered into in 2009 was continued with additional protocols;

- Electronic channels: continuity was given to the expansion and development of the electronic network, with the number of ATMs and POS terminals having increased 32.6% and 80.2%, respectively. At the same time issues of debit cards (up 49.1%, to more than 409 000 cards) were incentivised;
- A sign of the reinforcement of the bank's market presence was the increase in its respective share of the number of active POS terminals in Mozambique, to 38.3% (28.3% in 2010), in addition to its share of the number of ATMs (35.2% in 2011 against 31.1% in 2010);
- Consolidation of market share: in November 2011, according to BdM data, BCI had market shares of around 32% in terms of credit and 27.5% in terms of deposits, thus consolidating its position as the second largest bank in the system.

## BANCO NACIONAL DE INVESTIMENTO

In December 2011, Banco Nacional de Investimento, SA was authorised to start its business activity with a share capital owned by CGD (49.5%), the Mozambican State through Direção Nacional de Tesouro (Treasury) (49.5%) and Banco Comercial e de Investimentos (CGD Group) (1%). The shareholders' general meeting held on 22 November 2011 decided a share capital increase to MZM 2240 million (around EUR 64 million). BNI will focus its activity on supporting the development of Mozambican economy.

## South Africa

### MERCANTILE BANK

With a population of 50 million inhabitants, an unemployment rate of 25.3%, justifies continued care over job creation and consequent reduction of the unemployment rate.

South Africa is currently governed by the African National Congress, a party with socialist leanings and with 60% of the seats in the parliament, largely geared to the promotion of housing policies and improvement in social well-being.

South Africa's financial sector is mature and sophisticated, and fully comparable with its peers in first world countries.

Mercantile is clearly a niche operator, geared to SMEs, through its offer of products and services to this segment nationwide and pays special attention to the activities of the vast Portuguese community resident in the country.

## São Tomé e Príncipe

São Tomé e Príncipe is a small, open economy, whose fragile development continues to make it vulnerable to external shocks. The smallness of its domestic market, limited production capacity and consequent reliance on external sources, allied with its insularity, represent barriers to its economic development. Over the last few years the authorities have redirected their global development strategy largely committing to tourism and a new agricultural policy as sources of economic growth. 2011 was marked by several constraints deriving from the unfavourable economic environment and particularly the reflections of the crisis felt in Portugal, one of the main countries which traditionally provides financial aid to the state of São Tomé e Príncipe.

Monetary policy remains geared to the maintenance of the foreign exchange parity agreement between the dobra and the euro, in force since January 2010 and the reinforcement of the weight of the domestic currency, as an exclusive means of payment for domestic transactions. On a level of the monetary and financial market, the Central Bank of São Tomé e Príncipe (BCSTP) has endeavoured to limit transactions and the circulation of foreign currency in the country through the introduction of diverse regulatory standards to be complied with by financial institutions operating in the country. In an attempt to provide for the liquidity shortages in the market and to promote the banking system's contribution to the development of the economy, BCSTP has reduced the minimum cash reserves requirement from 23% to 21% and latterly to 18% for domestic currency liabilities.

The first operation of automatic means of payments (ATMs), up to then, nonexistent in the country,



was witnessed in 2011 speeding up and improving the security of financial transactions.

Caixa Geral de Depósitos is present in S. Tomé e Príncipe through its equity investment in Banco Internacional de São Tomé e Príncipe (BISTP), whose shareholders / partners are the state of São Tomé and an Angolan bank.

Always committed to technological innovation and the modernisation of its services, BISTP has invested in the acquisition of diverse ATMs, making it the institution with the largest number of such items of equipment. BISTP currently has 10 machines in operation spread out over its branch network whereas its competitors have only one machine each.

Endeavouring to modernise and reinforce its brand image, BISTP has adopted a new logo which provides a better reflection of its dynamism and ambitions.

Notwithstanding the relatively unfavourable economic environment, BISTP has succeeded in maintaining its leading position in the market having progressed favourably, during the course of 2011, both on a level of credit and deposits.

## ASIA

CGD Group has two branches in Asia (Zhuhai/China and East Timor) and two subsidiaries (BNU Macau and Macau offshore subsidiary).

## China

### BANCO NACIONAL ULTRAMARINO

CGD Group is present in Macau through Banco Nacional Ultramarino which operates as a universal bank and also as the territory's mint.

Macau's economy has expanded strongly over the last few years and 2011 was no exception. Local economic activity is highly dependent on gambling which contributes more than 80% of the local government's total revenues. The sector has performed very well with gross gambling revenues up 42.2% year-on-year owing to the increase in both the number and *per capita* expenditure of visitors arriving from the territory.

Macau's inflation rate was 5.8% and shows signs of slowing. The unemployment rate has remained at historically low levels and is practically equated with full employment status.

The banking sector has benefited from Macau's major economic expansion, although competitive pressure has been increasingly higher owing to the presence in the market of major Chinese banks which have been fighting for market share with banks already established in the territory.

BNU turned in a good level of performance in terms of turnover growth notwithstanding increased competition in the banking sector, with its consequent impact on margins, deposit-taking and lending.

The agencying agreement for the issue of legal tender entered into between the government of Macau and Banco Nacional Ultramarino, which is currently in force gave continuity to its role as the territory's official mint up to 2020.

### ZHUHAI BRANCH

CGD has a branch in the city of Zhuhai, geared to the operations of Group customers in the region, particularly BNU customers owing to the geographical proximity between the two units.

## East Timor

### EAST TIMOR BRANCH

CGD has had a presence in East Timor since 1912, via Banco Nacional Ultramarino. It ceased to operate in Timor in 1975, and resumed its operations 25 years later with the granting of the BNU Banking Operating Licence, in which the bank became the first banking entity to operate in East Timor after the referendum of 30 August 1999.

More than the market leader, CGD is Timor's benchmark financial institution.

The East Timor branch operates as a universal bank, via a network of eight 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

The Brazilian economy, in 2011, showed signs of development, as opposed to the adverse economic environment felt in European countries. In exploiting the reinforcement of capital obtained in 2010, BCG Brasil gave priority to its lending in reais and reinforced its activities in the capital and financial advisory market.

Banco Caixa Geral Brasil, SA opened a branch in Rio de Janeiro in 2011. This presence enabled BCGB to reinforce its business with major economic groups based in Rio de Janeiro, notably specific products and services in support of investments for the World Cup and Olympics as well as investments in the oil and gas sectors.

There was an increase in Portuguese companies' interest in investing in Brazil, in 2011, notably as a means of attenuating the effects of the domestic crisis. Portugal was also an attractive proposition for Brazilian corporate investment, on account of investment opportunities in sectors scheduled for privatisation. Aware of such investment flows between the two countries, BCG Brasil has created conditions to assist companies from both countries.

In strategic terms, BCG Brasil has concentrated on the high business potential geographical polygon – Iberia-Brazil-Africa, as Brazilian companies in their internationalisation process need financial partners in Europe and Africa. For Iberian companies, Brazil is a destination with major potential for the expansion of their activities.

Business flows between Brazil and China also comprise a business opportunity for BCG Brasil. CGD is the Portuguese financial group with the largest presence in China, operating in Macau – via Banco Nacional Ultramarino and mainland China with a presence in Zhuhai and Shanghai.

Providing support to the expansion strategy of BNDES's activities in Africa, two of the institutions controlled by Caixa Geral de Depósitos in the said geography (Mercantile Bank Limited in South Africa and Banco Caixa Geral Totta de Angola, SA, in Angola) have been certified as guarantors of the Brazilian Exports Promotion Programme.

Also in 2011, CGD Participações em Instituições Financeiras, Ltda, 50% owned by BCG Brasil and 50% by CaixaBI, obtained the approvals necessary to enable the Brazilian authorities to complete the acquisition of 70% of Banif Corretora de Valores e Câmbio, SA. On 26 August 2011 the Presidential Decree of the Brazilian Government approving foreign investment in the share capital of Banif CVC was signed but is dependent on compliance with the preceding conditions set out in the sales contract.

In first half 2011, BCG Brasil was confirmed as the intermediary bank for BNDES (National Bank for Economic and Social Development) funding.

Banco Caixa Geral Brasil was awarded its first local rating by Fitch Ratings - AA – (bra) at the start of 2011. On 25/11/2011 the rating was revised to A+ (bra) as a consequence of the revision of the rating on the Portuguese Republic and CGD itself.

BCG Brasil also obtained a low risk classification on its short term liabilities from the Riskbank agency, which plays a decisive role in the investment decisions of foundations and pension funds.

## USA

### NEW YORK BRANCH

In the Americas, CGD Group is present in the form of two branches (New York and Cayman Islands). These branches operate in close coordination with other CGD Group units, particularly Banco Caixa Geral Brasil.

In 2011, following the worsening of the European crisis and consequent downgrades on the Portuguese Republic and CGD, the New York and Cayman Islands branches furthered their global assets reduction policy and borrowing requirements.

The New York Branch specialises in wholesale business. It mainly operates in the capital market, import and export finance, syndicated operations, and up to recently, taking in US resources for CGD Group, notably via its management of the commercial paper programme in US dollars.

In line with the already referred to macro environment, the New York Branch furthered a global policy of reducing the degree of leveraging of its balance sheet. This is visible in a reduction of around 30% in its net assets in 2011, in comparison to the same period of the preceding year. This policy is also, however, in line with the preventative measures already taken at the start of 2010, in which a significant reduction in net assets had already been noted.

## Cayman Islands

### CAYMAN ISLANDS BRANCH

The Cayman Islands branch operates as an alternative centre for domiciling the international funding activities of CGD's corporate customers (booking centre), particularly focusing on trade finance and project finance operations and syndicated US dollar loans. The branch's activity, in 2011, was therefore marked by the continued implementation of its progressive and selective balance sheet deleveraging strategy.

The Cayman Islands branch also secures funding for CGD Group from the institutional or wholesale segment.

Steps were taken, in 2011, to enable the Cayman Islands branch to provide banking services to the CGD Group's retail customers resident abroad.

## REPRESENTATIVE OFFICES

The inauguration of a CGD representative office, in Toronto, in June 2011, was a fundamental pillar in line with a proximity based approach to the Portuguese community in these geographies. CGD Group now has a network of eleven representative offices, in Germany, Belgium, Canada, Switzerland, Venezuela, Mexico, India and Shanghai – the latter being essentially geared to the corporate segment – plus the individual customers area based at the London branch.

Owing to this international network, Caixa, in 2011, continued to develop a service model based on the articulation between its branches in Portugal and its foreign branches and representative offices, as well as their complementary nature with distance channels.

### 1.6.2.4. 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 investors' aversion to the risks on assets in countries on the periphery of the eurozone, 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.

CaixaBI's cost-to-income remains markedly lower than that of its peers, at 28.2% when adjusted for impairment on financial assets.

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 in terms of its operations, CaixaBI had a positive year coming in the leading positions in most of the league tables and having participated in the largest operations in its operating markets.

## 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 distinguished CaixaBI with its No. 1 Corporate Bond House prize;
- › CaixaBI was, for the fifth consecutive year the most highly placed bookrunner for euro bonds issued by domestic entities, according to the Bloomberg ranking;
- › According to Dealogic data, CaixaBI / CGD led the ranking as mandated lead arranger (MLA) for project finance operations in Portugal and is the best positioned Portuguese bank in all geographies;
- › According to Bloomberg data, CaixaBI ended the year in pole position in the Portuguese M&A ranking and thirteenth in the respective Brazilian ranking and is the best positioned Portuguese bank;
- › CGD Group operated as MLA for the A/B Loan of the Inter-American Development Bank for the Embraport project which was classified by the prestigious *Project Finance International* magazine as the Americas Transportation Deal of the Year.

## PROJECT FINANCE

Caixa Geral de Depósitos Group, through CaixaBI, was involved in operations for an approximate amount of EUR 389 million, coming first in the Dealogic ranking for its MLA role in project finance operations in Portugal.

On an international level, reference should be made to the progressive geographic expansion of the bank's activity in accompanying operations in Angola and Mozambique, in addition to joint coordination with Banco Caixa Geral Brasil for structuring and/or financial advisory services on a diverse collection of projects in Brazil. This effort is already being rewarded and is exemplified by the award from Project Finance International of its Americas Transportation Deal of the Year prize for the Embraport operation in which CGD Group was the MLA.

## STRUCTURED FINANCE

CaixaBI, as regards structured corporate operations, focuses its activity on identifying mandates guaranteeing it MLA status, of which special reference should be made its financial advisory services to Secil in the sphere of the funding of Betecna's equity investment in the Lafarge Group.

## CORPORATE DEBT FINANCE

CaixaBI's leadership of the debt capital market and structured asset funding in Portugal, in 2011, won further important international recognition, with the Award of Excellence as the Best Debt House in Portugal from *EuroMoney* 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, notably in the bond sector, in 2011, CaixaBI led seven primary market bond issues which performance continued to position the bank, in accordance with the Bloomberg ranking and for the fifth consecutive year, as the top bookrunner for euro bonds issued by national entities.

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, over the last year, organised and led thirteen new commercial paper programmes<sup>(1)</sup> for around EUR 2500 million.

## EQUITY CAPITAL MARKET

CaixaBI developed and successfully completed four capital market operations in 2011.

In the international sphere it was the co-lead for the Bankia initial public offering as the only Portuguese bank in the syndicate for one of the biggest offers in Europe in 2011 and as co-manager for the international tranche of the Sonae Sierra Brazil IPO and secondary public subscription for EDP – Energias do Brasil, reinforcing its presence in this capital market area.

In Portugal, notwithstanding the reduced level of activity in the primary share market, CaixaBI was responsible for the organisation and structuring of the increase in Inapa's share capital, in the form of a non-voting rights issue – one of the main capital market operations in 2011.

## CORPORATE FINANCE – ADVISORY

Notwithstanding the unfavourable macroeconomic context and low level of global M&A activity, CaixaBI's work and endeavours were reflected in the Bloomberg ranking for 2011, in which the bank came first in Portugal based on its involvement in twelve M&A operations with an aggregate value of around EUR 10 billion.

In Brazil and according to the same ranking, CaixaBI in conjunction with BCG Brasil and with only two years of activity, came thirteenth in terms of the volume of M&A transactions announced/completed although it is the best placed Portuguese bank with an aggregate value of around R\$ 17.8 billion.

In 2011, reference should be made to the financial advisory operation for Parpública's disposal of a 21.35% investment in EDP, in the sphere of the company's eighth reprivatisation stage which was a marked success. Reference should also be made to the financial advisory services to Galp Energia for the disposal of a 30% equity investment in Petrogal Brasil for USD 4.8 billion.

Lastly, reference should also be made to the financial advisory services for Portugal Telecom's equity investment in the Brazilian Oi group following the disposal process for its equity investment in Vivo, in which CaixaBI was also involved as a financial advisor. This was one of the major operations of the last few years involving Portuguese companies and is yet another example of CaixaBI's success in terms of cross-border Portugal – Brazil operations.

## SYNDICATION AND SALES

CaixaBI was involved as joint lead manager in the issue of EUR 600 million in Portugal Telecom bonds and the placement of a Portuguese Republic bond issue of EUR 3.5 billion in 2011.

CaixaBI realised 341 commercial paper issues totalling EUR 12 billion having placed EUR 4.8 billion.

<sup>(1)</sup> Includes programmes maturing in 2011 which were fully or partly renewed.

## FINANCIAL INTERMEDIATION

According to CMVM data, market turnover to the end of August was down 34% over the same period 2010, naturally affecting CaixaBI's financial intermediation activity.

There were no primary market operations in Portugal in 2011. CaixaBI was, however, actively involved in the Bankia IPO in Spain and as co-manager for the Sonae Sierra Brasil IPO and the share offer realised by EDP on its EDP – Energias do Brasil subsidiary.

## CORPORATE RISK ADVISORY AND MANAGEMENT

Market making activities on secondary market public debt, in 2011, were characterised by extremely difficult conditions involving poor liquidity, historically high bid-offer spreads and major volatility. Notwithstanding these market constraints, CaixaBI came first out of all of primary dealers in the IGCP's general performance ranking.

CaixaBI is a benchmark market operator for its liquidity provider activities with a Euronext maximum rating of "A" on all securities and categories in which it operates.

## VENTURE CAPITAL

CaixaBI's venture capital area comprises five venture capital funds which ensure the transversal cover of different target segments during the corporate life cycle and, in a specific case, with a sectoral focus. They included Caixa Empreender +, Caixa Mezzanine, CGD Group, Energias Renováveis e Desenvolvimento Empresarial, the latter formed in 2011.

210 investment opportunities were analysed in 2011, of which 32 operations totalling EUR 60 million were approved and 21 proceeded, involving an investment of EUR 17 million. There were also 8 disinvestment operations with a realisation price of EUR 15 million.

### 1.6.2.5. Asset Management

In 2011, the domestic asset management market witnessed a worsening of the particularly difficult trends already evident in the past year. This fiscal crisis affecting various European countries contributed to the deterioration of the already low levels of risk aversion by retail customers. This was accompanied by an across-the-board hike in interest rates charged by Portuguese banking institutions, increasing the competitiveness and consequently attractiveness of traditional deposits in comparison to other investment alternatives in terms of risk / return.

The asset management sector was, therefore, not immune from the distribution banks' capital requirements which significantly decreased the loans-to-deposits rate, penalising off-balance sheet products.

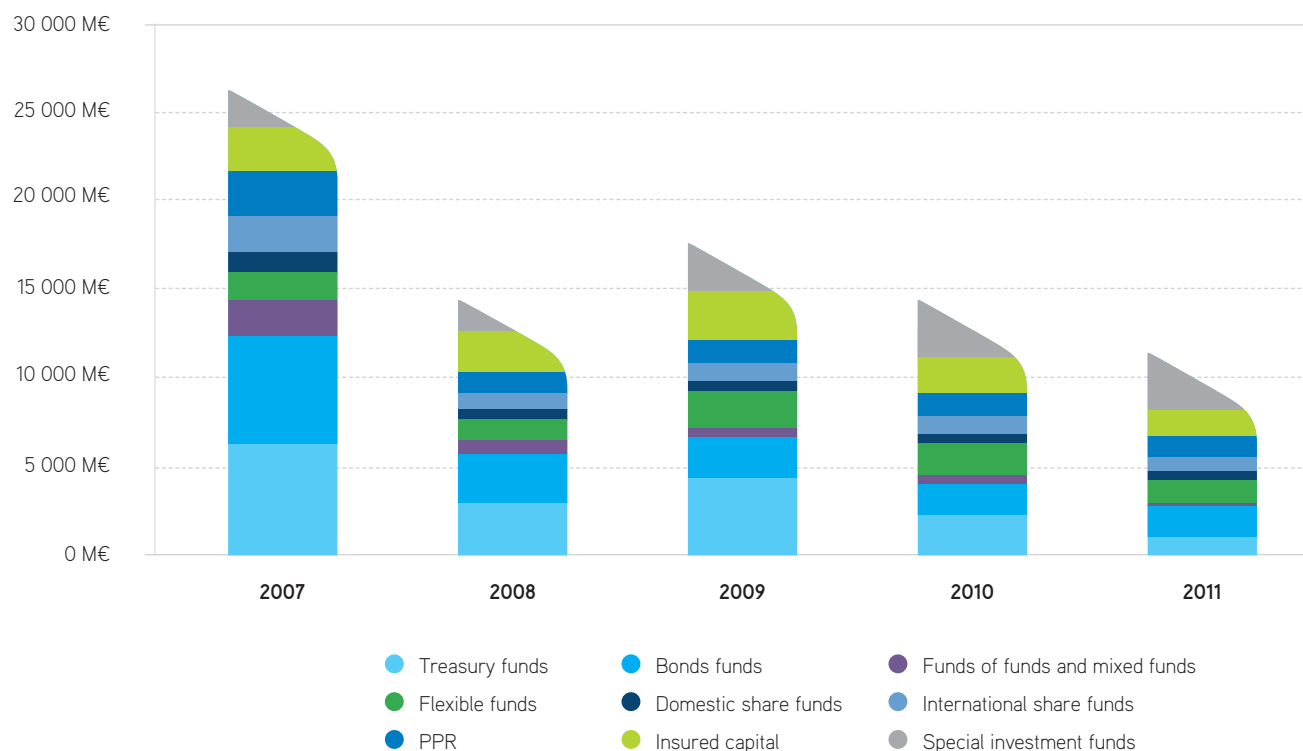
The Portuguese financial market is currently going through difficult and complex times, notably characterised by a lower growth in the volume of asset management business which increases the difficulty in executing the strategic objectives of management companies.

#### UNIT TRUST INVESTMENT FUNDS

The value of unit trust investment funds under management, at the end of December 2011 by Portuguese fund managers was 24% down over the values at the start of the year to EUR 10 835 million.

The largest drop occurred in the most liquid funds owing to transfers of customer investments to deposit accounts. The redemption of seventeen guaranteed capital funds, several of which having a significant dimension, also affected market volume.

#### EVOLUTION OF MARKET VALUE

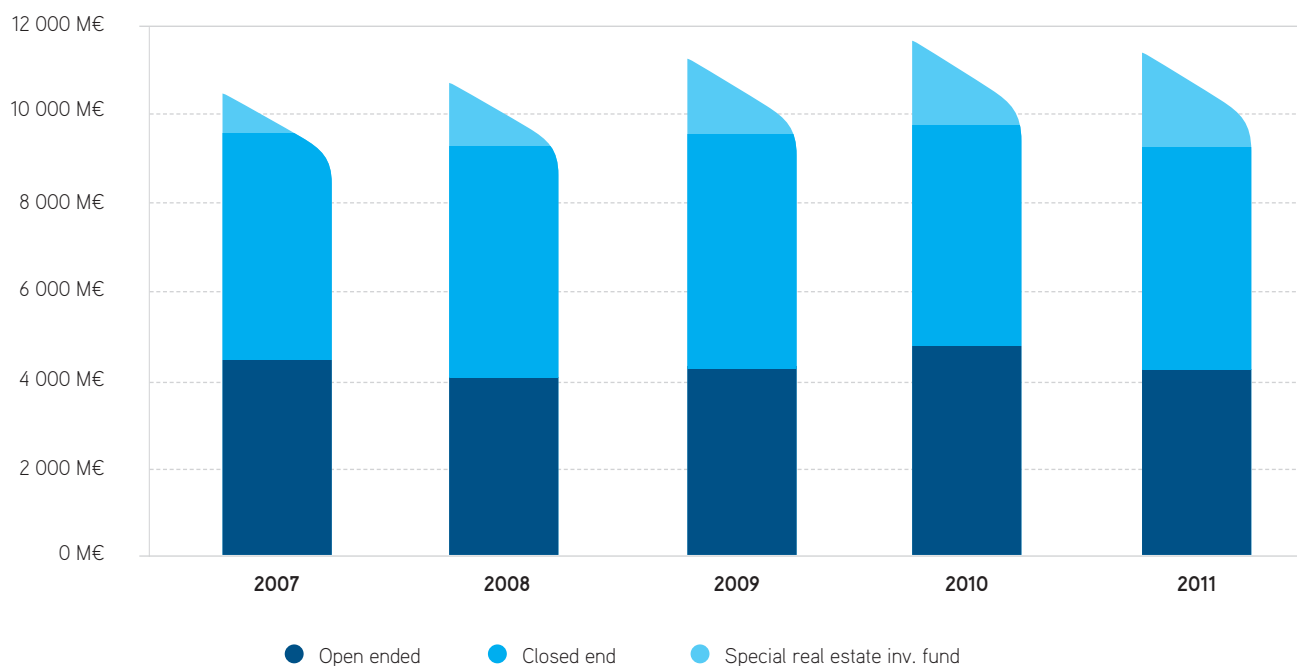


The five largest Portuguese fund managers, at year end, managed 83% of unit trust funds. Caixagest, SA retained its market lead with 23%.

## PROPERTY INVESTMENT FUNDS

The property investment funds market was down 3% in the year, with assets managed by fund managers as a whole down EUR 353 million to EUR 11267 million.

### EVOLUTION OF MARKET VALUE



At the end of 2011, the five largest Portuguese property fund managers had 47% of the market. Fundimo, SA retained its market lead with 13.9%, of the market.

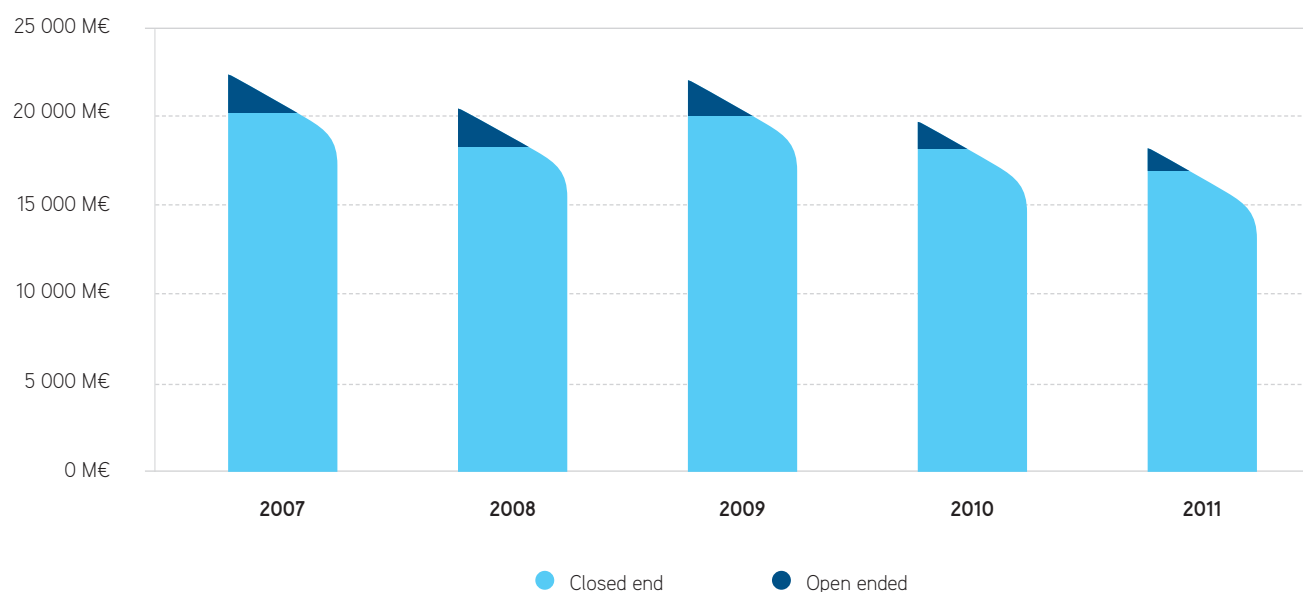
## PENSION FUNDS

Amounts under pension fund management at 31 December 2011 totalled EUR 13 642 million, down 30.8% over the end of 2010.

Under Decree Law 127/2011 of 31 December, ownership of pension fund assets provided for in the substitutive regime of the collective wage negotiations in force in the banking sector was partly transferred to the state.

The five largest managers had 79% of the pension funds market. CGD Pensões had a market share of 15.7%, moving up into second position in the ranking by amount.

## EVOLUTION OF MARKET VALUE



## WEALTH MANAGEMENT

The portfolio management market, centred on the mandates of major institutional customers, was down 17% over the year to EUR 55 230 million. Caixagest retained its market lead with a market share of 30%.

## CGD GROUP

Owing to the adverse environment in financial markets, assets under management were down 12% to EUR 21 321 million.

	(EUR million)		
	2009	2010	2011
<b>AMOUNTS UNDER MANAGEMENT AND ADVISORY</b>			
Unit trust investment funds	4 106	3 282	2 490
Wealth management	17 155	16 691	14 884
Advisory	276	303	307
Property funds	1 578	1 683	1 565
Pension funds	2 100	2 183	2 075
<b>Total</b>	<b>25 215</b>	<b>24 142</b>	<b>21 321</b>

The level of income from CGD Group's asset management business in 2011 remained in line with last year owing to wealth management and property funds.

	(EUR thousand)		
	2009	2010	2011
<b>COMMISSIONS</b>			
Unit trust investment funds	21 176	21 727	16 906
Property funds	13 236	13 908	15 924
Pension funds	3 300	3 479	3 177
Wealth management	8 654	6 835	9 626
<b>Total</b>	<b>46 366</b>	<b>45 949</b>	<b>45 633</b>



(EUR thousand)

COMMISSIONS	2009	2010	2011
Management commissions	35 077	37 337	35 280
Depository bank commissions	9 984	8 524	8 000
Subscription and redemption commissions	1 305	1 558	3 908
<b>Total</b>	<b>46 366</b>	<b>47 418</b>	<b>47 188</b>

## UNIT TRUST INVESTMENT FUNDS – CAIXAGEST

In line with the market trend, Caixagest funds were down 24%.

In light of the new circumstances in financial markets, Caixagest completed a restructuring process on its permanent offer of liquidity and bond funds, by merging three funds.

In articulation with the branch office network and CGD marketing, Caixagest furthered a strategy of launching three structured protected capital funds, with classroom training actions in various regions nationwide, taking in an amount of EUR 87 million. Six protected capital funds totalling EUR 492 million were redeemed in the period.

(EUR million)

FUNDS UNDER MANAGEMENT	2009	2010	2011
Treasury funds	1 065	730	504
Bond funds	566	330	276
Protected capital funds	1 657	1 351	934
Share funds	241	260	170
Funds of funds and mixed funds	89	84	73
Special investment funds	488	528	533
<b>Total</b>	<b>4 106</b>	<b>3 282</b>	<b>2 490</b>

At the end of December, Caixagest managed EUR 2490 million, split up into 48 unit trust investment funds, with a diversified product portfolio spread out over various international financial markets.

Commissions of EUR 16.9 million, in 2011, were proportionally lower than in the preceding year, owing to a drop in volume under management.

(EUR thousand)

FUNDS UNDER MANAGEMENT	2009	2010	2011
Management commissions	18 080	18 468	14 315
Depository bank commissions	2 706	2 668	2 200
Subscription and redemption commissions	390	591	391
<b>Total</b>	<b>21 176</b>	<b>21 727</b>	<b>16 906</b>

## WEALTH MANAGEMENT – CAIXAGEST

Caixagest continued to perform its wealth management service based on a proximity approach to CGD's branch office network and its respective portfolio customers. To secure new customers, service proposals were adjusted to the new environment and reference should be made to continued success in terms of investment consultancy.

In January, Caixagest was appointed as manager for two important institutional portfolios

totalling EUR 1875 million which offset the decrease in insurance portfolios. The amount managed by Caixagest at the end of the year was therefore down but by no more than 9% to EUR 16 918 million.

	(EUR million)		
	2009	2010	2011
<b>PORTFOLIOS UNDER MANAGEMENT</b>			
<b>Portfolios under Management</b>	<b>18 865</b>	<b>18 570</b>	<b>16 918</b>
Insurance portfolios	13 936	13 834	10 883
Institutional	2 894	2 627	3 788
Pension funds	1 802	1 879	2 034
Individual and corporate customers	234	230	214
<b>Assets under advisory management</b>	<b>273</b>	<b>303</b>	<b>307</b>

The inclusion of new institutional customer portfolios also helped to increase the global level of commissions to EUR 9.6 million.

	(EUR thousand)		
	2009	2010	2011
<b>COMMISSIONS</b>			
Management commissions	4 693	2 732	5 487
Depository bank commissions	3 961	4 103	4 139
<b>Total</b>	<b>8 654</b>	<b>6 835</b>	<b>9 626</b>

## PROPERTY FUNDS – FUNDIMO

At the end of December, the portfolio of property funds managed by Fundimo, totalled EUR 1565 million and included 27 closed end funds and one open-ended fund.

The Fundimo fund registered a high number of redemptions, in 2011, owing to the competitiveness of the Interest rates on Portuguese banking products.

There continued to be a certain slowdown in activity as regards closed end funds managed by Fundimo, most of which involved property development and promotion.

	(EUR million)		
	2009	2010	2011
<b>FUNDS UNDER MANAGEMENT</b>			
Fundimo open-ended fund	923	1064	922
Closed end funds	655	619	643
<b>Total</b>	<b>1 578</b>	<b>1 683</b>	<b>1 565</b>

An amount of EUR 17.37 million in commissions was earned from property funds. These commissions earnings, up over last year derive from the increase in the volume of redemption fees charged by the Fundimo fund.

	(EUR thousand)		
	2009	2010	2011
<b>COMMISSIONS</b>			
Management commissions	9 263	12 952	12 417
Depository bank commissions	3 072	1 470	1 449
Redemption fees	901	957	3 507
<b>Total</b>	<b>13 236</b>	<b>15 378</b>	<b>17 373</b>

## PENSION FUNDS – CGD PENSÕES

At the end of 2011, the value of funds managed by CGD Pensões totalled EUR 2115 million, down 3% over the start of the year.

	(EUR million)		
	2009	2010	2011
<b>FUNDS UNDER MANAGEMENT</b>			
Closed end funds	1 988	2 065	2 010
Open ended funds	112	118	105
<b>Total</b>	<b>2 100</b>	<b>2 183</b>	<b>2 115</b>

Redemptions of open-ended pension funds continued to be made during the year by already retired investors with the exit of the closed end pension fund of a domestic banking entity.

Commissions of EUR 3.2 million were earned in the period.

	(EUR thousand)		
	2009	2010	2011
<b>COMMISSIONS</b>			
Management commissions	3 041	3 185	2 954
Depository bank commissions	245	283	212
Redemption fees	14	10	11
<b>Total</b>	<b>3 300</b>	<b>3 479</b>	<b>3 177</b>

## 1.6.2.6. Healthcare and Insurance

### CONTRIBUTION TO CGD'S RESULTS

Caixa Seguros e Saúde, SGPS, SA earned net income of EUR 3 million (EUR 67 million in the preceding year), in 2011, under IAS/IFRS (CGD Group) standards, split up between income of EUR 56 million from its operations under insurance management and losses of EUR 53 million from its hospital activities.

Caixa Seguros e Saúde contributed EUR 731 million (down EUR 14 million over 2010) to CGD Group's net operating income of which EUR 495 million was generated by the technical margin on insurance activities and EUR 237 million in proceeds from financial activity.

The decrease in comparison to the preceding year derives from both the technical margin on insurance operations (down EUR 11 million), fundamentally reflecting the decrease in direct insurance premiums and net operating income (down EUR 3 million), owing to the reduction of income from financial operations.

Operating costs, reflecting containment efforts, were down EUR 19 million to EUR 481 million.

Impairment levels were up owing to the recognition of losses on Greek sovereign debt.

CAIXA SEGUROS E SAÚDE, SGPS, SA <sup>(a)</sup>		(EUR million)	
SUMMARY OF CONSOLIDATED BALANCE SHEET		2010	2011
<b>Assets (net)</b>			
Securities portfolio, deposits and cash		14 070.1	11 554.5
Investment properties and investment in associated companies		338.1	335.8
Other tangible and intangible assets		502.5	479.6

<sup>(a)</sup> The amounts set out in this table comply with the financial statements in IAS/IFRS (CGD Group) and correspond to the consolidated accounts.

(EUR million)

**SUMMARY OF CONSOLIDATED BALANCE SHEET (CONT.)**

	2010	2011
Current and deferred tax assets	159.1	271.2
Technical provisions for outwards reinsurance	260.2	220.0
Other assets	634.5	596.3
<b>Total assets</b>	<b>15 964.5</b>	<b>13 457.6</b>
<b>Liabilities and shareholders' equity</b>		
<b>Liabilities</b>		
Financial liabilities (investment contracts)	7 842.8	6 854.8
Technical provisions (insurance contracts)	5 733.0	4 596.5
Other provisions	74.1	99.5
Current and deferred tax liabilities	48.8	25.9
Subordinated liabilities	436.5	436.5
Other liabilities	765.7	700.2
<b>Total liabilities</b>	<b>14 900.9</b>	<b>12 713.5</b>
<b>Shareholders' equity</b>		
Capital	448.4	448.4
Share premiums	184.4	184.4
Reserves	346.3	88.5
Net income	66.9	3.0
Non controlling interest	17.6	19.8
<b>Total shareholders' equity</b>	<b>1 063.6</b>	<b>744.1</b>
<b>Total liabilities and shareholders' equity</b>	<b>15 964.5</b>	<b>13 457.6</b>

(EUR million)

**CONSOLIDATED SUMMARY OF GAINS AND LOSSES**

	2010	2011
Net operating income	239.7	236.6
Technical margin on insurance operations	505.5	494.6
Operating costs	-499.9	-481.0
Change in provisions	-27.7	-30.0
Impairment	-134.9	-197.4
Income generated by associated companies	-0.1	1.3
<b>Income before tax and minority shareholders' interests</b>	<b>82.6</b>	<b>24.0</b>
Income tax	-14.2	-19.8
Non controlling interest	-1.5	-1.1
<b>Net income attributable to CGD's shareholder</b>	<b>66.9</b>	<b>3.0</b>

On a level of the balance sheet, reference should be made to a reduction of EUR 2.5 billion in assets, reflecting both the effect of the reduction of technical liabilities associated with life insurance products and the unfavourable evolution of reserves, deriving from the fair value reserve owing to the depreciation of financial assets.

**EXECUTIVE SUMMARY**

Caixa Seguros e Saúde, SGPS, SA's statutory accounts for 2011, posted results of EUR 6 million (EUR 42 million in 2010), split up between a positive contribution of EUR 35 million from its insurance area and losses of EUR 29 million from its hospital activity.

## CAIXA SEGUROS E SAÚDE, SGPS, SA

(EUR million)

CAIXA SEGUROS E SAÚDE, SGPS INDICATORS<sup>(a)</sup>

	2010	2011
<b>Assets (net)</b>	<b>15 672.0</b>	<b>13 332.4</b>
<b>Shareholders' equity and minority shareholders' interests</b>	<b>1 017.7</b>	<b>838.2</b>
<b>Liabilities</b>	<b>14 654.4</b>	<b>12 494.3</b>
of which: Subordinated liabilities	436.5	436.5
<b>Insurance contracts liabilities</b>	<b>13 517.3</b>	<b>11 414.3</b>
Direct insurance technical and inwards reinsurance provisions	5 675.8	4 553.2
Liabilities for financial instruments	7 841.5	6 861.1
<b>Combined Ratio – net of reinsurance (non-life)</b>	<b>105.0%</b>	<b>100.1%</b>
Loss Ratio	77.1%	73.2%
Expense Ratio	28.0%	27.0%
<b>Net income</b>	<b>41.5</b>	<b>6.2</b>
of which: Insurance activity	89.6	35.3
Hospital activity	-48.1	-29.1
<b>Profitability</b>		
ROE (net)	3.7%	0.7%
<b>Number of employees</b>	<b>5 871</b>	<b>5 609</b>
Insurance companies	3 472	3 369
Instrumental companies	210	212
HPP (consolidated)	2 189	2 028

<sup>(a)</sup> Consolidated accounts.

## INSURANCE COMPANIES INDICATORS

<b>Direct insurance premiums</b>	<b>5 713.2</b>	<b>3 963.7</b>
Life insurance	310.7	267.7
Investments contracts (financial instruments)	4 233.7	2 567.7
Non life insurance	1 168.8	1 128.3
<b>Market shares (activity in Portugal)</b>	<b>34.5%</b>	<b>33.4%</b>
Life insurance (including investment contracts)	37.0%	37.2%
Non life insurance	27.1%	26.5%
<b>Solvency (Local GAAP)</b>		
A. Solvency margin (Total)	1 145.5	967.4
B. Solvency margin (mandatory)	739.6	666.7
Solvency margin cover (A/B)	154.9%	145.1%
<b>Number of branch offices</b>	<b>153</b>	<b>149</b>
<b>Number of exclusive mediators</b>	<b>2 500</b>	<b>2 695</b>

## LCS – LINHA DE CUIDADOS DE SAÚDE INDICATORS

Number of incoming calls	656 706	674 789
Satisfaction level	98.1%	98.5%
Recommendation level	98.9%	99.5%

## HEALTH AREA INDICATORS (NUMBER)

Turnover (EUR million)	161	180
Surgeries	22 440	25 040
Daily hospital confinements	173 800	190 170
Imagiology	303 150	357 350
Urgent consultations	240 300	282 600
Consultations	518 500	593 650

The solvency levels of Caixa Seguros e Saúde's insurance and health activities as a whole remained comfortable with a solvency margin cover rate of 145%, which is a highly reassuring situation for all insured and economic agents associated with it.

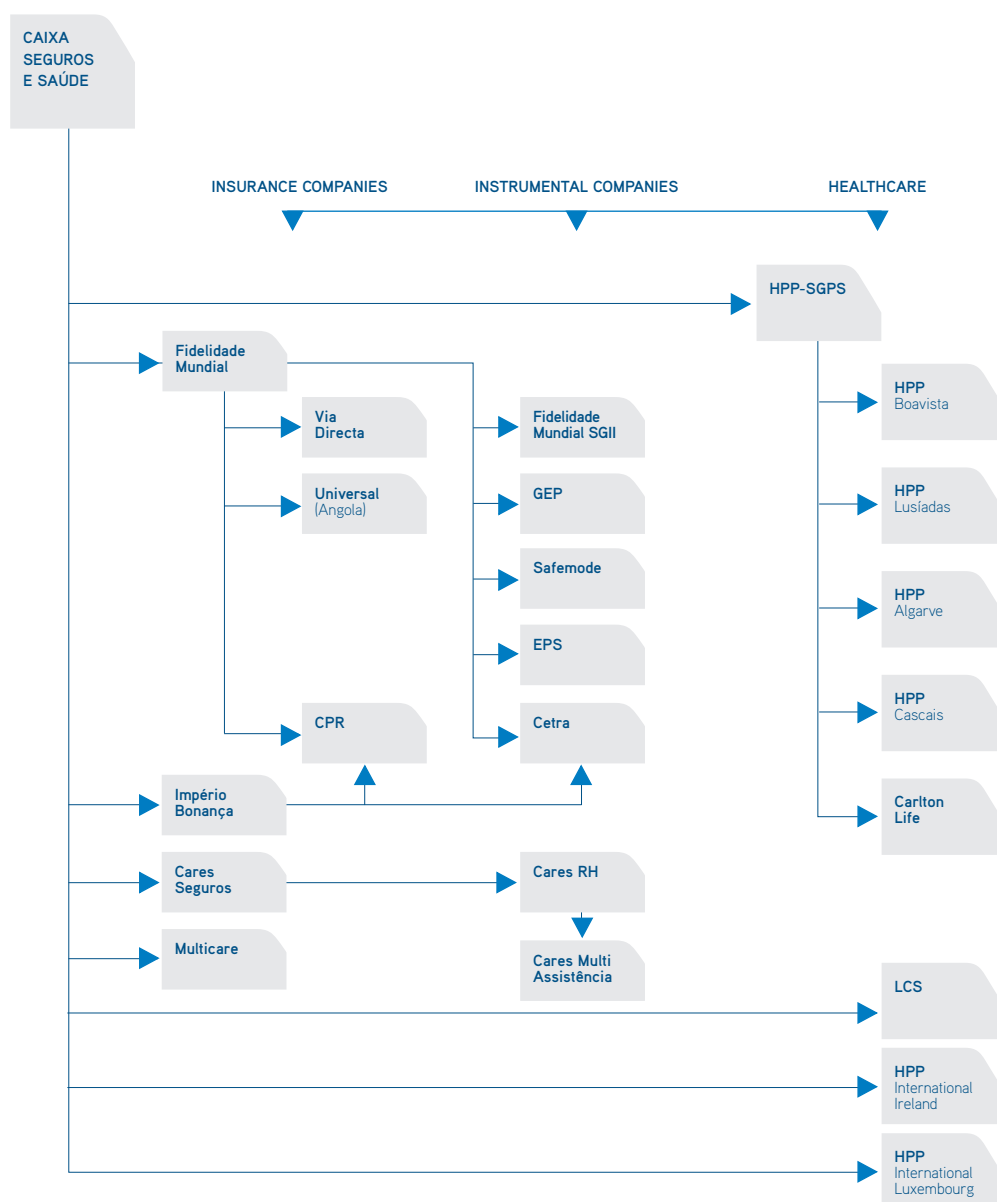
In insurance terms, Caixa Seguros e Saúde earned direct insurance premiums (including resources taken under investment contracts) of EUR 3962 million, in 2011, comprising a decrease of 31%, essentially deriving from life insurance products, in line with the evolution of the insurance market.

Activity in Portugal, responsible for most of the sales, achieved a volume of direct insurance premiums of EUR 3895 million, down 31%. Caixa Seguros e Saúde therefore succeeded in retaining its lead of the domestic insurance market with an overall market share of 33.4% (down 1.0 pp over 2010), coming in top position and markedly so in terms of life insurance (with a market share of 37.2%) and non-life insurance as a whole (with a market share of 26.5%).

Reference should also be made to HPP, SGPS's (consolidated) turnover, in 2011, with operating income of EUR 187 million, up 11% over the preceding year.

Caixa Seguros e Saúde's consolidated net assets totalled EUR 13.3 billion, with shareholders' equity, including non controlling interest of EUR 838 million.

## DIMENSION / STATUS OF CAIXA SEGUROS E SAÚDE



Caixa Seguros e Saúde is a global insurance market operator, commercialising 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 counters, associated mediators, agents, brokers, CGD branch offices, CTT counters, internet and telephone channels.

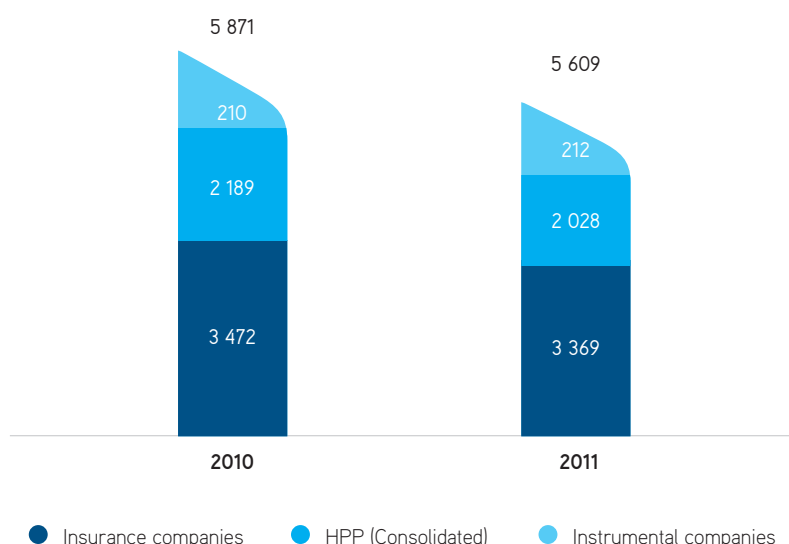
In international terms, Caixa Seguros e Saúde's insurance operations have focused on accompanying operations in foreign markets in which CGD has an autonomous presence or through subsidiary companies.

Reference should also be made to the Group's position in the healthcare sector in which it already enjoys a significant presence, not only in the financial sphere, as the healthcare market leader, but also in terms of providing medical assistance via HPP – Hospitais Privados de Portugal, SGPS, SA and LCS – Linha de Cuidados da Saúde, SA.

## HUMAN RESOURCES

In quantitative terms there was a reduction of 262 employees in Caixa Seguros e Saúde companies in year-on-year terms originating both from the insurance sector (down 103) and the hospital area (down 161).

### NUMBER OF EMPLOYEES EVOLUTION



## CONSOLIDATED FINANCIAL ANALYSIS

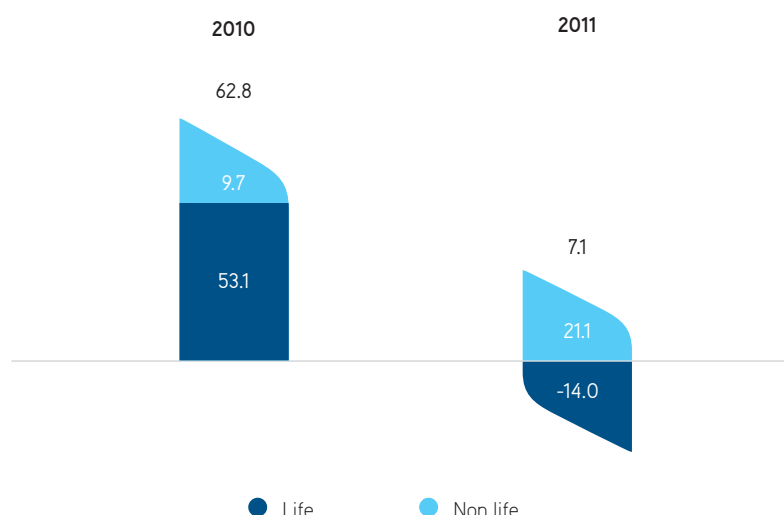
### TECHNICAL INCOME

Consolidated technical income, in 2011, was EUR 7.0 million, down EUR 55.8 over the preceding year, having been negatively affected by recognition of impairment on Greek debt in the accounts.

An analysis of the main consolidated technical account headings shows the following:

- Technical income for non-life insurance was EUR 21.1 million, up EUR 11.4 million over the preceding year, owing to an improved claims rate and containment of operating costs. In technical terms the combined ratio, net of reinsurance was, at 100.1% down 3.6 pp over the preceding year, having benefited from the 2.5 pp reduction in the loss ratio and 1.0 pp reduction in the expense ratio;
- Technical income from life insurance was down EUR 67.2 million, particularly on account of the deterioration in the level of financial income for the above referred to reasons.

## TECHNICAL RESULT EVOLUTION



## LIFE INSURANCE

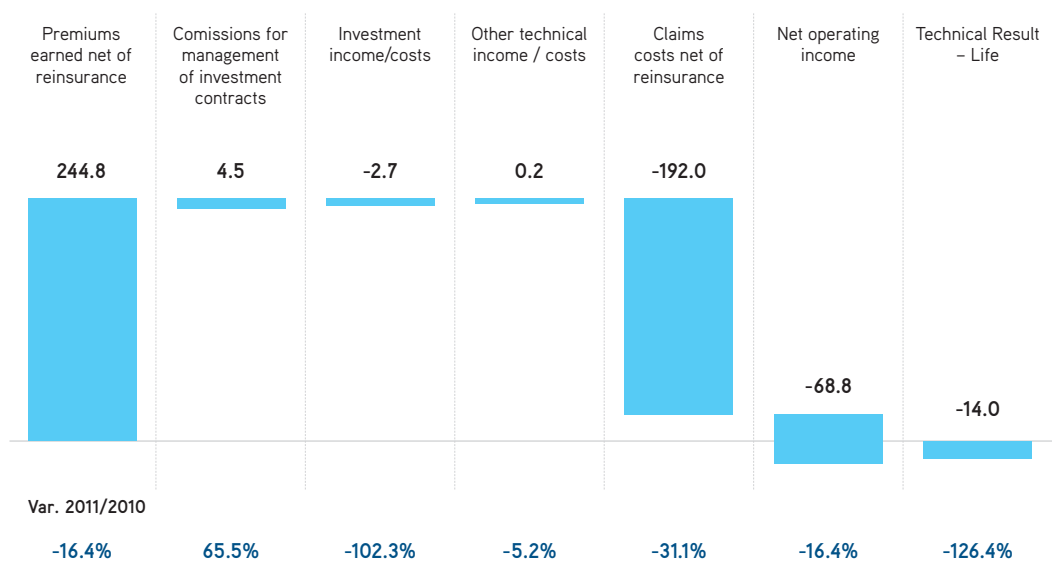
Caixa Seguros e Saúde performs its life insurance activities through Fidelidade Mundial, which has adopted a multichannel approach (traditional, banking and CTT channels) and Império Bonança, whose activities are geared to traditional mediation and brokerage networks.

In 2011, Caixa Seguros e Saúde earned direct life insurance premiums, including resources taken in the sphere of investment contracts, of EUR 2835 million, down 38% year-on-year and essentially on account of a lower volume of resources taken from financial insurance, resulting from the deceleration in sales of new insurance – across-the-board to most market operators.

The technical losses of EUR 14.0 million can be examined in more detail in the following chart (resources taken in the sphere of investment contracts are not processed as direct insurance premiums):

## BREAKDOWN OF TECHNICAL RESULT – LIFE

(EUR million)



Costs and operating income (including mediation commissions, but excluding the allocation to the claims function) totalled EUR 68.8 million, down EUR 14 million over the preceding year.



## NON-LIFE INSURANCE

In the case of non-life insurance, in addition to Fidelidade Mundial and Império Bonança, Caixa Seguros e Saúde also operates through Ok!telesseguros, which specialises in remote channels (telephone and internet), and Universal Seguros which operates in the Angolan market.

Multicare, Cares and Companhia Portuguesa de Resseguros also operate in this business area, but essentially in reinsurance.

In 2011, Caixa Seguros e Saúde earned non-life direct insurance premium income of EUR 1128 million, down 3.5% over the preceding year.

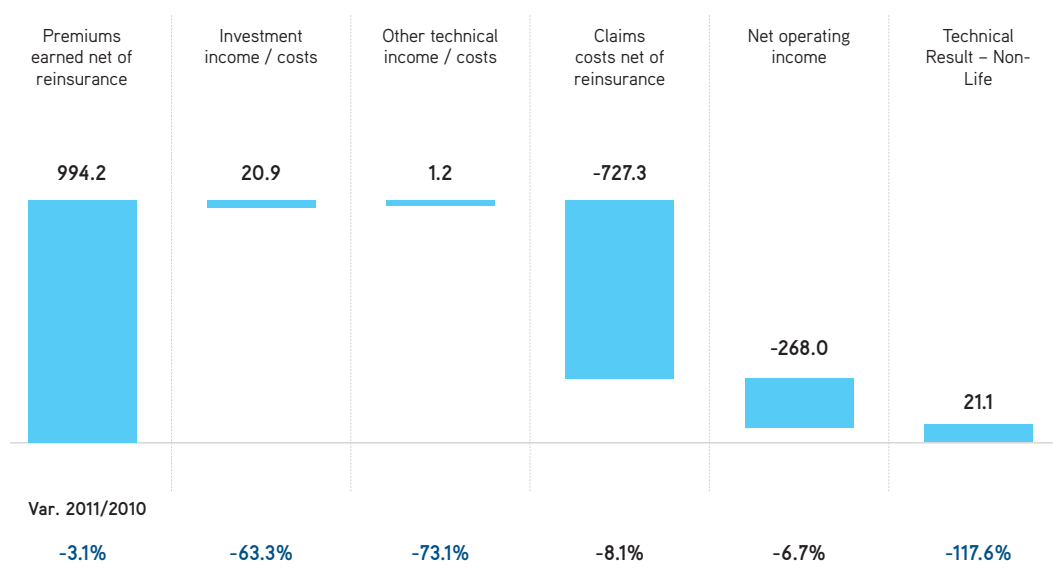
The loss ratio, down 2.5 pp to 73.2%, contributed towards the reduction of the combined ratio of 100.1% at year end.

Operating costs and expenses (including mediation commissions but excluding operating costs allocated to the claims function) were EUR 268 million, down EUR 20 million over the preceding year.

Details on technical income of EUR 21.1 million are set out in the following chart:

### BREAKDOWN OF TECHNICAL RESULT – NON LIFE

(EUR million)



## NET INCOME AND SHAREHOLDERS' EQUITY

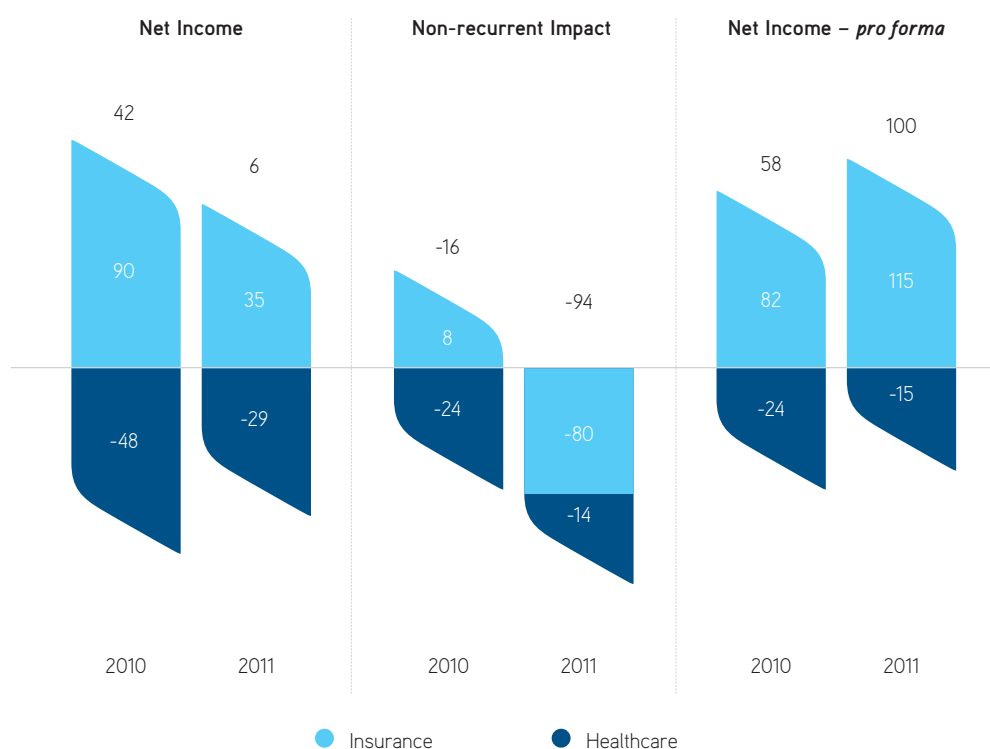
In 2011, income before tax was EUR 8.4 million, down EUR 60 million over the preceding year, owing to the unfavourable performance of this financial component.

In turn, net income, after non controlling interest was EUR 6.2 million, down EUR 35 million over 2010.

This result reflects the impact of diverse, adverse, non-recurring factors such as impairment on the insurance area's exposure to Greek sovereign debt and recognition of depreciation on intangible assets in the hospital area. Excluding such effects, current income would have been close to EUR 100 million, with a contribution of around EUR 115 million from the insurance area and losses of EUR 15 million from the hospital area.

## CAIXA SEGUROS E SAÚDE STATUTORY NET INCOME

(EUR million)



Shareholders' equity, including non controlling interest, was down EUR 180 million to EUR 838 million, essentially on account of the decrease posted to revaluation reserves for adjustments to the fair value of financial assets.

## TECHNICAL PROVISIONS AND SOLVENCY

Technical provisions for direct insurance and inwards reinsurance of EUR 11.4 billion, were down EUR 2.1 billion over the preceding year, particularly reflecting the reduction of provisions relative to the financial component of life insurance activity deriving from a negative balance between resources taken and the amount of redemptions and maturities.

## TECHNICAL PROVISIONS NET OF REINSURANCE

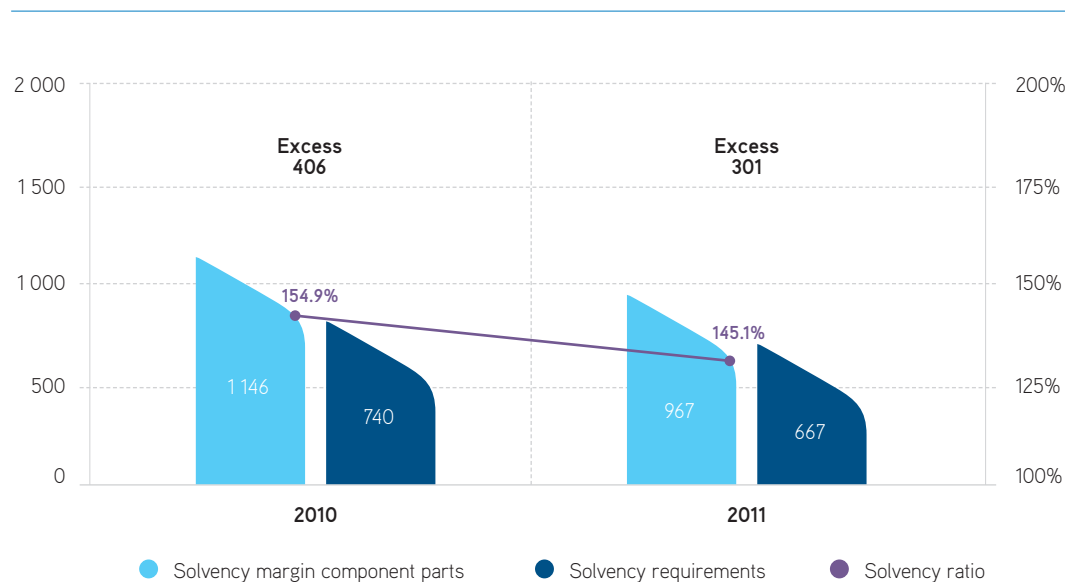
(EUR thousand)

## GLOBAL ACTIVITY

	2010	2011
Provision for unearned premiums	297 838	290 352
Mathematical provision - Life	3 216 080	2 267 893
Provision for claims	2 023 409	1 888 529
Life	167 675	137 938
Workman's compensation	719 884	721 310
Other	1 135 850	1 029 281
Provision for profit sharing	54 894	31 645
Other technical provisions	83 591	74 798
Financial liabilities	7 841 520	6 861 072
<b>TOTAL TECHNICAL PROVISIONS</b>	<b>13 517 331</b>	<b>11 414 289</b>
<b>Technical provisions for outwards reinsurance</b>	<b>260 162</b>	<b>220 024</b>
<b>Technical provisions net of reinsurance</b>	<b>13 257 169</b>	<b>11 194 265</b>

The amount of the solvency margin required, in 2011, was EUR 667 million, whereas its component parts totalled EUR 967 million. This translates into a solvency margin cover ratio of 145% representing a high security margin for entities associated with Group insurance companies.

Caixa Seguros e Saúde's liabilities to its insured and third parties are, therefore, fully covered and adequately represented and comply with financial investment limits, in addition to the solvency margin and guarantee fund levels and are significantly higher than the minimum, legally defined, amounts.



## ANALYSIS OF INSURANCE AREA

### OVERVIEW

The Group's insurance area continued to strengthen its relationship with the mediation network, improving its organisational capacity and exploiting synergies and developing products to provide for customers' needs.

The restructuring process on the branch office network of Fidelidade Mundial and Império Bonança, specialising in providing assistance to direct customers at customer branches and mediators at mediation centres provide their services indiscriminately to both brands, making it possible to direct these units' activities to commercial operations, transferring administrative and technical tasks to other areas and thus responding to new market challenges.

The development of franchising and the exclusive mediation network, the commercial growth of the major mediators and improving the professional capacities of the mediation network, operate along the same lines of activity as Group insurance companies' operations.

An attempt was also made to give continuity to the product improvement process, for the purpose of standardising the offer to achieve a position more in line with market conditions and provide the best contract management tools to mediators.

In life insurance terms, the retirements savings area continued to be a strategic objective, with the commercialisation of an innovative retirement savings plan under the 'Leve' brand.

The continuation thereof witnessed the creation of the "Clear Conscience Programme", as a CGD Group project designed to provide an additional stimulus to the creation of a new mentality and new principles of economic equilibrium in retirement, comprising several initiatives for knowledge production and the creation of means of disclosure

On a level of communication and distribution, endeavours were made on the basis of mass, objective communication to expand access to retirement products, in the form of products such as Leve PPR, comprising closed, affordable thematic product packages.

## COMPETITIVE ENVIRONMENT IN THE INSURANCE AREA

According to information supplied by the Portuguese Insurance Institute, the insurance market processed an amount of EUR 11.6 billion in direct insurance premiums, including resources taken from investment contracts, from its operations in Portugal, down 28.7% over 2010.

This is essentially explained by the life insurance area which was down 38.1% over the preceding year deriving from financial insurance (capitalisation and retirement savings plans). However non-life insurance was also down by 1.2%, on account of the difficult economic situation and deteriorating price margins. This was felt with greater intensity in the case of workman's compensation, motor and transport insurance in which a positive reference should be made to the increase in the health and multirisk housing premiums portfolio.

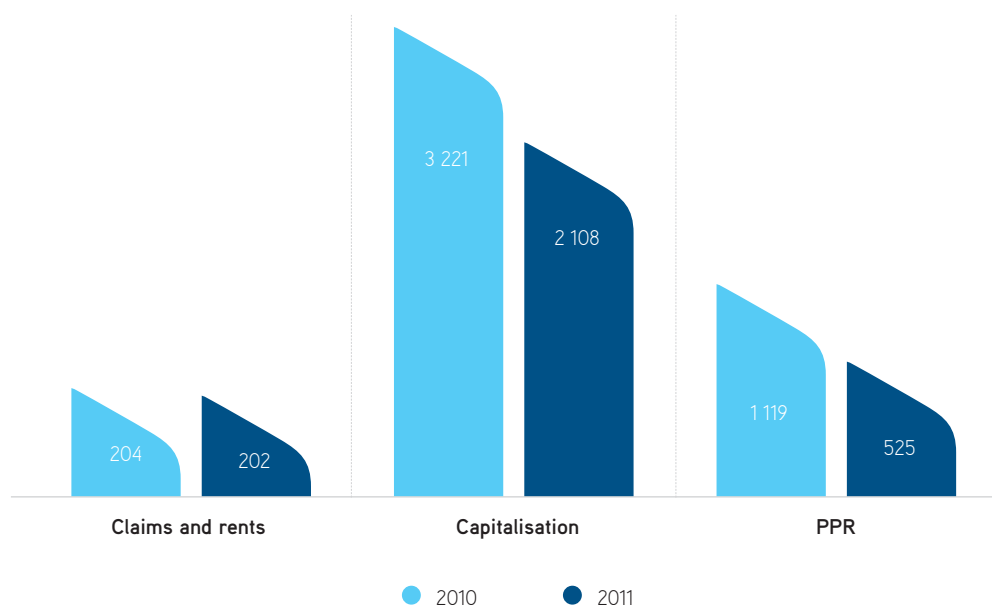
## POSITION IN THE INSURANCE MARKET

Caixa Seguros e Saúde continues to lead the domestic insurance sector, with a global 33.4% market share comprising direct insurance premiums (including resources taken under investment contracts) of EUR 3895 million.

Life insurance operations, in Portugal, processed EUR 2802 million in direct insurance premiums (including resources taken under investment contracts), down 37.8% over 2010 and deriving from capitalisation products and retirement savings plans for the already referred to reasons. Reference should be made to the fact that, notwithstanding the decrease, Caixa Seguros turned in higher performance levels than the insurance market average, increasing its share of this business area by 0.2 pp.

International activity posted premium income of EUR 33 million, down 23% over the preceding year.

## DIRECT INSURANCE PREMIUMS – LIFE

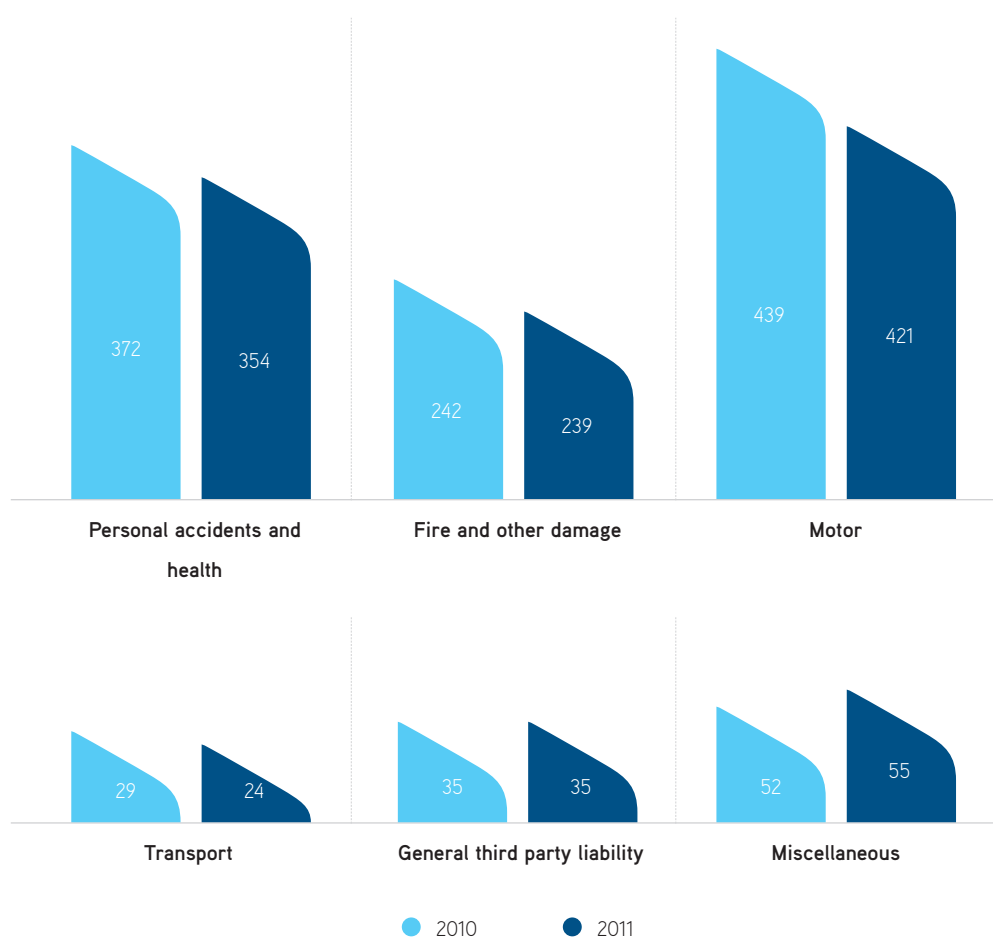


In non-life insurance, Caixa Seguros e Saúde's sales, in Portugal, were EUR 1092 million, down 3.4% over 2010, centred on motor, workman's compensation, personal accidents, transport and civil liability, particularly as a consequence of the economic slowdown.

Notwithstanding the reduction in market share to 26.5% (27.1% in 2010), Caixa Seguros e Saúde continued to be the undisputed leader in non-life insurance as a whole (with more than double the figure of its closest competitors, in addition to all of the main insurance areas.

In turn, premium income of EUR 36 million for non-life insurance was earned from foreign operations, down 10.5% over the preceding year.

#### DIRECT INSURANCE PREMIUMS – NON LIFE



#### SUMMARY OF SUBSIDIARIES UNDER INSURANCE AREA MANAGEMENT

Fidelidade Mundial continues to be the undisputed insurance sector leader, with a market share of 28.5% (down 2.7 pp over 2010) with EUR 3319 million in premium income from domestic operations (including resources taken under investment contracts) down 34.3% over the preceding year.

The company led the life insurance market with a market share of 35.0% (35.8% in 2010) and non-life insurance with 16.5% (16.7% in 2010).

In turn, sales from foreign operations were EUR 66 million (including resources taken under investment contracts), down 16.9%, originated by the France branch.

Net income for 2011 was EUR 13.9 million, down 78.9% year-on-year.





**Império Bonança's** sales of direct insurance premiums, in 2011, totalled EUR 531.8 million (including resources taken under investment contracts), comprising a decrease of 0.9% over the preceding year.

Activity in Portugal accounted for premium income of EUR 530.9 million, down 0.8% over the preceding year. The fact that the company operates exclusively on the basis of traditional channels explains the major asymmetry between its market shares for life (2.2%) and non-life (8.9%) insurance, in which business segment it comes second in the ranking.

Net income of EUR 9.9 million was down 48.8% over the preceding year.



**OK! teleseguros** is the motor insurance brand of Via Direta – Companhia de Seguros, SA. Formed in 1998, it is the CGD subsidiary specialising in motor insurance sales by phone and internet.

It retained its leadership of the motor insurance market in 2011, on telephone and internet channels, achieving direct insurance premium income of EUR 41.6 million, up 3.8% over the preceding year.

Ok!teleseguros achieved net income of EUR 232 thousand, in 2011, up EUR 3.2 million over the preceding year.



**Multicare**, essentially operating as a healthcare portfolio reinsurer for Fidelidade Mundial and Império Bonança achieved inwards reinsurance premiums of EUR 175 million, in 2011.

Multicare aims to be recognised in the market, as the best healthcare insurance manager, with its innovative, simple and efficient procedures, designed to meet its customers' expectations and needs.

Net income was EUR 584 thousand, down 3.2% over 2010.



**Cares**, which specialises in the legal assistance and protection area, provides travel assistance to persons and vehicles, any time, anywhere, worldwide, in the form of medical assistance, repatriation, emergency transport, telephone assistance in the event of accidents and also, but only in domestic terms, household assistance services, home medical services, assistance to senior citizens, and computer assistance, *inter alia*.

Its legal expenses service ensures the defence of its policyholders' rights and appeals in lawsuits related with road accidents, housing and private and professional affairs and also provides legal assistance by telephone including condominiums and small businesses

In 2011 the company posted premium income of EUR 35.8 million, down 22.8% over the preceding year.

Net income for the period was EUR 4.5 million, down 15% over 2010.



Since 2003 the company's activity has been restricted to the management of the run-off portfolio, involving cancellations with ceders of businesses which have already terminated but with liabilities in suspension.

In 2011, the shareholder, via the board of directors considered that it should reposition the company's mission having defined, as strategic options, the development of the inwards reinsurance business based on Caixa Seguros e Saúde's insurance companies. The assessment of this new status will determine the strategy to be implemented in the future by Companhia Portuguesa de Resseguros.

Net income of EUR 235 thousand was down EUR 5.1 million and particularly derived from the extraordinary income in 2010 originated on capital gains from the disposal of several buildings owned by the company.



**CARES RH's** activity is to represent and assist foreign insurance companies, in addition to providing management support services for the claims of domestic and foreign insurance companies.

After a stage involving the reduction of its turnover, as a consequence of the transfer of activities with call centre characteristics to other CGD Group companies, operating income stabilised at around EUR 610 thousand.

Net income of EUR 187 thousand was down 10% over the preceding year as a consequence of higher operating costs.

**Cares Multiassistance's** main activity is to provide repair, restoration, assembly, structural and improvement works to property and respective contents under housing insurance policies.

There was a significant increase in its activity, in 2011, to operating income of EUR 7.6 million, enabling net income to be doubled to EUR 1.6 million.



**Cetra** is a car repair company which operates in the collisions segment (panelwork and painting). It is a modern company with adequate equipment from a technological viewpoint and with skilled workers and is therefore well placed to respond positively to the challenges involved in the high standards of quality of service expected by our shareholders and other customers.

Operating income, in 2011, was EUR 2.3 million, down 4.4% over the preceding year, with net income for the year of EUR 188 thousand, down 12.9% over 2010.



**SAFEMODE** has been certified to NP EN ISO 9001:2000, having been authorised by ACT (Autoridade das Condições de Trabalho) to provide external occupational health and safety services. The company performs and provides technical appraisal and reduction of vulnerabilities and risk services, consultancy, projects, technical audits, energy certification and quality of air inside buildings and training in the prevention, protection and safety of persons, property and the environmental sphere.

SAFEMODE achieved turnover of EUR 2.1 million and net income of EUR 71 thousand in 2011. It continued to operate as a Caixa Seguros e Saúde instrumental company, in support of its insurance activity, notably in the sphere of property risk analyses and in monitoring the workman's compensation portfolio



**EPS's** mission is to manage healthcare networks. It currently provides management services to insurance companies in the healthcare market, having, in 2011, made net losses of EUR 25 thousand.



**Fidelidade Mundial, SGII's** main activity is to rent out its own property, which it has either acquired or built and the provision of associated services, with the ancillary object of selling such property.

Total operating income, in 2011, was EUR 4 million, with net income of EUR 2.4 million.



**GEP**, responsible for loss adjustments on motor vehicles and property and inspections of Group insurance companies achieved turnover of EUR 20 million in 2011 and net income of EUR 86 thousand.



**LCS** is a public limited liability company formed in March 2006. Its corporate object is the designing, planning, establishing, financing, operating and transferring of the National Health Service's call centre ("Linha Saúde 24") to the Portuguese state. Its activity involves services ranging from triage, advisory and referrals to public health services, general information on health and therapeutic counselling.

In 2011, LCS's net income was EUR 1.6 million, up EUR 1.3 million over the preceding year.



## OUTLOOK

The worsening economic crisis, in 2012, will lead, as forecast by diverse institutions, to a reduction of public and private consumption and investment, with a positive aspect being the recovery of the equilibrium of the external accounts owing to the combined affect of the reduction of imports and increase in exports and a substantial improvement of the primary balance in the state budget largely deriving from the part elimination of holiday subsidies and Christmas bonuses.

However, periods of difficulty create specific opportunities which should not be disregarded, either in terms of improving internal reorganisation procedures, responses to new needs for protection or as regards the possibilities of internationalisation – especially in markets of strategic interest to CGD Group.

Particular reference should be made to the merger between Fidelidade Mundial and Império Bonança, scheduled for the beginning of 2012, which will represent significant progress in achieving additional efficiency gains in addition to the acquisition, in 2011, of a majority equity investment in Angolan company Universal Seguros, making it possible to start operations in this hugely attractive strategic market.

## CAIXA SEGUROS E SAÚDE'S HOSPITAL AREA

### GENERAL

2011 was characterised by the reinforcement of HPP Saúde's values, in its various formats, its commitment to its customers and employees and interaction with society.

HPP Saúde continued to consolidate its brand as a strategic asset, centred on innovation on a level of its medical and support services, and concrete affirmation of its desire to consolidate such values and implement a new organisational culture.

In terms of assistance, reference should be made to the opening of the new paediatrics wing of Lusíadas hospital and the inauguration of a new HPP clinic in Faro, the Clínica Fórum Algarve, which enjoys the excellent support of the medical team of Faro's Santa Maria hospital. This unit will be permanently available to provide specialised consultations and complementary diagnoses.

A partnership with Techniker Krankenkasse, the second largest German insurance company in the healthcare sector, with around eight million customers was also entered into in June, with HPP Saúde having been selected on the basis of exacting quality and efficiency criteria in its provision of healthcare services, in addition to being a nationwide hospital group.

Cascais hospital obtained its environmental certification and became the first hospital, in the country, to achieve this seal of quality. The process introduces control measures on consumption and reductions of environmental impacts.

The work performed can also be measured by the impacts on financial statements and production indicators which show an extremely positive year-on-year change in terms of the budget for the period.

HPP Saúde's operating income was globally up by 11% over 2010, to EUR 187 million. Special reference should be made to the growth of Lusíadas hospital (around 25% over 2010).

EBITDA of close to zero was a highly significant improvement over the preceding year's losses of EUR 14 million, having benefited from the operational performance of subsidiary companies.

EBT losses of EUR 15.6 million represented a favourable evolution over losses of EUR 40.8 million in 2010.

In terms of current net income, the hospital area made losses of EUR 15 million. This was a substantial improvement over the year 2010 losses of EUR 24 million and confirms the recovery trajectory in progress.

CSS's hospital area's contribution was, however, worsened by non-recurring losses for impairment on intangible assets, cancellation of deferred tax assets and the contribution made by the hospital area, therefore totalling losses of EUR 29 million.

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.

## FUTURE PROSPECTS

The Portuguese economy will continue to be characterised by a recessionary framework, in the context of a macroeconomic imbalance adjustment process. This process, as part of the economic and financial adjustment programme produced in the sphere of request for financial assistance to the Portuguese economy, will have impacts on the population's purchasing power and unemployment levels and consequently, affect the demand for services.

Notwithstanding the relatively unfavourable environment, HPP Saúde aims to achieve its proposed objectives and meet the following future challenges:

- Maintaining sustained growth and achieving suitable levels of profitability, quality, organisation and efficiency in all Group companies;
- Meeting the increase in competition in specific markets in which the HPP Saúde brand is well established – Greater Porto and in the Algarve, as well as in Lisbon;
- Optimising and standardising systems, with the expectation of harmonising procedures and processes, medical practice and assistance, centralising processes and creating shared service areas to increase efficiency and fuel economies of scale.

## 1.7. Financial Analysis

### 1.7.1. CONSOLIDATED OPERATIONS

#### 1.7.1.1. Results and Profitability

Caixa Geral de Depósitos Group's results, in 2011, were heavily penalised by the difficult economic and financial situation, leading to the recognition of extraordinary annual costs such as impaired loans and securities account headings. Credit impairment increased to EUR 825.9 million and securities impairment to EUR 613.1 million. The latter amount particularly provided for the loss of value on CGD's equity investments and its exposure to Greek debt (EUR 134.7 million), most of which held by the Group's insurance companies.

**Gross operating income** of EUR 1128.6 million was similar to 2010 and, in conjunction with provisions appropriations for the year of EUR 1673.7 million, resulted in **consolidated net losses** of EUR 488.4 million in comparison to positive income of EUR 254.9 million, in 2010.

(EUR thousand)				
INCOME STATEMENT (CONSOLIDATED)	2010 <sup>(a)</sup>	2011	Change	
			Total	Percent
<b>Net interest income including income from equity instruments <sup>(1)</sup></b>	<b>1 612 735</b>	<b>1 831 990</b>	<b>219 255</b>	<b>13.6%</b>
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%

<sup>(a)</sup> Amounts restated to reflect the recognition of actuarial gains and losses associated with pension and healthcare liabilities for employees, following the change in accounting policy adopted by CGD at 31.12.2011.

(EUR thousand)

INCOME STATEMENT (CONSOLIDATED) (CONT.)	2010 <sup>(a)</sup>	2011	Change	
			Total	Percent
<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>Non-interest income (2)</b>	<b>977 666</b>	<b>694 752</b>	<b>-282 914</b>	<b>-28.9%</b>
Income from services and commissions (net)	502 315	504 631	2 316	0.5%
Income from financial operations	124 388	-24 766	-149 154	-119.9%
Other operating income	350 963	214 887	-136 076	-38.8%
<b>Technical margin on insurance operations (3)</b>	<b>508 998</b>	<b>505 020</b>	<b>-3 978</b>	<b>-0.8%</b>
Premiums net of reinsurance	1 323 352	1 243 666	-79 686	-6.0%
Income from investments 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	
<b>Net operating income (4)=(1)+(2)+(3)</b>	<b>3 099 398</b>	<b>3 031 762</b>	<b>-67 636</b>	<b>-2.2%</b>
<b>Operating costs (5)</b>	<b>1 961 156</b>	<b>1 903 168</b>	<b>-57 987</b>	<b>-3.0%</b>
Employee costs	1 041 110	995 705	-45 405	-4.4%
External supplies and services	721 197	694 974	-26 223	-3.6%
Depreciation and amortisation	198 849	212 489	13 641	6.9%
<b>Gross operating income (6)=(4)-(5)</b>	<b>1 138 242</b>	<b>1 128 593</b>	<b>-9 649</b>	<b>-0.8%</b>
<b>Provisions and impairment (7)</b>	<b>774 892</b>	<b>1 673 718</b>	<b>898 825</b>	<b>116.0%</b>
Provisions and impairment on credit net of cancellations and reversals	420 232	972 579	552 347	131.4%
Other impaired assets, net	354 660	701 139	346 479	97.7%
<b>Income generated by associated companies (8)</b>	<b>7 100</b>	<b>9 485</b>	<b>2 385</b>	<b>33.6%</b>
<b>Income before tax and non controlling interest (9)=(6)-(7)+(8)</b>	<b>370 450</b>	<b>-535 639</b>	<b>-906 089</b>	
<b>Tax (10)</b>	<b>66 772</b>	<b>-106 435</b>	<b>-173 207</b>	
Current	129 220	69 018	-60 202	-46.6%
Deferred, net	-62 448	-204 852	-142 404	
Extraordinary banking sector contribution	0	29 398	29 398	
<b>Consolidated net income for period (11)=(9)-(10)</b>	<b>303 678</b>	<b>-429 204</b>	<b>-732 882</b>	
Attributable to non controlling interest	48 806	59 221	10 415	21.3%
<b>Attributable to CGD shareholder</b>	<b>254 873</b>	<b>-488 425</b>	<b>-743 298</b>	

<sup>(a)</sup> Amounts restated to reflect the recognition of actuarial gains and losses associated with pension and healthcare liabilities for employees, following the change in accounting policy adopted by CGD at 31.12.2011.

Contributing to gross operating income were domestic commercial banking operations of EUR 585.7 million, international area operations with EUR 256.5 million and insurance and healthcare activities with 251.8 million.

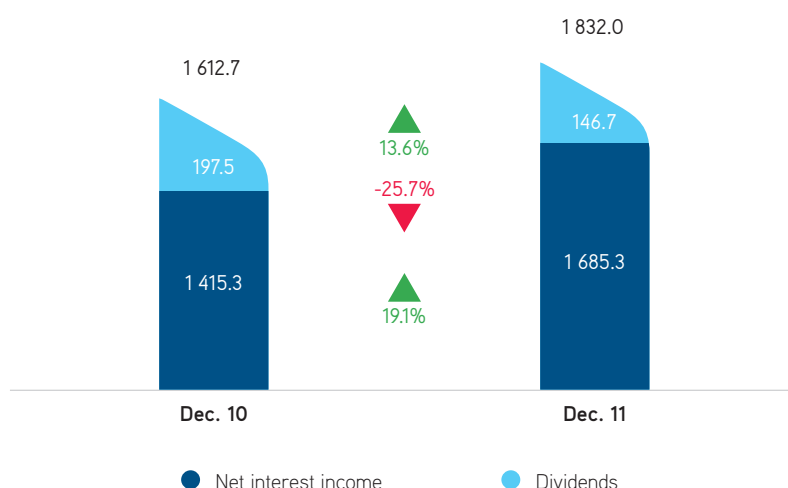
EUR million

GROSS OPERATING INCOME FROM CGD GROUP'S MAIN BUSINESS AREAS	2010	2011
Domestic commercial banking	665.0	585.7
International operations	248.5	256.5
Insurance and healthcare	171.0	251.8
Investment banking	53.7	34.6
<b>Gross operating income</b>	<b>1 138.2</b>	<b>1 128.6</b>

Net interest income, including income from equity instruments, up 13.6% by EUR 219.3 million to EUR 1832 million over 2010, originated exclusively from a 19.1% increase of EUR 270 million in net interest income as income from equity instruments was down.

## NET INTEREST INCOME INCLUDING INCOME FROM EQUITY INSTRUMENTS

(EUR million)



Income from equity instruments totalled EUR 146.7 million, reflecting the EUR 50.8 million decrease of 25.7% on the disposal of a significant part of CGD's equity investment in EDP, in 2010.

(EUR million)		
INCOME FROM EQUITY INSTRUMENTS		
	2010	2011
Portugal Telecom, SGPS, SA	98.3	85.3
ZON Multimédia, SGPS, SA	6.0	5.3
AdP – Águas de Portugal, SA	4.7	5.1
EDP – Energias de Portugal, SA	37.4	4.2
Brisa – Autoestradas de Portugal, SA	2.8	2.8
GALP Energia, SGPS, SA	3.1	2.0
BCP – Valores Mobiliários Perpétuos	2.9	1.5
REN – Redes Energéticas Nacionais, SA	1.3	1.0
Banco Espírito Santo, SA	2.3	0.6
UNICRE – Cartão Internacional de Crédito	2.0	-
Income distributed by Unit Trust Investment Funds	25.8	32.7
Other	10.9	6.2
<b>Total</b>	<b>197.5</b>	<b>146.7</b>

Income from **commissions (net)** was, at EUR 504.6 million, similar to the 2010 figure of EUR 502.3 million. Special reference should be made to the 16.5% reinforcement of the contribution of international operations, offsetting almost all of the decrease in income from domestic banking operations.

(EUR million)				
COMMISSIONS (NET)				
	2010	2011	Change Total	Change %
CGD Portugal	318.3	307.5	-10.7	-3.4%
International operations	99.8	116.3	16.5	16.5%
Investment banking	55.9	49.8	-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>

By type of commissions, reference should be made to means of payment (EUR 130.7 million, up 4.1%) and credit operations (EUR 142.4 million, up 25.2%).

Losses of EUR 24.8 million were made on **financial operations**, in 2011, notwithstanding active endeavours to realise capital gains on the sale of selected assets and repurchase of own issues. This amount reflects the sovereign debt crisis's adverse impact on the assets portfolio, as a consequence of the higher the risk premium and inversion of the interest rate cycle.

**Other operating income** totalled EUR 214.9 million against the year 2010 amount of EUR 351 million which was influenced by capital gains on Caixa's sale of its HQ building to its Employees' Pension Fund in September 2010.

The EUR 505 million contribution of the **technical margin on insurance operations** to Group net operating income was down 0.8% by EUR 4 million over the preceding year's figure.

**Earned premiums net of reinsurance** for the amount of EUR 1243.7 million and investment income allocated to insurance contracts, for the amount of EUR 143.4 million, comprised significant reductions of EUR 79.7 million (down 6%) and EUR 63.4 million (down 30.6%) over 2010, not offset by the fall in **claims costs net of reinsurance** which were down 15.3% by EUR 142.9 million to EUR 788.7 million.

As a result of the above, **net operating income from banking and insurance activities** was down 2.2% by EUR 67.6 million to EUR 3031.8 million in comparison to the preceding year.

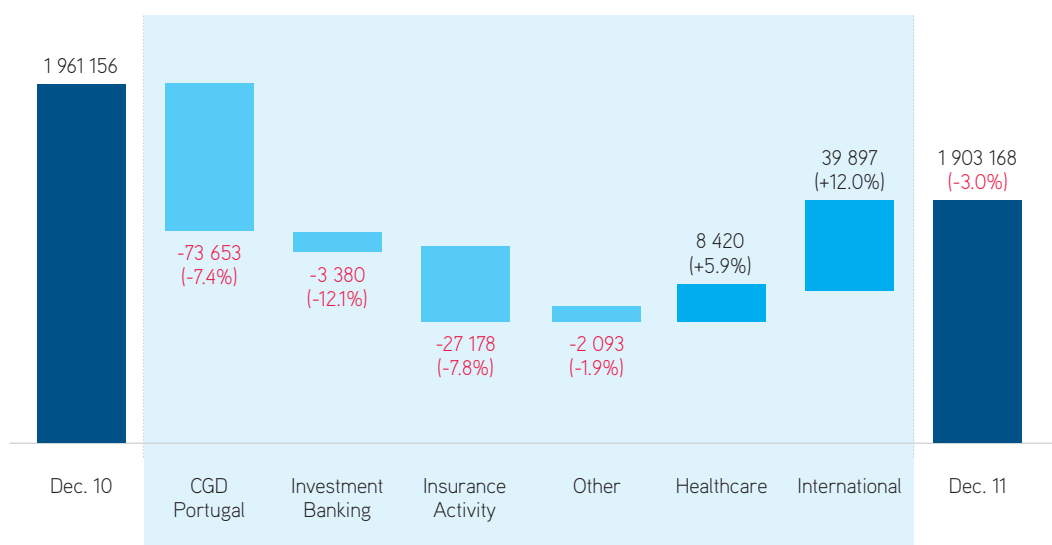
Furthering the **operating costs** containment policy, this aggregate was down 3% by EUR 58 million to EUR 1903.2 million over the preceding year, based both on employee costs and external supplies and services, down 4.4% by EUR 45.4 million and 3.6% by EUR 26.2 million, respectively.

By areas of activity, CGD Portugal's contribution to operating costs out of the consolidated total was down 7.4% by EUR 73.7 million over December 2010, as opposed to a 12% increase in international operations, translating the expansion occurring in such areas. In the case of insurance, operating costs represented a reduction of 7.8%.

The decrease in the average number of employees engaged in domestic operations (260 in 2011 in comparison to 2010) also contributed to the 9.3% reduction of EUR 52.8 million in CGD Portugal's employee costs to EUR 512.1 million. Reference should also be made, in the case of CGD, to the 9.5% decrease of EUR 31.1 million in the costs of external supplies and services.

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

(Annual change – EUR thousand)



Information on the main external supplies and services costs and respective changes is set out below:

(EUR million)			
EXTERNAL SUPPLIES AND SERVICES	2010	2011	Change
<b>Total</b>	<b>721.2</b>	<b>695.0</b>	<b>-3.6%</b>
Of which:			
Water, energy and fuel	24.8	28.1	13.0%
Rents and leases	81.3	94.4	16.1%
Communications	54.0	52.0	-3.6%
Advertising and publications	48.0	44.7	-6.9%
Maintenance and repair of material	51.5	46.3	-10.1%
IT	110.7	97.0	-12.4%
Studies and consultancy	23.2	23.4	0.9%

The significant reduction in operating costs had the effect of improving efficiency ratios, particularly **cost-to-income**, down from 63.3% at the end of 2010 to 62.6% in December 2011 within CGD Group (0.7 percentage points). The ratio for CGD's separate operations was down 2.8 percentage points to 55.7%.

EFFICIENCY RATIOS	2010	2011
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%	22.9%
Operating costs / average net assets	1.57%	1.54%

<sup>(1)</sup> Calculated in accordance with Bank of Portugal Instruction 23/2011.

Impaired credit, net of cancellations and reversals totalled EUR 825.9 million in 2011.

(EUR million)				
PROVISIONS AND IMPAIRMENT FOR PERIOD	2010	2011	Change	
			Total	Percent
<b>PROVISIONS</b>				
Provisions appropriations	126.3	191.7	65,5	51,8%
Recovery and reversal of provisions	75.1	45,1	-30,1	-40,0%
<b>Provisions (net)</b>	<b>51.1</b>	<b>146,7</b>	<b>95,5</b>	<b>186,8%</b>
<b>IMPAIRMENT</b>				
<b>(a) Credit (1) - (2) - (3)</b>	<b>369.1</b>	<b>825.9</b>	<b>456.8</b>	<b>123.8%</b>
<b>Impairment losses (1)</b>	<b>1 674.7</b>	<b>2 115.8</b>	<b>441.1</b>	<b>26.3%</b>
Loans and advances to customers	617.0	883.0	266.1	43.1%
Overdue credit and interest – loans and advances to customers	1057.7	1232.8	175.1	16.6%
<b>Reversals of impairment losses (2)</b>	<b>1 270.6</b>	<b>1 253.4</b>	<b>-17.2</b>	<b>-1.4%</b>
Loans and advances to customers	520.4	706.5	186.2	35.8%
Overdue credit and interest – loans and advances to customers	750.2	546.9	-203.3	-27.1%
<b>Credit recovery (3)</b>	<b>35.0</b>	<b>36.5</b>	<b>1.5</b>	<b>4.3%</b>
Written-off loans	32.1	33.2	1.2	3.6%
Interest and expenses on overdue credit	2.9	3.2	0.3	11.4%
<b>(b) Other assets (1) - (2)</b>	<b>354.7</b>	<b>701.1</b>	<b>346.5</b>	<b>97.7%</b>
<b>Impairment losses (1)</b>	<b>493.3</b>	<b>791.8</b>	<b>298.5</b>	<b>60.5%</b>

(EUR million)

PROVISIONS AND IMPAIRMENT FOR PERIOD (CONT.)	2010	2011	Change	
			Total	Percent
Loans and advances to credit institutions	73.0	41.0	-32.0	-43.8%
Debtors and other loans and advances	2.4	2.0	-0.4	-16.7%
Securities	344.4	613.2	268.8	78.1%
Investments in subsidiaries excluded from the consolidation	0	0.3	0.3	
Non-financial and other assets	73.5	135.3	61.8	84.0%
<b>Reversals of impairment losses (2)</b>	<b>138.6</b>	<b>90.6</b>	<b>-48.0</b>	<b>-34.6%</b>
Loans and advances to credit institutions	81.2	39.6	-41.6	-51.3%
Debtors and other loans and advances	2.1	1.4	-0.7	-31.7%
Securities	5.2	0.1	-5.1	
Non-financial and other assets	50.1	49.5	-0.6	-1.2%
<b>Net impairment (a) + (b)</b>	<b>723.8</b>	<b>1 527.1</b>	<b>803.3</b>	<b>111.0%</b>
<b>PROVISIONS AND IMPAIRMENT FOR PERIOD</b>	<b>774.9</b>	<b>1 673.7</b>	<b>898.8</b>	<b>116.0%</b>

**Net impairment of other assets** for the year totalled EUR 701.1 million of which EUR 613.1 million on **securities**, to provide for the depreciation of CGD's equity investments in PT, BCP, ZON and Brisa most of which formerly recognised in the Group's insurance company portfolios, particularly their exposure to Greek debt.

Current tax plus the **extraordinary banking sector contribution** of EUR 29.4 million, totalled EUR 98.4 million. Negative deferred tax was, in turn, EUR 204.9 million.

In light of the negative result, in 2011, gross return on equity (ROE) was -8% (-6.4% after tax) with gross return on assets (ROA) of -0.43% (-0.35% after tax).

	2010	2011
<b>PROFIT RATIOS</b>		
Gross return on equity – <b>ROE</b> <sup>(1) (2)</sup>	5.0%	-8.0%
Net return on equity – <b>ROE</b> <sup>(2)</sup>	4.1%	-6.4%
Gross return on assets – <b>ROA</b> <sup>(1) (2)</sup>	0.29%	-0.43%
Net return on assets – <b>ROA</b> <sup>(2)</sup>	0.24%	-0.35%
Net operating income <sup>(3)</sup> / average net assets <sup>(1) (2)</sup>	2.48%	2.46%

<sup>(1)</sup> Calculated in accordance with Bank of Portugal Instruction 23/2011.

<sup>(2)</sup> Considering average shareholders' equity and net assets values (13 observations).

<sup>(3)</sup> Includes income from associated companies.

### 1.7.1.2. Issues Regarding the Balance Sheet

CGD Group's consolidated net assets of EUR 120.6 billion, at the end of December 2011, were down 4.1% by EUR 5.2 billion over the end of the preceding year, translating the effect of its current balance sheet deleveraging process.

**Securities** (including assets with repurchase agreement) and **loans and advances to customers** portfolios were therefore down EUR 5.4 billion (down 17.6%) and EUR 3.7 billion (down 4.5%), respectively, partly offset by **cash and loans and advances to credit institutions** which were up EUR 2.5 billion (40.4% over December 2010) to EUR 8.6 billion.

(EUR million)

CONSOLIDATED BALANCE SHEET – CGD GROUP			Change	
BALANCES AT 31 DECEMBER	2010	2011	Total	Percent
Assets				
Cash and cash equivalents with central banks	1 469	2 704	1 236	84.1%
Loans and advances to credit institutions	4 689	5 942	1 253	26.7%
Loans and advances to customers	81 907	78 248	-3 660	-4.5%
Securities investments	29 131	24 398	-4 733	-16.2%
Assets with repo agreements	1 417	778	-639	-45.1%
Investments in subsidiaries and associated companies	28	36	7	26.3%
Investment properties	396	459	63	15.8%
Tangible and intangible assets	1 569	1 556	-13	-0.9%
Current and deferred tax assets	1 221	2 017	795	65.1%
Technical provisions for outwards reinsurance	265	226	-38	-14.5%
Other assets	3 664	4 202	538	14.7%
Total	125 757	120 565	-5 192	-4.1%
Liabilities				
Central banks' and credit institutions' resources	14 604	15 861	1 257	8.6%
Customer resources	67 680	70 587	2 907	4.3%
Financial liabilities	1 712	1 918	206	12.1%
Debt securities	19 307	14 923	-4 383	-22.7%
Provisions	803	887	84	10.5%
Technical provisions for insurance contracts	5 743	4 608	-1 135	-19.8%
Subordinated liabilities	2 800	2 075	-725	-25.9%
Other liabilities	5 373	4 367	-1 006	-18.7%
Total	118 022	115 228	-2 794	-2.4%
Shareholders' equity	7 735	5 337	-2 398	-31.0%
Total	125 757	120 565	-5 192	-4.1%

As regards **liabilities**, reference should be made to the EUR 4.4 billion decrease of 22.7% in debt securities and EUR 2.9 billion increase of 4.3% in **customer resources**. In turn, **resources taken from credit institutions** were 8.6% up by EUR 1.3 billion to EUR 15.9 billion.

Particularly significant contributions were made to the Group's net assets by the separate operations of CGD, with 74.4% of the total (72.6% in 2010), Caixa Seguros e Saúde with 8.9%, Banco Caixa Geral in Spain with 4.6%, Caixa Leasing e Factoring with 2.5%, and BNU (Macau) with 2.3%.

(EUR million)

CONSOLIDATED NET ASSETS OF CGD GROUP		2010		2011	
OUTSTANDING BALANCES AT 31 DECEMBER		Amount	Percent	Amount	Percent
CGD GROUP					
Caixa Geral de Depósitos <sup>(a)</sup>	91 288	72.6%	89 698	74.4%	
Caixa Seguros e Saúde	13 323	10.6%	10 676	8.9%	
Banco Caixa Geral (Spain)	6 352	5.1%	5 488	4.6%	
Banco Nacional Ultramarino, SA (Macau)	2 467	2.0%	2 730	2.3%	
Caixa-Banco de Investimento	1 856	1.5%	1 980	1.6%	
Caixa Leasing e Factoring	3 659	2.9%	3 066	2.5%	
Banco Comercial e de Investimentos (Mozambique)	991	0.8%	1 367	1.1%	
Banco Comercial do Atlântico (Cape Verde)	594	0.5%	604	0.5%	

<sup>(a)</sup> Separate operations.

(EUR million)

CONSOLIDATED NET ASSETS OF CGD		2010		2011	
OUTSTANDING BALANCES AT 31 DECEMBER (CONT.)		Amount	Percent	Amount	Percent
Mercantile Lisbon Bank Holdings (South Africa)		579	0.5%	590	0.5%
Partang (Banco Totta Angola)		934	0.7%	1 182	1.0%
Other companies <sup>(b)</sup>		3 713	3.0%	3 184	2.6%
<b>Consolidated net assets</b>		<b>125 757</b>	<b>100.0%</b>	<b>120 565</b>	<b>100.0%</b>

<sup>(b)</sup> Includes companies consolidated by the equity accounting method.

## CASH AND CASH EQUIVALENTS, LOANS AND ADVANCES TO AND RESOURCES WITH CREDIT INSTITUTIONS

**Cash and loans and advances to credit institutions** totalled EUR 8.6 billion at the end of December 2011, whereas resources taken from the same entities totalled EUR 15.9 billion, of which EUR 9 billion relative to CGD funding from the European Central Bank in comparison to the preceding year's EUR 6.55 billion, justified by the deterioration of funding conditions felt during the year.

CGD's total assets eligible for ECB funding operations at the end of September, were EUR 14.4 billion.

## LOANS AND ADVANCES TO CUSTOMERS

**Loans and advances to customers** (gross) totalled EUR 81.6 billion at the end of December, down 3.4% by EUR 2.9 billion over the preceding year, as a reflection of the deleveraging process in progress. Lending to the corporate, institutional and individual customers segments were down 7.5% and 1.5%, respectively. Lending to the corporate sector, for operations in Portugal, was, however, in line with last year's figure and only slightly down by 0.6% over the end of 2010.

LOANS AND ADVANCES TO CUSTOMERS <sup>(a)</sup> BY CUSTOMER SEGMENT		(EUR million)					
BALANCES AT 31 DECEMBER		2010	2011	Change		Structure	
				Total	Percent	2010	2011
Corporate and institutional		40 094	37 092	-3 002	-7.5%	47.4%	45.4%
Of which: companies (CGD Portugal)		24 659	24 520	-139	-0.6%	29.2%	30.0%
General government		3 663	4 390	727	19.9%	4.3%	5.4%
Individual customers		40 760	40 149	-612	-1.5%	48.2%	49.2%
<b>Total</b>		<b>84 517</b>	<b>81 631</b>	<b>-2 886</b>	<b>-3.4%</b>	<b>100.0%</b>	<b>100.0%</b>

<sup>(a)</sup> Consolidated operations before impairment.

Loans and advances to the individual customers segment, mostly mortgages, continued to account for a preponderant proportion of total credit, absorbing 49.2% of the total lending balance against the preceding year's 48.2%. Corporate and institutional lending represented, in turn, 45.4% of the total.

The balance on loans and advances to general government was up 19.9% to EUR 4.4 billion.

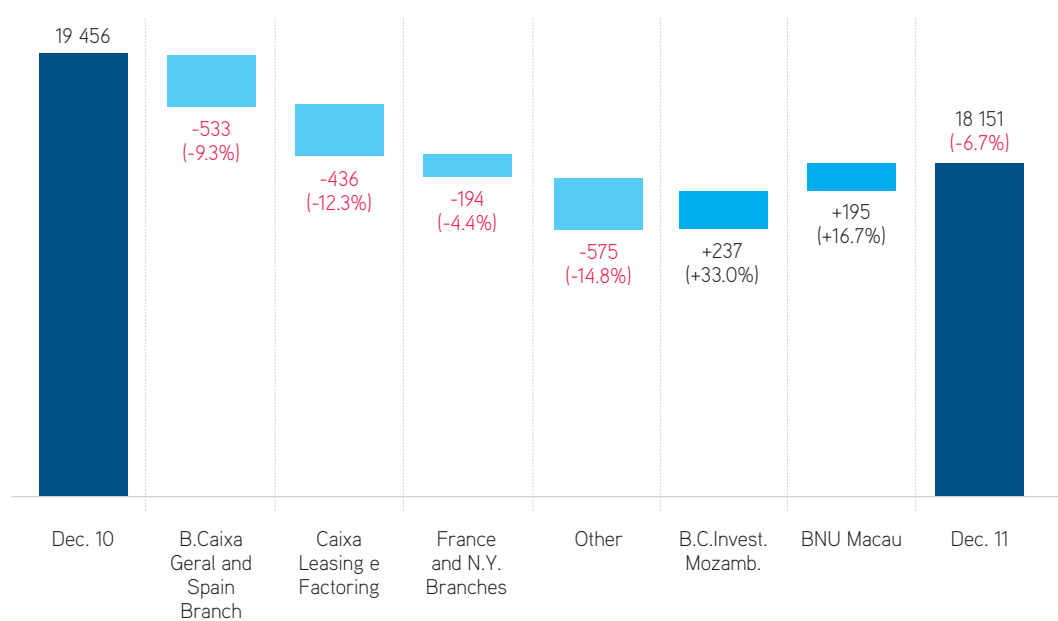
Around 78% of loans and advances to customers referred to CGD's separate operations in Portugal. The balance of lending by the Group's other units was down EUR 1.3 billion (6.7%) to EUR 18.2 billion at the end of 2011 and was particularly noticeable in the case of the reduction of Group units in Spain and in Caixa Leasing e Factoring, down EUR 533 million (9.3%) and EUR 436 million (12.3%), respectively, together with the increases recorded by Banco Comercial e de Investimentos in Mozambique and BNU Macau – up EUR 237 million (33%) and EUR 195 million (16.7%), respectively.



## LOANS AND ADVANCES TO CUSTOMERS – OTHER GROUP COMPANIES

(EUR million)

Change Dec. 11 / Dec. 10



Globally the market share of loans and advances to customers was slightly down from 21.0% to 20.9% at the end of 2011, with lending to companies remaining at 16.4% and downturns in other segments.

LOANS AND ADVANCES TO CUSTOMERS – MARKET SHARES <sup>(a)</sup>  
BY CUSTOMER SEGMENT

	2010	2011
Corporate	16.4%	16.4%
General government	36.7%	35.1%
Individual customers	23.6%	23.4%
Mortgages	26.8%	26.6%
Other	9.2%	8.9%
<b>Total</b>	<b>21.0%</b>	<b>20.9%</b>

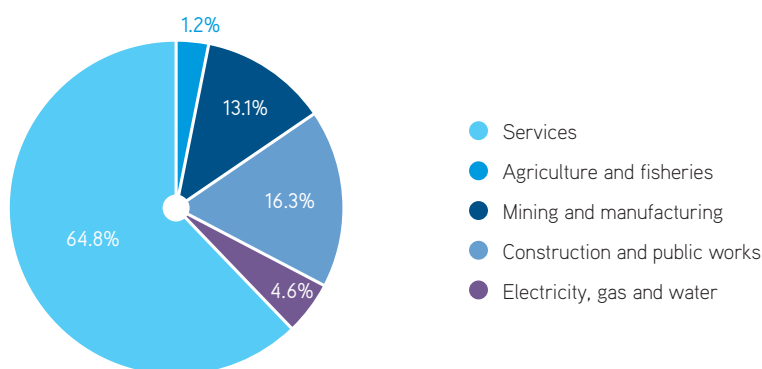
<sup>(a)</sup> Operations in Portugal including securitised credit.

The split between corporate and institutional lending by sectors of activity shows decreases particularly in the service sectors (down EUR 2.6 billion, by 9.6%) and electricity, gas and water (down EUR 251 million by 12.8%).

(EUR million)				
LOANS AND ADVANCES TO CORPORATE AND INSTITUTIONAL SECTORS <sup>(a)</sup> BY SECTORS OF ACTIVITY				
OUTSTANDING BALANCES AT 31 DECEMBER	2010	2011	Change	
			Total	Percent
Agriculture and fisheries	514	438	-76	-14.8%
Mining and manufacturing	4 883	4 844	-39	-0.8%
Construction and public works	6 150	6 064	-85	-1.4%
Electricity, gas and water	1 962	1 712	-251	-12.8%
Services	26 585	24 035	-2 550	-9.6%
<b>Total</b>	<b>40 094</b>	<b>37 092</b>	<b>-3 002</b>	<b>-7.5%</b>

<sup>(a)</sup> Consolidated operations.

## LOANS AND ADVANCES TO CORPORATE AND INSTITUTIONAL SECTORS – DECEMBER 2011



The balance of credit to the services sector was particularly taken up by the "financial activities" with EUR 7.8 billion, "property activities", with EUR 4 billion and "wholesale and retail trade" with EUR 3.4 billion sub-sectors.

The loans and advances to individual customers balance at the end of the year was down 1.5% by EUR 0.6 billion to EUR 40.1 billion, based on mortgage loans (down 1.4%) and "other" (down 2.6%).

LOANS AND ADVANCES TO INDIVIDUAL CUSTOMERS <sup>(a)</sup>		(EUR million)			
		Change			
OUTSTANDING BALANCES		2010	2011	Total	Percent
<b>Mortgages</b>		38 144	37 602	-542	-1.4%
<b>Other</b>		2 616	2 547	-69	-2.6%
Of which:					
Credicaixa (consumer) <sup>(b)</sup>		1 151	1 038	-113	-9.8%
Credit cards <sup>(b)</sup>		342	346	4	1.2%
<b>Total</b>		<b>40 760</b>	<b>40 149</b>	<b>-612</b>	<b>-1.5%</b>
<b>NEW OPERATIONS</b>					
<b>Mortgages</b>					
Number of contracts		31 151	14 209	-16 942	-54.4%
Amount		2 747	1 189	-1 558	-56.7%

<sup>(a)</sup> Consolidated operations.

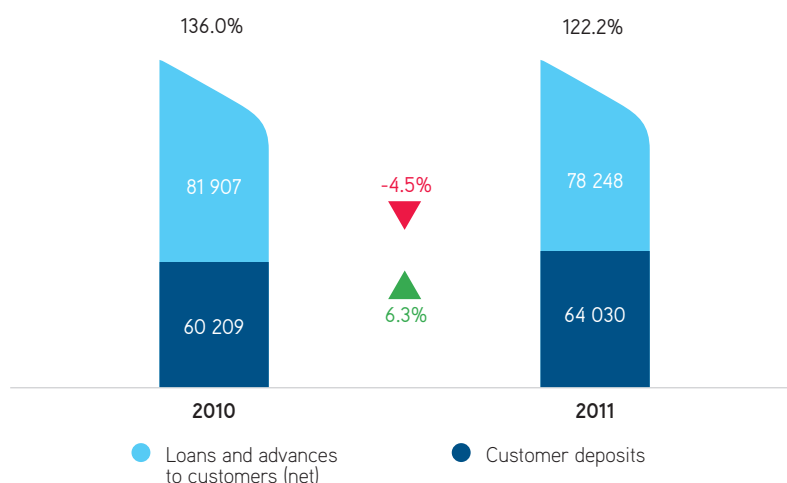
<sup>(b)</sup> Operations in Portugal.

As regards mortgage loans on national territory, the amount of operations taken out in 2011, at EUR 1.2 billion was a significant 56.7% down over the preceding year with a market share of 23.6% in terms of annual sales.

The **loans-to-deposits ratio**, measured by net credit to customer resources was 110.8%, albeit 122.2% in respect of customer deposits, in comparison to the ratios of 121.0% and 136.0%, respectively recorded at the end of 2010.

## LOANS-TO-DEPOSITS TRANSFORMATION RATIO

(EUR million)



## CREDIT QUALITY

There was a 30% increase in the overdue credit balance over 2010 to EUR 3.2 billion. This evolution resulted from the deteriorating economic and financial situation and was reflected in credit quality indicators with a **total overdue credit ratio** of 3.9% at the end of 2011, as opposed to 2.9% at the end of December 2010 and **credit more than 90 days overdue 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 regulations, were 6.9% and 4.2%, respectively. Credit at risk, in addition to credit overdue for a period of 90 days or more and associated outstanding credit also consider the total amount of restructured credit<sup>(1)</sup> and other overdue credit operations on which there is evidence justifying their classification as credit at risk, notably a debtor's bankruptcy or liquidation.

Accumulated impairment on loans and advances to customers (standard and overdue) at the end of 2011 was around EUR 3.4 billion, with a credit overdue more than 90 days ratio of 116.5% against the preceding year's 117.4%.

(EUR million)

CREDIT QUALITY (CONSOLIDATED)		Change		
OUTSTANDING BALANCES AT 31 DECEMBER	2010	2011	Total	Percent
<b>Total credit</b>	<b>84 517</b>	<b>81 631</b>	<b>-2 886</b>	<b>-3.4%</b>
Loans and advances to customers (outstanding)	82 039	78 409	-3 631	-4.4%
Overdue credit and interest	2 478	3 222	744	30.0%
Of which: more than 90 days overdue	2 223	2 905	682	30.7%
<b>Credit impairment</b>	<b>2 610</b>	<b>3 383</b>	<b>773</b>	<b>29.6%</b>
Accumulated impairment – loans and advances to customers	1 250	1 456	205	16.4%
Accumulated impairment – overdue credit and interest	1 359	1 927	568	41.8%
<b>Credit net of impairment</b>	<b>81 907</b>	<b>78 248</b>	<b>-3 660</b>	<b>-4.5%</b>
<b>Ratios</b>				
Non-performing credit ratio <sup>(a)</sup>	3.1%	4.3%		
Non-performing credit net / total credit net <sup>(a)</sup>	0.0%	0.2%		
Credit at risk ratio <sup>(a)</sup>	4.2%	6.9%		
Credit at risk ratio net / total credit net <sup>(a)</sup>	1.2%	2.9%		
Overdue credit / total credit	2.9%	3.9%		

<sup>(a)</sup> Calculated in accordance with Bank of Portugal Instruction 23/2011.

<sup>(1)</sup> Operations, overdue for 90 days or more whose respective contractual conditions have been changed without a debtor's having adequately reinforced guarantees or liquidated past due interest and other costs / charges.

(EUR million)

CREDIT QUALITY (CONSOLIDATED)		Change	
OUTSTANDING BALANCES AT 31 DECEMBER (CONT.)	2010	2011	
			Total Percent
Credit overdue for more than 90 days / total credit	2.6%	3.6%	
Accumulated impairment / non-performing credit	117.3%	95.7%	
Accumulated impairment / overdue credit	105.3%	105.0%	
Accumulated impairment / credit overdue for more than 90 days	117.4%	116.5%	
Credit impairment (IS) / total credit (average)	0.45%	0.97%	

**Credit impairment, net of cancellations and reversals**, in 2011, comprised 0.97% of the average credit portfolio, up 0.45 pp over the end of 2010.

**Accumulated impairment** on loans and advances to customers (standard and overdue) was up 29.6% by EUR 773 million over the end of 2010, to EUR 3383 million resulting in a cover ratio of 116.5% on credit overdue for more than 90 days.

## SECURITIES PORTFOLIO

The balance on the securities portfolio, in 2011, was down 17.6% by EUR 5.4 billion over December 2010, originating both from the Group banking entities' portfolio (down 14.3%), and the Group insurance companies' investment activities' portfolio (down 23%).

This change largely resulted from a deliberate assets deleveraging strategy in the form of a sales policy and a failure to renew matured positions with the objective of increasing liquidity and cutting capital expenditure.

At the same time, the value of the portfolio was also down in line with the evolution of capital markets, particularly the strong negative trend in debt markets.

(EUR million)

SECURITIES INVESTMENTS (CONSOLIDATED) <sup>(a) (b)</sup>			Change	
OUTSTANDING BALANCES AT 31 DECEMBER	2010	2011	Total	Percent
<b>Banking</b>	<b>18 925</b>	<b>16 226</b>	<b>-2 699</b>	<b>-14.3%</b>
Financial assets at fair value through profit or loss	4 970	4 044	-925	-18.6%
Available for sale financial assets	13 955	12 182	-1 773	-12.7%
<b>Insurance</b>	<b>11 623</b>	<b>8 949</b>	<b>-2 673</b>	<b>-23.0%</b>
Financial assets at fair value through profit or loss	97	87	-9	-9.7%
Available for sale financial assets	10 793	5 440	-5 354	-49.6%
Investments associated with unit linked products	733	585	-148	-20.2%
Investments held to maturity	0	2 837	2 837	
<b>Total</b>	<b>30 547</b>	<b>25 176</b>	<b>-5 372</b>	<b>-17.6%</b>

<sup>(a)</sup> After impairment.

<sup>(b)</sup> Includes assets with repo agreements.

The reduction in the portfolio was across-the-board to all types of assets except for an increase in the amount of Portuguese public debt, principally treasury bills.

## FUNDING AND LIQUIDITY MANAGEMENT

2011 witnessed an intensification of the sovereign debt crisis in Europe, particularly in Greece and the deterioration of the confidence of financial agents, notwithstanding the endeavours to find a EU solution. This environment determined various rating downgrades on the Portuguese state, banks and non-financial companies, which substantially aggravated risk aversion and, consequently, Portuguese institutions' funding costs, making it unfeasible for domestic banks to secure funds in the capital market.

CGD accordingly implemented a deleveraging strategy on its assets, endeavouring to take in customer resources and therefore reducing its borrowing requirements in wholesale markets. These were suppressed with resource to the ECB and complemented by money market operations, particularly several collateralised funding operations with an outstanding balance of close to EUR 2 billion at the end of the year.

In the sphere of the EMTN programme, CGD realised several repo offers on senior issues, involving around EUR 408 million. These transactions resulted in capital gains and at the same time ensured that investors were able to sell their bonds in a market with reduced liquidity.

CGD launched an exchange offer involving issues of preference shares totalling EUR 600 million and 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. The transaction had a success rate in excess of 70%.

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

Investor demand for the Euro Commercial Paper Programme tapered off during the year with the occasional realisation of several issues.

During the course of the year the asset pool eligible as collateral with the ECB was actively managed with the aim of obtaining a comfortable margin on available assets. The value of the pool increased from EUR 13 706 million in December 2010 to EUR 15 740 million at the end of 2011, with the effects of price depreciation, increase in haircuts and even loss of eligibility of several assets deriving from rating downgrades having been more than offset. The pool was reinforced through the issue of covered bonds and state-backed debt.

CGD on two occasions during the year availed itself of the state's guarantee, having issued two bond loans totalling EUR 4600 million guaranteed by the Portuguese Republic. The issues, one in July and another in December, have a maturity of 3 years and a variable indexed rate, in the first case, 3 month Euribor with a spread of 4.95% and in the second, 6 month Euribor with a spread of 5%.

The balance of **total resources taken** by the Group (excluding the interbank money market) remained stable in comparison to the end of 2010 (down 3.1%) at EUR 100.3 billion. However, not considering the funding obtained from institutional investors, the total customer resources balance would have been up 2.1% by EUR 1.8 billion.

(EUR million)

RESOURCES TAKEN BY GROUP	Change			
	2010	2011	Total	Percent
<b>BALANCES AT 31 DECEMBER</b>				
<b>Balance sheet</b>	<b>93 520</b>	<b>90 209</b>	<b>-3 311</b>	<b>-3.5%</b>
<b>Retail</b>	<b>74 195</b>	<b>75 858</b>	<b>1 663</b>	<b>2.2%</b>
Customer deposits	60 209	64 030	3 821	6.3%
Capitalisation insurance <sup>(a)</sup>	10 843	8 893	-1 950	-18.0%
Other customer resources	3 142	2 935	-207	-6.6%
<b>Institutional investors</b>	<b>19 325</b>	<b>14 351</b>	<b>-4 974</b>	<b>-25.7%</b>
EMTN	8 786	7 128	-1 658	-18.9%
ECP and USCP	676	0	-676	-100.0%
Nostrum Mortgages and Nostrum Consumer	475	403	-72	-15.1%
Covered bonds	7 125	5 806	-1 319	-18.5%

<sup>(a)</sup> Includes fixed-rate insurance and unit linked products.

(EUR million)

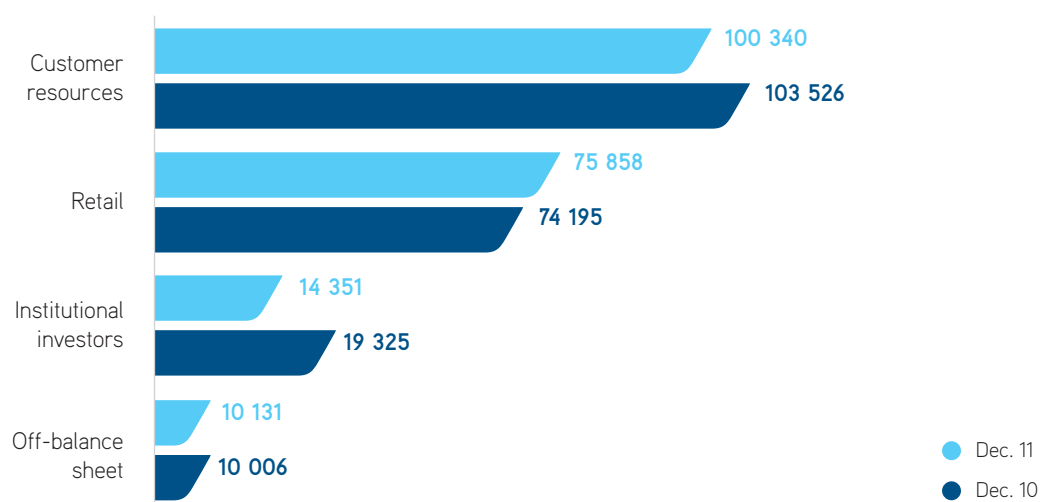
RESOURCES TAKEN BY GROUP	Change			
	2010	2011	Total	Percent
<b>BALANCES AT 31 DECEMBER (CONT.)</b>				
Bonds guaranteed by the Portuguese Republic	1 250	0	-1 250	-100.0%
Bonds on the public sector	1 013	1 014	1	0.1%
<b>Off-balance sheet</b>	<b>10 006</b>	<b>10 131</b>	<b>125</b>	<b>1.3%</b>
Investment units in unit trust investment funds	4 966	4 055	-911	-18.3%
Caixagest	3 283	2 490	-793	-24.2%
Fundimo	1 683	1 565	-118	-7.0%
Pension funds	2 183	2 075	-108	-4.9%
Wealth management <sup>(b)</sup>	2 857	4 001	1 144	40.0%
<b>Total</b>	<b>103 526</b>	<b>100 340</b>	<b>-3 186</b>	<b>-3.1%</b>
<b>Total excluding institutional investors</b>	<b>84 201</b>	<b>85 989</b>	<b>1 788</b>	<b>2.1%</b>

<sup>(b)</sup> Does not include CGD companies' insurance portfolios.

Balance sheet resources totalled EUR 90.2 billion, most of which from retail business whose balance of EUR 75.9 billion, benefiting from the positive 6.3% increase of EUR 3.8 billion in customer deposits, was up 2.2% over December 2010.

## TOTAL RESOURCES TAKEN

(EUR million)



The balance of resources taken from **institutional investors** comprising own issues was down EUR 5 billion (25.7%) over December 2010.

Off-balance sheet resources were up 1.3% over the end of 2010 to EUR 10.1 million, whose 40.0% 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.

## CUSTOMER RESOURCES

**Customer resources** totalled EUR 70.6 billion, up EUR 2.9 billion (4.3%), on the basis of the EUR 3.8 billion increase of 6.3% in customer deposits.

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

(EUR million)

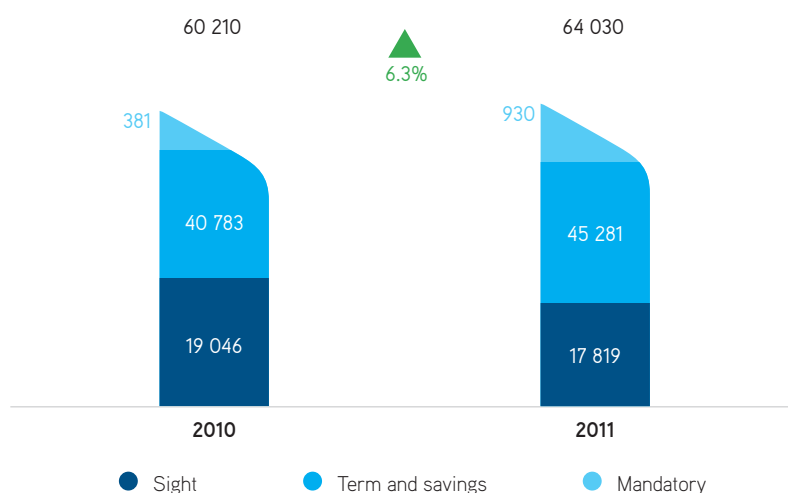
CUSTOMER RESOURCES (CONSOLIDATED)			Change	
BALANCES AT 31 DECEMBER	2010	2011	Total	Percent
<b>Deposits</b>	<b>60 209</b>	<b>64 030</b>	<b>3 821</b>	<b>6.3%</b>
Sight	19 046	17 819	-1 227	-6.4%
Term and savings	40 783	45 281	4 498	11.0%
Mandatory	381	930	549	144.2%
<b>Other resources <sup>(a)</sup></b>	<b>7 471</b>	<b>6 558</b>	<b>-913</b>	<b>-12.2%</b>
<b>Total</b>	<b>67 680</b>	<b>70 587</b>	<b>2 907</b>	<b>4.3%</b>

<sup>(a)</sup> Includes fixed rate insurance products.

EUR 52.3 billion of the deposits balance, i.e. 81.7% of the consolidated total, referred to CGD's domestic operations with, in the case of the Group's branches and subsidiaries, particular reference being made to BNU (Macau) (EUR 2.6 billion), Banco Caixa Geral (EUR 2.5 billion) and the France branch (EUR 1.9 billion).

## EVOLUTION OF CUSTOMER DEPOSITS

(EUR million)



The increase in term deposits and savings accounts derived from individual customers (up EUR 3.7 billion, by 7.9%), and from the public sector (up EUR 1.2 billion by 40.8%). This was offset by the total corporate deposits balance which was down 9.1%.

(EUR million)

CUSTOMER DEPOSITS (CONSOLIDATED)			Change	
BALANCES AT 31 DECEMBER	2010	2011	Total	Percent
<b>Individual customers</b>	<b>46 274</b>	<b>49 950</b>	<b>3 676</b>	<b>7.9%</b>
Sight deposits	13 092	12 491	-601	-4.6%
Term and savings	33 182	37 459	4 277	12.9%
<b>Corporate</b>	<b>11 104</b>	<b>10 093</b>	<b>-1 011</b>	<b>-9.1%</b>
Sight deposits	4 178	4 223	45	1.1%
Term deposits	6 926	5 870	-1 056	-15.2%
<b>Public sector</b>	<b>2 832</b>	<b>3 986</b>	<b>1 154</b>	<b>40.8%</b>
Sight deposits	1 775	1 104	-671	-37.8%
Term deposits	676	1 952	1 276	188.8%
Mandatory deposits	381	930	549	144.2%
<b>Total</b>	<b>60 209</b>	<b>64 030</b>	<b>3 821</b>	<b>6.3%</b>

Caixa retained its leading position in terms of customer deposits, in Portugal, in 2011, with a market share of 27.5% with 32% in the individual customers and 11.2% in the corporate segments.

#### CUSTOMER DEPOSITS – MARKET SHARES <sup>(a)</sup>

BY CUSTOMER SEGMENT	2010	2011
Corporate	15.3%	11.2%
General government	23.1%	25.5%
Individual customers	33.2%	32.0%
Emigrants	41.5%	37.7%
Mandatory	94.6%	95.8%
<b>Total</b>	<b>28.5%</b>	<b>27.5%</b>

<sup>(a)</sup> Operations in Portugal.

#### DEBT SECURITIES

**Debt securities** totalled EUR 14.9 billion at the end of 2011, down 22.7% over the preceding year, translating the restrictions in access to wholesale markets. Reference should be made to the EUR 1.3 billion reduction of 18.5% in the covered bonds balance, EMTN securities (down EUR 1 billion by 12.0%) and bonds guaranteed by the Portuguese Republic maturing in 2011.

(EUR million)

DEBT SECURITIES	Change			
	2010	2011	Total	Percent
<b>BALANCES AT 31 DECEMBER</b>				
EMTN programme issues <sup>(a)</sup>	8 605	7 576	-1 029	-12.0%
ECP and USCP programme issues	676	0	-676	-100.0%
Nostrum mortgages and nostrum consumer	475	403	-72	-15.1%
Covered bonds	7 125	5 806	-1 319	-18.5%
Bonds guaranteed by the Portuguese Republic	1 250	0	-1 250	-100.0%
Bonds on the public sector	1 013	1 014	1	0.1%
Cash bonds and certificates of deposit	163	124	-39	-23.9%
<b>Total</b>	<b>19 307</b>	<b>14 923</b>	<b>-4 384</b>	<b>-22.7%</b>

<sup>(a)</sup> Does not include issues classified as debt securities.

#### SUBORDINATED LIABILITIES

Caixa took in resources of EUR 2 billion in **subordinated liabilities** (down 25.9% over the preceding year), mainly comprising bonds issued under the Euro Medium Term Notes programme. The remainder of around EUR 1 billion refers to subordinated cash bonds sold to retail banking customers.

(EUR million)

SUBORDINATED LIABILITIES	Change			
	2010	2011	Total	Percent
<b>BALANCES AT 31 DECEMBER</b>				
EMTN programme issues <sup>(a)</sup>	1 762	1 123	-639	-36.2%
Other	1 038	952	-86	-8.3%
<b>Total</b>	<b>2 800</b>	<b>2 075</b>	<b>-725</b>	<b>-25.9%</b>

<sup>(a)</sup> Does not include issues classified as debt securities.



### 1.7.1.3. Equity Management

The Group's **shareholders' equity** totalled EUR 5.3 billion in December, down EUR 2.4 billion by 31% over the end of 2010 and particularly affected by the negative change in fair value reserves which were down EUR 1.6 billion over December 2010, of which EUR 922 million relative to potential capital losses (net of the corresponding fiscal effect) on bonds issued by the three vehicles held by BPN and guaranteed by the Portuguese state.

(EUR million)

SHAREHOLDER'S EQUITY	2010	2011	Change	
			Total	Percent
Share capital	5 050	5 150	100	2.0%
Fair value reserves	-507	-2 078	-1 571	
Other reserves and retained earnings	1 407	1 709	302	21.4%
Non controlling interest	1 530	1 045	-485	-31.7%
Net income for period	255	-488	-743	
<b>Total</b>	<b>7 735</b>	<b>5 337</b>	<b>-2 398</b>	<b>-31.0%</b>

The Portuguese state, in November 2011, increased CGD's equity capital by EUR 100 million, through the incorporation of reserves available for the purpose to EUR 5150 million. This operation aimed at reinforcing and maintaining CGD's solvency and capitalisation at adequate levels notably its core tier I ratio on a consolidated basis while, at the same time, consolidating the bank's strength as a *sine qua non* for maintaining its funding costs and consequently its respective profitability.

The **solvency ratio** on a consolidated basis including retained earnings was 11.6% in December 2011. The **Core Tier I** Ratio was 9.5%, having been reinforced by 0.7 percentage points over the end of 2010, notwithstanding the negative impact of rating downgrades on the Portuguese Republic. This ratio benefited from the coming into force of the prudential regulations under which domestic currency exposures to Regional and Local Authorities of Member States, cease to be dependent on country risk in addition to CGD's EUR 100 million increase in share capital through the incorporation of reserves.

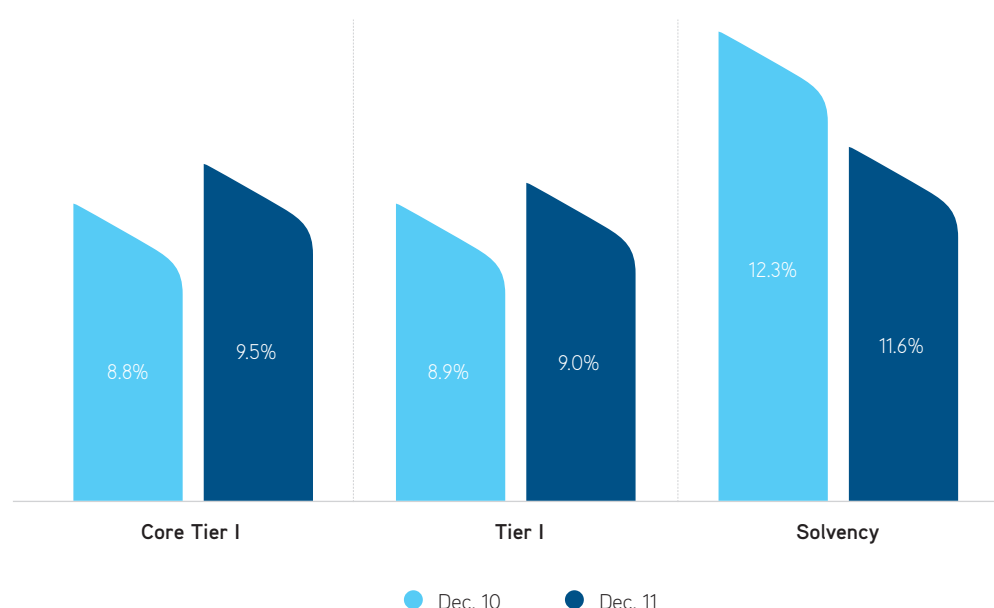
In turn, the **Tier I** ratio was, at 9.0%, lower than Core Tier I, having been penalised by the repurchase of preference shares issued by the CGD Group, in the sphere of last September's exchange operation.

(EUR million)

SOLVENCY RATIO <sup>(1)</sup>		2010	2011
<b>BALANCES AT 31 DECEMBER</b>			
<b>Shareholders' equity</b>			
1. Core capital		6 799	6 543
Deduction of investments in credit institutions and insurance		-510	-410
Preference shares (Tier I)		555	96
2. Base – TIER I		6 844	6 229
3. Complementary – TIER II		2 682	1 820
4. Deductions from own funds		-40	-42
5. Total eligible own funds (2+3+4)		9 486	8 007
6. Total weighted positions		76 989	69 021
<b>Ratios</b>			
Core Tier I (1./6.)		<b>8.8%</b>	<b>9.5%</b>
Tier I (2./6.)		<b>8.9%</b>	<b>9.0%</b>
Solvency ratio (5./6.)		<b>12.3%</b>	<b>11.6%</b>

<sup>(1)</sup> Including net income for period.

## SOLVENCY RATIOS



## 1.7.1.4. CGD Employees' Pension Fund and Healthcare Plan

CGD set up its employees pension fund on 31 December 1991, to cover the retirement costs of its employees' pensions, 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 Laws nos. 240-A/2004 of 29 December and 241-A/2004 of 30 December, CGD employee retirement and survivors' pensions liabilities for the length of service provided up to 31 December 2000, were transferred to Caixa Geral de Aposentações (CGA). The CGD Pension Fund, by way of compensation, transferred the provisions set up to cover the referred liabilities, to CGA. 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 the Bank of Portugal's 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 5.1 million in 2011.

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	2.25%
Pensions growth rate	1.25%
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

CGD revised its wages discount rate at the end of December 2011, from 2.50% to 2.25%, in addition to the rate of growth of pensions from 1.75% to 1.25%, taking into account the impacts of the proposal for the reduction of the global costs of wages for companies in the state's business sector as set out in the State Budget Law for 2012.

CGD's liabilities for its employees' retirement pensions at 31 December 2011 and 2010 were down by EUR 0.3 million, to EUR 1307.9 million and EUR 1 308.2 million, respectively.

## PENSION FUNDS IN 2011

### FUND MOVEMENTS

(EUR thousand)

<b>Value of Fund at 31.12.2010</b>	<b>1 424 864</b>
Employees' contributions	25 566
CGD's regular contributions	46 886
Pensions paid	(34 159)
Net yield of fund	(39 886)
<b>Value of Fund at 31.12.2011</b>	<b>1 423 271</b>

At 31 December 2011, EUR 46.9 million related to contributions not yet paid by Caixa Geral de Depósitos to the fund and recorded in "Other liabilities" heading, were added to the value of the CGD Pension Fund calculated by Sociedade Gestora do Fundo de Pensões do pessoal da CGD (management company). In addition, EUR 59.3 million relative to the adjustment deriving from the measurement at fair value of debt securities recorded in the fund's assets at amortised cost, were deducted.

The value of the fund fully covered its share of liabilities for current pension payments and the past services of present employees. Liabilities were funded to the amount of 108.8% by the pension fund at the end of the year.

An amount of EUR 51.6 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 the end of the year totalled EUR 60.8 million.

The yield on CGD's pension fund was down 2.83%, owing to the slight improvements in the financial market.

The following table shows that liabilities associated with CGD employees' post employment medical benefits have been fully provisioned, for EUR 415.9 million and EUR 436.7 million, respectively, at 31 December 2011 and 2010:

## HEALTHCARE PLAN IN 2011

### EVOLUTION OF PROVISION

(EUR thousand)

<b>Value of provision at 31.12.2010</b>	<b>436 698</b>
(+) Current cost for period	32 434
(-) Contributions for healthcare services (SS and SAMS)	22 425
(-) Actuarial losses	30 850
<b>Value of provision at 31.12.2011</b>	<b>415 857</b>

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 actuarial deviations balance at 31 December 2011 was EUR 31 million.

### 1.7.1.5. Group Ratings

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.

The following table summarises CGD's current ratings:

	Short term		Long Term		
	CGD	Portuguese Republic	CGD	Portuguese Republic	
STANDARD & POOR'S	B	B	BB-	BB	Feb. 2012
FITCH RATINGS	B	B	BB+	BB+	Nov. 2011
MOODY'S	N/P	N/P	Ba2	Ba3	Feb. 2012
DBRS	R-2 (mid)		BBB (low)	BBB (low)	Jan. 2012

## 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 its ratings on the Portuguese Republic 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.

In February 2012, following its rating downgrade on the Portuguese Republic, Standard & Poor's downgraded CGD's long term rating from BB+ to BB-, with a negative outlook and reaffirmed its short term rating of B.

## 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.

## 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 reason, from bb to b+, and the individual rating from C/D to D/E but no longer on rating watch negative (RWN).

## 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.

## 1.7.2. SEPARATE OPERATIONS

### 1.7.2.1. Issues Regarding the Balance Sheet

There was a 3.5% annual decrease of EUR 3.9 billion in net assets from Caixa Geral de Depósitos' separate operations to EUR 108.9 billion at the end of 2011, translating the effect of the bank's current deleveraging strategy. This accordingly resulted in reductions of EUR 2.4 billion (-3.5%) and EUR 2.7 billion (-12.2%) in loans **and advances to customers** and **securities portfolios** (including assets with repo agreements).

(EUR million)

BALANCE SHEET (SEPARATE)		Change		
BALANCES AT 31 DECEMBER	2010	2011	Total	Percent
<b>Assets</b>				
Cash and cash equivalents with central banks	919	1 888	968	105.3%
Loans and advances to credit institutions	12 477	11 209	-1 268	-10.2%
Loans and advances to customers	69 515	67 075	-2 440	-3.5%
Securities investments	19 825	17 490	-2 336	-11.8%
Assets with repo agreements	2 270	1 917	-353	-15.6%
Investments in subsidiaries and associated companies	3 280	3 522	242	7.4%
Intangible and tangible assets	624	598	-26	-4.1%
Deferred tax assets	782	1 395	614	78.5%
Other assets	3 120	3 775	655	21.0%
<b>Total</b>	<b>112 812</b>	<b>108 869</b>	<b>-3 943</b>	<b>-3.5%</b>
<b>Liabilities</b>				
Central banks' and credit institutions' resources	16 666	16 786	119	0.7%
Customer resources	54 788	57 856	3 068	5.6%
Financial liabilities	7 523	7 578	55	0.7%
Debt securities	20 364	16 131	-4 233	-20.8%
Provisions	1 125	1 060	-65	-5.8%
Subordinated liabilities	3 163	2 161	-1 002	-31.7%
Other liabilities	3 072	2 635	-437	-14.2%
<b>Total</b>	<b>106 700</b>	<b>104 205</b>	<b>-2 495</b>	<b>-2.3%</b>
<b>Shareholders' equity</b>	<b>6 112</b>	<b>4 664</b>	<b>-1 448</b>	<b>-23.7%</b>
<b>Total</b>	<b>112 812</b>	<b>108 869</b>	<b>-3 943</b>	<b>-3.5%</b>

Note: the 2010 figures were reclassified to reflect assets with repo agreements for comparison purposes.

As regards **liabilities**, reference should be made to the decreases of EUR 4.2 billion (20.8%) and EUR 1 billion (31.7%) in **debt securities** and **subordinated liabilities**, respectively and the increase of EUR 3.1 billion (5.6%) in **customer resources**.

### 1.7.2.2. Equity Management

Shareholders' equity totalled EUR 4.7 billion in December, down EUR 1.4 billion (23.7%) over the end of 2010 and was particularly affected by the deterioration of the negative revaluation reserves owing to the losses made in the period.

		(EUR million)		
SHAREHOLDERS' EQUITY (SEPARATE)		Change		
BALANCES AT 31 DECEMBER	2010	2011	Total	Percent
Capital	5 050	5 150	100	2.0%
Revaluation reserves	-121	-1 353	-1 232	
Other reserves and retained earnings	1 131	1 183	51	4.6%
Net income for period	52	-316	-368	
<b>Total</b>	<b>6 112</b>	<b>4 664</b>	<b>-1 448</b>	<b>-23.7%</b>

The solvency ratio for CGD's separate operations, determined under the Basel II regulatory framework and Bank of Portugal regulations, including net income for the period, was 12% at the end of 2011. The Tier I ratio, in turn, was 10.1%, in comparison to the preceding year's 9.5%.

### 1.7.2.3. Results

(EUR thousand)

INCOME STATEMENT (SEPARATE)	2010	2011	Change	
			Total	Percent
Net interest income including income from equity instruments (1)	1 210 245	1 345 989	135 744	11.2%
Interest and similar income	4 339 337	5 443 580	1 104 244	25.4%
Interest and similar costs	3 413 771	4 316 988	903 218	26.5%
Income from equity instruments	284 679	219 397	-65 282	-22.9%
Non-interest income (2)	738 205	546 242	-191 964	-26.0%
Income from services and commissions (net)	408 472	375 497	-32 975	-8.1%
Income from financial operations	105 864	-56 895	-162 758	-153.7%
Income from the disposal of other assets	103 455	143 604	40 149	38.8%
Other operating income	120 415	84 036	-36 379	-30.2%
Net operating income (3) = (1)+(2)	1 948 450	1 892 231	-56 220	-2.9%
Operating costs and amortisation (4)	1 133 192	1 053 958	-79 234	-7.0%
Employee costs	608 195	555 868	-52 327	-8.6%
External supplies and services	413 691	376 710	-36 981	-8.9%
Depreciation and amortisation	111 306	121 380	10 074	9.1%
Gross operating income (5)=(3)-(4)	815 259	838 273	23 014	2.8%
Provisions and impairment (net of reversals and cancellations)(6)	792 728	1 271 732	479 003	60.4%
Provisions for credit	471 170	675 024	203 854	43.3%
Other impaired financial assets	258 346	415 890	157 544	61.0%
Other impaired assets	63 212	180 818	117 605	186.0%
Income before tax (7)=(5)-(6)	22 530	-433 459	-455 989	
Tax (8)	-29 017	-117 204	-88 187	
Current	50 182	52 800	2 617	5.2%
Deferred	-79 199	-170 003	-90 805	114.7%
Net income for period (9)=(7)-(8)	51 547	-316 255	-367 802	

Separate net income for 2011 was EUR -316.3 million. Contributory factors were the decrease of non-interest income, with emphasis on income from financial operations and the significant growth of provisions for credit and impairment on CGD's equity investments.

### 1.7.3. MAIN RISKS AND UNCERTAINTIES IN 2012

An assessment of 2012 must start with 2011 in which several risks materialised in part and several critical factors of uncertainty failed to fully dissipate.

The fact that the world economy decelerated in second half 2011 together with the perception of increasing and high risks for growth in the coming future triggered a downwards revision of estimates of the rate of growth in economic activity in 2012. If, on the one hand, the year began with expectations of a slowdown over the preceding year, on the other hand, doubts remain over the extent thereof, in magnitude and regional scope.

The euro area is a major area of concern and its economic data indicate a strong slowdown, which may even include a period of moderate recession, as recognised by various leading institutions.

The impact of a certain moderation in activity noted in the rest of the world and, especially, the consequences of the sovereign debt crisis in Europe, either based on the reinforcement of budget austerity or decrease in the confidence of economic agents, are several of the reasons for a scenario of recession in European economic recovery after the so-called "major recession" of 2009.

The authorities failed to come up with a definitive solution to the prolonged European sovereign debt crisis and its worsening and spread to a growing number of countries, notwithstanding the innumerable measures and decisions made by political and monetary authorities in 2011. The attention therefore continues to converge, in 2012, on these decision-makers and the market's reaction to their performance, in addition to the evolution of the situation.

The incapacity to contain and repel the levels of mistrust regarding the health of the public finances in the euro area, the quality of the assets issued by entities of its component countries and the Economic and Monetary Union Project in itself have translated into the materialisation of risk perceived by financial markets players as being of special relevance.

It is crucial to achieve a reduction of risk aversion, and therefore guarantee investors' greater receptiveness to public and private debt issues in 2012, diminishing the possibilities of a fresh stage of contagion of the crisis and reducing the borrowing costs of issuers and economic agents in general.

The interconnection between economic performance and the development of the sovereign debt crisis has made it crucial to avoid a negative cycle and illustrates the highly complex and uncertain environment in which current actions are being taken.

The materialisation of a recessionary environment in Europe, particularly if more severe than anticipated may also have multiple effects on the world economy and the behaviour of global capital markets and the performance of this economic bloc is therefore determinant for the development of 2012, and simultaneously comprises one of the main sources of uncertainty.

In the rest of the world, special importance should be attached in terms of their importance in determining global economic performance to the US economy and the capacity of the emerging economies to sustain their growth levels, particularly the larger countries such as China.

In the USA and after a more favourable second half 2011 in comparison to the first, uncertainty resides in the discussion over various fiscal issues in which a number of important decisions are pending, in addition to the sustainability of the re-acceleration of the economy noted since Summer, part based on dynamics of private consumption which exceeded the evolution of household revenues and was therefore based on a reduction of savings.

There are signs of moderation in the emerging countries, both in growth and inflation. The slowdown in the developed countries and the cycle of increasing interest rates starting in 2010 by diverse central banks in the emerging bloc contributed towards a certain loss of dynamism in such economies which, in turn, and allied to a more benign behaviour in the prices of the main commodities led to a deceleration of inflation.

For 2012, and following the process of an alleviation of the monetary conditions already evidenced at the end of 2011, the issues regarding this increasingly important part of the world economy are

associated with the management of monetary policy and notably the extent of the stimuli which may be reintroduced in economies, and, therefore the authorities' capacity to support growth, in a potentially adverse context in the developed bloc.

Portugal, in turn, will, in 2012, have a particularly difficult year in terms of fiscal consolidation measures which will keep the domestic economy depressed with a foreseeable contraction of its various components. This will be offset by the positive contribution of net exports. The interaction between the level of economic activity and fiscal policy and the behaviour of external demand are therefore two areas of uncertainty to be monitored.

At the same time, and across-the-board to the western economies, but particularly in the case of the European countries such as Portugal, which have been more strongly affected by the debt crisis, the evolution of unemployment will probably be one of the dominant issues. In light of the outlook for economic growth, the evolution of the labour market may comprise one of the risks over the coming quarters.

The banking sector will continue to be conditioned by the Economic and Financial Assistance Programme and other decisions in the regulation domain. Reference should be made, in 2012, to the need for compliance with the new capitalisation levels and maintenance of the financial system's deleveraging objectives.

Activity will also be subject to the uncertainty resulting from already referred to diverse risk factors and their diverse implications.

First and foremost the performance of the economy and employment, as component parts of the growth of banking operations and credit quality. On the other hand, and partly associated with the former, household decisions in the savings domain from the viewpoint of the evolution of retail resources.

The sector will also be dependent on the markets' response to the environment in Europe, both economic and in terms of the political decision to lessen the effects of the sovereign debt crisis, as well as Portugal's progress in complying with its fiscal adjustments and reform programme. The interpretation of analysts and investors will determine the evolution of the price of assets and their volatility and consequently results from banks' assets portfolios.

Also pursuant to the same constraints, banking institutions will be subject to the consequences of rating changes notably on a level of their possible impact on the value of their collateral or wholesale market funding.

Reference should lastly be made to the uncertainty over the performance of the European Central Bank over the next twelve months, both as regards the management of traditional monetary policy as in the possible taking of new unconventional decisions, which in any event, may translate into lower market interest rates and therefore net interest income for the banks.

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## 1.8. Risk Management

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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 the commercial and risk area.

The risk management area is part of the support structure and is present:



❶ In the **Assets and Liabilities Management Committee (ALCO)**, in conjunction with business generating areas and with members of the executive committee: Under the terms of an executive committee resolution, the committee was, *inter alia*, given the following responsibilities:

- The promotion of the Assets and Liabilities Management (ALM) process and actions and procedures necessary for the implementation thereof in consolidated terms and on a separate basis for diverse 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 the risk management policy, defining indicators, limits and management rules;
- The preparation of proposals for strategic guidelines on CGD Group's capital ratios.



❷ In the **expanded credit board**, in conjunction with the business generation areas, the legal area, credit recovery area and the executive committee. Under the terms of an executive committee 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 the credit policies strategy and respective risk.

## RISK PROFILE AND RESPECTIVE EVOLUTION

CGD Group's operations have consistently tended 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.

### MAIN DEVELOPMENTS IN 2011

The main non-recurring activity in the first half of the year was the discussion with the supervisor on the candidature for the use of internal models for the prudential calculation of own funds requirements for credit risk presented at the end of 2010.

In the second half of the year, endeavours concentrated on the response to the Special Inspections Programme in which the Bank of Portugal, supported by independent auditors, assessed CGD as regards:

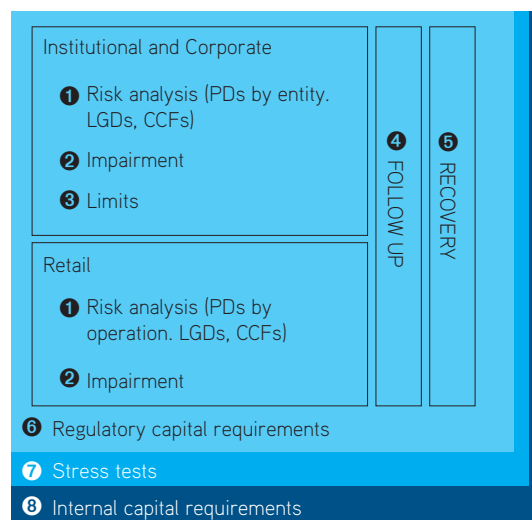
- The quality of the bank's assets;
- Its credit risk management practices;
- The quality of its periodic prudential reports.

As publically announced, «The assessment concluded that the global amount of impairment registered in the Group's consolidated accounts was adequate». It also concluded that «The aggregate impact of the results of the Special Inspections Programme on the assessment of CGD Group's solvency, at 30 June 2011, would translate into an increase of the Tier 1 ratio from 8.5% to 8.6%, remaining above the minimum level of 8% required at the said date. It is estimated that the above referred to regulatory changes will have an additional positive impact of 0.2 percentage points on this ratio».

## METHODOLOGY

**① Risk Analysis** – CGD Group has implemented an identification, assessment and control of its credit risk portfolio system, which includes all customer segments and is active both 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 competencies in accordance with the risk ratings allocated to customers / operations.



**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 impairment model are updated 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 the contractual terms agreed with CGD Group;
- An assessment of their 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.

**③ Limits** – to increase the flexibility of the short term loans process for companies and harmonise the risk analysis of these operations, CGD Group has developed and implemented a model for defining the short term exposure limits for companies, parameterised on the basis of economic-financial and sectoral indicators and ratings which supply guidelines on the level of short term exposure recommended for each customer. The model permits the use of the same collection of clear and objective rules for the calculation of reference levels, which are only indicative and are used as a basis for allocating an effective limit on the customer. This model is applied to companies both in the SME segment as in the case of small businesses and major companies.

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 the sphere of credit control risk the credit portfolio is monitored and analysed in terms of its composition and corresponding quality. Reports splitting up the portfolio by product, customer segment, sector of activity, geographical area, loan to value (LTV), debt to income rate and portfolio rating are produced for the said purpose. In 2011, in addition to the global monitoring of credit risk, work began on the production of several specific reports per product or sector of activity.

Examination of the performance of the risk rating models developed internally is also especially important. This examination, which processes the information from the use of the referred to models, provides indications on their continued adequacy. Guidelines on any needs to re-estimate the referred to models and information on the use thereof are therefore obtained.

**⑤ Recovery** – The most striking fact of the activity of the Credit Recovery Division (DRC), in 2011, was the exponential increase of the use of bankruptcy procedures both by individual customers and in the companies area.

This situation required the allocation of customers which were still in the commercial area to the Credit Recovery Division, often without any default with Caixa having been recorded and affected companies whose inclusion in the recovery area on account of their former economic-financial situation and the large amount of the loans involved would previously have been unthinkable.

Adding to this situation of customers involved in insolvency processes is the fact that, in 2011, there was also a large number of guarantees called in by the tax authorities and social security services which, affecting real guarantees covering Caixa loans, forced us to file credit payment requests within very short periods and on processes which were also often to be found in commercial areas.

The above referred to aspects, in addition to increasing legal costs, have put the activity of the Credit Recovery Division under great pressure in the judicially enforced collection area, making it impossible to concentrate on credit recovery at the extrajudicial negotiations stage which continued to be the division's strategic objective in 2011.

Notwithstanding the unfavourable environment affecting Portuguese society it was possible to control the increase in the level of default in the individual customers segment whose overdue credit ratio on mortgage loans (more than 30 days) was 2.78%, in December 2011, in comparison to 2.54%, in December 2010. This situation is reflected in the number of individual customers processed by DRC (13 756) which was very similar to the year 2010 figure of 13 898, with the elimination of 13 273 customers from this negotiating area against 14 895 in 2010. The negotiating area portfolio in December 2011 comprised 12 962 customers with liabilities of EUR 903 525 million.

In the area of loans and advances to companies, the situation in DRC reflects the marked change in the default ratio in Caixa which increased from 2.96%, in December 2010 to 5.29% in December 2011. The negotiating area took in 1710 customers (against 781 in 2010) with the elimination of 1002 customers (against 798 in 2010), with the corporate negotiating area having 1460 customers with liabilities of EUR 457.308 million, in December 2011.

As stated, the phenomenon occurring in 2011 involved the direct transfer of companies from the commercial area to DRC's legal recovery area which generated a 14% increase in liabilities on loans and advances to companies being processed by the Division (EUR 2118.4 million, in December 2011) whereas legal proceedings involving the liabilities of individual customers represented EUR 1197.984 million on the same date, up 8% in 2011.

The Division, responding to such an increase in customers' liabilities, maintained its existing organisational structure, without extra human resources and made improvements to its internal operating processes, admitting needs for changes to procedures involving the whole of Caixa's commercial universe to provide for the increase in customers, individual and companies, in financial difficulties.

The Division, in 2011, achieved EUR 328.743 million in collections (most of which extra judicially) and arranged loan settlements of EUR 829.770 million at 88% of the total achieved in 2010, owing to the worsening of the financial conditions of individual customers and companies, in the year.

**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 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 BdP Official Notice 5/2007 is applied to loans and receivables

The "Market Discipline 2011" document, scheduled for publication in first half 2012 will provide detailed information on the regulatory requirements for CGD Group capital.

**⑦ The realisation of stress tests** aims to provide an analytical appraisal of CGD Group's position in terms of solvency when subject to extreme scenarios. In 2011 in addition to the stress tests used for internal management, were those required by BdP under the scope of Instruction 32/2009. CGD participated in the transversal "EU-wide stress test exercise", coordinated by the EBA (European Banking Authority) in cooperation with the European Central Bank and the European Commission and those required as a complement to the Capital Funding Plan, under the memorandum of understanding.

**⑧ Internal capital requirements** per operation result from the use of credit risk factors (probabilities of default – PDs, loss given faults – LGDs and conversion factors into credit conversion factors – 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.

This is followed by uncertainty on the fluctuations of market prices and rates, such as share prices or interest and foreign exchange rates and on the behaviour of the correlations between them.

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, foreign exchange rate, volatility and commodities.

The executive functions of market operations and control of the risk incurred deriving therefrom are completely segregated.

### LIMITS

The practice of setting diverse limits and the monitoring thereof, is an extremely important factor in mitigating market risk. These global limits are submitted by the risk management area to the executive committee for discussion and approval. The management rules established for 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

Value at Risk (VaR) is a measure of the loss of potential future value that, in normal market conditions, will increase the loss assuming a certain level of confidence and a determined investment timespan. 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 of 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 report, sensitivity analysis, profitability indicators, compliance with limits and stress testing structure, for all entities with market risk exposure in their balance sheet trading and currency 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 Group as a whole.

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.

The following measures for the main market risk indicators and most relevant perimeters have been extracted for 2011:



### 1.8.3. INTEREST RATE RISK IN BALANCE SHEET

This is the risk incurred in the activity of an institution whenever, during the course of its operations, 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 Caixa is to aggregate all assets and liabilities sensitive to change in residual interest rate revision periods to obtain the corresponding interest rate gaps.

The 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 is used to measure the mismatch level 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 variables 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, while simultaneously being in a position to define the most 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 produced, for each of the institutions, in consolidated terms, are set out below:

- Monthly: contractual balance sheet, economic value of the balance sheet and interest rate gaps and duration;
- Quarterly: balance sheet forecast for the desired simulation period and net interest income 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 executive committee and the risk management area itself. Monthly information is also produced for consideration at ALCO meetings.

In first half 2011, the accumulated static interest rate gap of up to 12 months recorded values which were an average of 26% of sensitive assets. The second half witnessed a decrease in this value to an average of 24% of the sensitive assets which rose to 26% of the sensitive assets i.e. EUR 24 596 million.

ALM Tool									
ALM BancWare									
Group Information									
<b>Interest Rate Risk on Balance Sheet</b> <table> <tr> <td><b>1 Management Information</b></td></tr> <tr> <td>Interest Rate Gap</td></tr> <tr> <td>Duration Gap</td></tr> <tr> <td>Balance Sheet Economic Value</td></tr> <tr> <td>Sensitivity Analysis:</td></tr> <tr> <td>of Net Interest Income</td></tr> <tr> <td>of Balance Sheet Economic Value</td></tr> <tr> <td><b>2 Prudential Information</b></td></tr> <tr> <td>Interest Rate Risk on the Banking Portfolio</td></tr> </table>	<b>1 Management Information</b>	Interest Rate Gap	Duration Gap	Balance Sheet Economic Value	Sensitivity Analysis:	of Net Interest Income	of Balance Sheet Economic Value	<b>2 Prudential Information</b>	Interest Rate Risk on the Banking Portfolio
<b>1 Management Information</b>									
Interest Rate Gap									
Duration Gap									
Balance Sheet Economic Value									
Sensitivity Analysis:									
of Net Interest Income									
of Balance Sheet Economic Value									
<b>2 Prudential Information</b>									
Interest Rate Risk on the Banking Portfolio									

	(EUR million)						
INTEREST RATE GAP AT 31.12.2011 <sup>(1)</sup>	7 D	1 M	3 M	6 M	12 M	3 Y	>3 Y
Total assets	5 711	20 821	36 197	23 367	3 577	1 969	2 995
Total liabilities + capital	5 390	11 640	19 762	16 418	11 577	20 767	10 532
Total interest rate swaps	2 835	-618	-1 565	-836	-155	157	298
Total futures and options interest rate	0	0	-650	325	375	-85	-352
Gap for period	3 156	8 563	14 220	6 438	-7 780	-18 726	-7 591
Accumulated gap	3 156	11 719	25 938	32 376	24 596	5 870	-1 721

<sup>(1)</sup> 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 subsidiary.

The assessment and measurement of interest rate risk in the banking portfolio uses the calculation of the accumulated impact of a parallel movement on the yield curve of 200 bp, in shareholders' equity and the interest margin (BdP Instruction 19/05). This information is sent half yearly to the Bank of Portugal, in addition to the result of the internal assessment models of interest rate risk in the banking portfolio. Based on a resolution of the ALCO committee and for internal management purposes, this calculation is made quarterly, with internal compliance limits having been defined for the purpose.

At the end of 2011, the impact on own funds (defined in Bank of Portugal official notice 12/92) 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 36%, respectively.

(EUR million)

Impact on shareholders' equity		Impact on interest margin	
Time band	Weighted position	Time band	Weighted position
spot – 1 month	-6	spot	10
1 – 3 months	-51	spot – 1 month	144
3 – 6 months	-50	1 – 2 months	193
6 – 12 months	118	2 – 3 months	76
1 – 2 years	468	3 – 4 months	35
2 – 3 years	110	4 – 5 months	5
3 – 4 years	202	5 – 6 months	44
4 – 5 years	235	6 – 7 months	-16
5 – 7 years	-12	7 – 8 months	-12
7 – 10 years	68	8 – 9 months	-0.7
10 – 15 years	-66	9 – 10 months	-6
15 – 20 years	-41	10 – 11 months	-8
> 20 years	-114	11 – 12 months	-0.1
<b>Total</b>	<b>862</b>	<b>Total</b>	<b>465</b>
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		36%	

#### 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 imply 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.

#### MAIN DEVELOPMENTS IN 2011

With a view to the regular monitoring of the new minimum liquidity standards proposed in the "Basel III: International framework for liquidity risk measurement, standards and monitoring" document – the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR), and with the objective of anticipating eventual corrective measures required for compliance, CGD calculated and monitored the two proposed ratios on a permanent basis in 2011.

#### 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 by the different time bands considered.

Therefore, in the case of sight deposits, 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 bands of up to 12 months, in line with seasonality studies and minimum noted balance. 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 withdrawals.

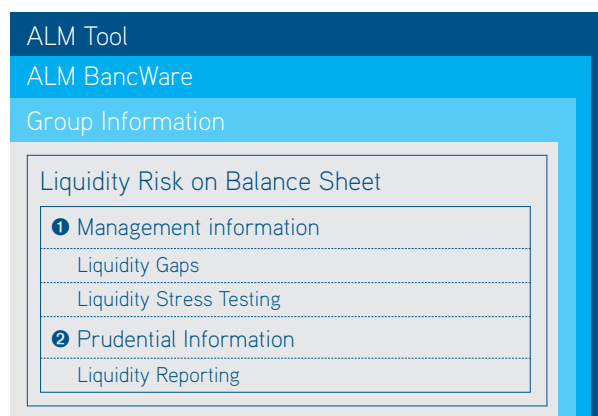
Securities investments also merit special treatment with 85% of the total securities investments balance considered as having adequate liquidity and therefore in the up to 1 month time band and the remaining 15% being split up according to the proportion of the balances in the structure of the residual 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 interest rate risk in the balance sheet is also used for the analysis of balance sheet liquidity.

The monthly outputs for each Group entity in consolidated terms are the following: liquidity gap, structural liquidity gap and the table of the source and application of funds.

The amounts of the liquidity gaps, at end 2011, were as follows:



(EUR million)

LIQUIDITY GAP AT 31.12.2011 <sup>(1)</sup>	1M	3M	6M	12M	3Y	5Y	10Y	>10Y
Total assets	10 209	6 930	7 267	4 868	12 488	8 725	13 721	16 751
Total liabilities + capital	12 220	10 856	10 736	10 156	21 727	11 884	5 087	13 419
Total swaps	0	0	0	0	67	0	5	41
Gap for period	-2 012	-3 927	-3 469	-5 288	-9 171	-3 158	8 639	3 373
Accumulated gap	-2 012	-5 938	-9 407	-14 695	-23 866	-27 024	-18 385	-15 012

<sup>(1)</sup> 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 branches and Macau offshore subsidiary.

The management of liquidity risk also incorporates quarterly stress tests in articulation with the existing **liquidity contingency plan** in conformity with the principles and recommendations announced by the BCBS (Basel Committee on Banking Supervision) and CEBS (Committee of European Banking Supervisors).

The methodology, developed internally for an assessment of Caixa's resilience to eventual liquidity difficulties involves the measuring and monitoring of the so-called "survival period" (time elapsing up to the occurrence of the liquidity difficulties if corrective measures are not taken), based on three stress scenarios on a level of funding markets. A fourth scenario is also considered – base scenario – which assumes that Caixa performs its activity in accordance with the conditions set out in its budget and consequent funding plan.

The current model also includes a series of limits for the survival periods defined for each of the referred to scenarios. Eventual non-compliance with any of the existing limits, presupposes the implementation of the contingency measures provided for in Caixa's liquidity contingency plan, in accordance with the levels of priority therein defined for the use of the different funding instruments.

Notwithstanding the problems occurring in money and capital markets, Caixa, during the course of the year, 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 its particularly attractive interest rates.

As regards information on prudential liquidity Caixa has continued to prepare monthly liquidity reports (BdP Instruction 13/2009), comprising a diversified collection of charts, designed to improve knowledge of and control over banking liquidity. Considering the need to permanently and promptly monitor the liquidity levels of credit institutions, particularly in periods of turmoil in financial markets, the Bank of Portugal continues to be entitled to ask for weekly liquidity information relative to wholesale markets.

### 1.8.5. OPERATIONAL RISK

The management of operational risk in CGD Group is based on an end to end vision comprising a series of guidelines, methodologies and regulations recognised as "good practice":

- Principles and approaches to operational risk management 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.

In terms of calculating own funds requirements to hedge operational risk, the Bank of Portugal, in 2009, approved CGD Group's adoption, on a consolidated basis of the standard method which also includes Caixa Geral de Depósitos, Caixa – Banco de Investimento and Caixa Leasing e Factoring on a separate basis.

The application of the standard method has been formally approved by the respective supervisors in Banco Caixa Geral (Spain) and Mercantile (South Africa). In the case of the Group's other institutions abroad, own funds requirements for operational risk hedging purposes are determined, on a separate basis in accordance with the basic indicator method.

The application of the standard method at 31.12.2011, on a consolidated basis results in own funds for hedging operational risk of EUR 312 million.

On an organisational level, CGD's operational risk management is the responsibility of the following structures and functions 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;
- An area exclusively dedicated to operational risk and internal control, 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, to ensure harmonisation between practices on a Group entity level;
- Process owners who are responsible for facilitating and developing the operational risk management and internal control process, within their respective spheres;
- Also particularly involved are the executive committee (approval of strategy / policies and guarantors of their implementation), the Consultancy and Organisational Division (management of process documentation and management of Group's processes catalogue), Compliance Support Office (compliance risk), Accounting, Consolidation and Financial Information Division (calculation and reporting of own funds requirements), the specific internal control function for information systems (supported by Cobit methodology) and the Internal Audit Division (tests for controls and revision of management process);
- Relevant roles are also played by the **Prevention, Safety and Business Continuity Office (GPS)**, the Security Committee for Electronic Channels and the SSI Security, Risk and Continuity Area.

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 four stages of the risk management cycle:

## 1. IDENTIFICATION

- › Group process catalogue;
- › Documentation on activities, potential operational risks, control and mitigating activities;
- › Decentralised collection of information on 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

- › Operational risk self-assessment questionnaires developed in line with a procedural approach targeted at people responsible for and executors of activities;
- › Performance of control tests for design, implementation and operational purposes;
- › Measurement of own capital expenditure.

## 3. MONITORING

- › Risk indicators;
- › Disclosure of information on operational risk, originating 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.

This methodology has been implemented within CGD and its respective branches, domestic subsidiaries (Caixa Gestão de Activos, Caixa – Banco de Investimento, Caixa Capital and Caixa Leasing e Factoring) and overseas subsidiaries (Banco Caixa Geral, Mercantile Bank, Banco Nacional Ultramarino, Macau Offshore Subsidiary, Banco Comercial e de Investimentos, Banco Comercial do Atlântico, Banco Interatlântico, Banco Caixa Geral Brasil and Banco Caixa Geral Totta de Angola).

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, comprehensive global vision implemented by CGD, including people and processes critical to its operations is in line with the recommendations on the management of Business Continuity in the Financial Sector, approved by the National Council of Financial Supervisors on 9 September 2010.

This new global business continuation strategy, is based on an integrated crisis management approach and strengthening the response capacity to disruptive situations, 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.

To guarantee the regulatory obligations of institutions which are parent companies of a financial group, Caixa is developing performance / adaptation programmes on this framework of good contingency management for its foreign subsidiaries.

### 1.8.6. BASEL PROGRAMME

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 prudential legislation therefrom arising and its candidature 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 the years. 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 short explanation of the purpose of each project and respective evolution in 2011.



**1 Basel Global** has the principal objective of guaranteeing the coordination of transversal activities to the Programme.

In first half 2011 the candidature for the use of internal credit risk models in CGD's more material segments was analysed in conjunction with the Bank of Portugal (BdP). The analysis resulted in a series of BdP recommendations which will be implemented by CGD starting 2012.

**2 The Gap Analysis** project was the starting point for the programme and made it possible to establish the whole of the consequent action plan.

**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.

Classroom training on Basel II, credit risk and risk adjusted returns was given to a broad range of CGD workers, with the objective of improving credit risk management competencies within CGD, complementing the e-learning training given in 2010.

**4 The DataMart Risk (DMR)** aims to integrate all of the relevant information for the other programme projects in a centralised repository.

Under the DataMart Risk (DMR) project, in addition to maintenance activities, a monthly monitoring/validation exercise is performed on the information in DMR with the aim of assessing its coherence and consistency in qualitative and quantitative terms, making adjustments whenever necessary.

**5 The project for the Collection of Information from Group Entities (PRIG)** derives from the needs to centralise information on entities' operations.

Continuity was given, in 2011 to the: i) harmonisation of the information sent by the entities; and ii) support to the entities on the developments necessary for the periodic supply 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

assessment process (ICAAP).

Under this project, in addition to the regular prudential report on own funds requirements for credit risk (standard method), an interim report on the self-assessment of internal capital (ICAAP) was produced and sent to the regulator.

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** programme combines:

- The Scoring and Rating Models project which aims to provide CGD with internal models for estimating the probability of default as required by internal models in the Basel II Accord. The results of the models have been used for CGD HQ's credit making decisions since April 2005;
- The main objective of the Internal Rating Based Advanced models is the development of internal models for estimating Loss Given Defaults – LGD and Exposure-at-Default – EAD factors, enabling an advanced IRBA approach to be adopted. The results of the models are used in the decision/pricing process for CGD HQ's corporate and retail 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 system has been in use since 2010 and permits the automatic supply of accounting elements for all companies via the Simplified Business Information System. It also increases the flexibility of the use and management of the data obtained and provides end users with a more agile navigation interface;
- The **Monitoring of Internal Credit Risk Models** project aims to implement a support application for monitoring internal models;  
In the second half of 2011 a computer tool for standardising and systemising verification of the performance of internally developed risk assessment models came into operation.

## OBJECTIVES FOR 2012

As a result of the assessment of the candidature for the use of internal credit risk models, at the end of first half 2011 BdP communicated a set of recommendations to be implemented by CGD starting 2012.

The aim is to prepare the presentation of a formal candidature for the use of internal models for calculating regulatory own funds requirements for market risk, during the course of 2012.

The recommendations provided by BdP in the sphere of the Special Inspections Programme (SIP) will also be implemented by CGD Group.

The relevant actions for the monitoring and integration of best practice and risk management principles involved in the revision of the Basel Capital Accord (Basel III) will also continue to be developed.

The self-assessment of internal capital adequacy (ICAAP), aggregation of risks and production of stress test exercises will continue to be revised to remain in line with the best available practice.

## 1.9. Subsequent Events

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

On 14 February 2012, following the downgrade of the rating on the Portuguese Republic, Standard & Poor's downgraded its long term maturity rating on CGD from BB+ to BB-, with a negative outlook and reaffirmed its short term rating of B.

In February 2012 CGD Group entered into a definitive agreement with BANIF Group for the acquisition via Brazilian company CGD PINF jointly owned 50% by CaixaBI and BCG Brasil, of an equity investment in Banif Corretora de Valores e Câmbio, SA (Banif CVC). This acquisition will be realised for around R\$ 130 million (EUR 57.8 million), which price was agreed and announced in June 2010, in the first stage by an increase in the share of Banif CVC and latterly the purchase of its shares, up to a global investment of 70% in the said company (Banif CVC).

On 23 February 2012, Jorge Humberto Correia Tomé resigned from his position as board member.

## 1.10. Concluding Remarks

At the shareholders' meeting of 22 July 2011, which approved the changes to CGD's articles of association and its new management and inspection model, the following members of its statutory bodies were elected for the period 2011-2013:

### SHAREHOLDERS' MEETING

**Chairman:** Manuel Carlos Lopes Porto

**Deputy Chairman:** Rui Manuel Parente Chancerelle de Machete

**Secretary:** José Lourenço Soares

### BOARD OF DIRECTORS

**Chairman:** Fernando Manuel Barbosa Faria de Oliveira

**Deputy Chairman:** José Agostinho Martins de Matos

**Members:** António do Pranto Nogueira Leite, Norberto Emílio Sequeira da Rosa, Jorge Humberto Correia Tomé, Rodolfo Vasco Castro Gomes Mascarenhas Lavrador, Pedro Manuel de Oliveira Cardoso, Nuno Maria Pinto de Magalhães Fernandes Thomaz, Eduardo Manuel Hintze da Paz Ferreira, Pedro Miguel Duarte Rebelo de Sousa and Álvaro José Barrigas do Nascimento

### AUDIT COMMITTEE

The following members of the board of directors were appointed as members of the **audit committee** at the same meeting:

**Chairman:** Eduardo Manuel Hintze da Paz Ferreira

**Members:** Pedro Miguel Duarte Rebelo de Sousa and Álvaro José Barrigas do Nascimento

## EXECUTIVE COMMITTEE

The board of directors appointed an **executive committee**, comprising the following members at its meeting of 27 July 2011:

**Chairman:** José Agostinho Martins de Matos

**Deputy Chairmen:** António do Pranto Nogueira Leite and Norberto Emílio Sequeira da Rosa

**Members:** Jorge Humberto Correia Tomé, Rodolfo Vasco Castro Gomes Mascarenhas Lavrador, Pedro Manuel de Oliveira Cardoso and Nuno Maria Pinto de Magalhães Fernandes Thomaz

In a "unanimous corporate resolution in writing" of 28 December 2011, the Portuguese state in its capacity as CGD's sole shareholder decided to accept the resignation of Pedro Manuel de Oliveira Cardoso from his position as a member of the board of directors, having appointed, in lieu, João Nuno de Oliveira Jorge Palma, starting 2 January 2012.

Jorge Humberto Correia Tomé resigned from his position as a member of the board of directors on 23 February 2012.

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## 1.11. Proposal for the Appropriation of Net Income

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Pursuant to the terms of article 66 no. 5 and article 376 of the Commercial Companies Code and article 26 of Caixa Geral de Depósitos's articles of association referring to its separate activities it was proposed that net losses of EUR 316 255 089 for the year be included in the "other reserves and retained earnings" account heading in the balance sheet.

Lisbon, 29 March 2012

### Board of Directors

**Chairman:** Fernando Manuel Barbosa Faria de Oliveira

**Deputy Chairman:** José Agostinho Martins de Matos

**Members:** António do Pranto Nogueira Leite, Norberto Emílio Sequeira da Rosa, Rodolfo Vasco Castro Gomes Mascarenhas Lavrador, Nuno Maria Pinto de Magalhães Fernandes Thomaz, João Nuno de Oliveira Jorge Palma, Eduardo Manuel Hintze da Paz Ferreira, Pedro Miguel Duarte Rebelo de Sousa and Álvaro José Barrigas do Nascimento

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## 1.12. Declaration on the Conformity of the Presentation of the Financial Information

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### 1.12.1. 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 2011 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, 29 March 2012

#### **Board of Directors**

**Chairman:** Fernando Manuel Barbosa Faria de Oliveira

**Deputy Chairman:** José Agostinho Martins de Matos

**Members:** António do Pranto Nogueira Leite, Norberto Emílio Sequeira da Rosa, Rodolfo Vasco Castro Gomes Mascarenhas Lavrador, Nuno Maria Pinto de Magalhães Fernandes Thomaz, João Nuno de Oliveira Jorge Palma, Eduardo Manuel Hintze da Paz Ferreira, Pedro Miguel Duarte Rebelo de Sousa and Álvaro José Barrigas do Nascimento



## 1.12.2. BONDS HELD BY MEMBERS OF THE BOARD OF DIRECTORS

(Article 447 of the Commercial Companies Code)

<b>Bondholders</b> <b>Members of board of directors:</b>	<b>Security</b>	<b>No. securities at 31.12.2011</b>
Fernando Faria Oliveira	Caixa Valor Nacional bonds 2010/2015	50
	Caixa Dia da Poupança bonds 2010/2013	25
Norberto Rosa	Subordinated cash bonds – CGD 2007/2017	200
	Caixa Valor Nacional bonds 2010/2015	40
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
Rodolfo Lavrador	Subordinated cash bonds – CGD 2008/2018 – 1st issue	300
João Nuno Palma	Subordinated CGD bonds – 2009/2019 – Anniversary	50
	CGD bonds 5.125% 2014	1
Álvaro Nascimento	CGD bonds 4.375% 2013	4
<b>Spouse / Children (minors):</b>		
Carolina Tomé	Subordinated CGD bonds – 2009/2019 – Anniversary	30
	Caixa Valor Nacional bonds 2010/2015	20

## 1.12.3. INFORMATION ON CGD'S SHAREHOLDERS

(Article 448 of Commercial Companies Code)

<b>Shareholders</b>	<b>Share Capital at 31.12.2011</b>	<b>% Equity Investment at 31.12.2011</b>
Portuguese State	EUR 5 150 000 000	100%

## 1.13. Separate and Consolidated Financial Statements

### Caixa Geral de Depósitos, SA Balance Sheet (Separate)<sup>(\*)</sup>

(Translation of financial statements originally issued in Portuguese – Note 48.)

	31.12.2011			Pro forma 31.12.2010	Pro forma 01.01.2010
	Amounts before impairment, amortisation and depreciation	Provisions, impairment, amortisation and depreciation	Net assets	Net assets	Net assets
<b>ASSETS</b>					
Cash and cash equivalents at central banks	1 887 903 736	-	1 887 903 736	919 449 031	1 479 260 153
Cash balances at other credit institutions	451 016 174	-	451 016 174	494 799 108	749 658 913
Financial assets held for trading	3 034 281 122	-	3 034 281 122	3 087 945 246	4 949 541 580
Other financial assets at fair value through profit or loss	440 709 825	-	440 709 825	474 145 085	819 863 784
Available-for-sale financial assets	14 779 914 331	(765 333 537)	14 014 580 794	16 263 371 691	8 435 484 648
Financial assets with repurchase agreement	1 920 119 486	(3 112 251)	1 917 007 235	2 270 045 734	-
Loans and advances to credit institutions	10 774 371 976	(16 308 796)	10 758 063 180	11 982 240 562	16 457 682 999
Loans and advances to customers	69 553 519 287	(2 478 530 894)	67 074 988 393	69 514 880 956	65 596 869 796
Hedging derivatives	106 887 443	-	106 887 443	113 601 534	178 690 037
Non-current assets held for sale	321 863 511	(58 803 576)	263 059 935	250 550 249	110 945 325
Investment property	3 600 156	-	3 600 156	6 294 730	6 294 730
Other tangible assets	1 208 800 312	(726 416 481)	482 383 831	497 338 021	622 442 930
Intangible assets	569 161 530	(453 581 773)	115 579 757	126 434 860	136 693 556
Investments in associates, subsidiaries and joint ventures	3 762 082 667	(239 741 806)	3 522 340 861	3 280 177 330	3 099 406 176
Current tax assets	24 340 966	-	24 340 966	56 728 305	110 101 853
Deferred tax assets	1 395 281 945	-	1 395 281 945	781 561 280	736 244 471
Other assets	3 457 169 065	(80 230 252)	3 376 938 863	2 692 684 699	2 107 768 549
<b>Total Assets</b>	<b>113 691 023 532</b>	<b>(4 822 059 366)</b>	<b>108 868 964 166</b>	<b>112 812 248 421</b>	<b>105 596 949 500</b>

<sup>(\*)</sup> Including domestic activity and that of France, London, Spain, Luxembourg, New York, Grand Cayman, East Timor, Zhubai and Madeira Offshore branches.

(Cont.)

(EUR)

LIABILITIES AND EQUITY	31.12.2011	Pro forma 31.12.2010	Pro forma 01.01.2010
Resources of central banks	9 015 597 149	7 572 699 955	2 545 619 655
Financial liabilities held for trading	2 510 065 118	2 237 458 682	2 275 135 565
Resources of other credit institutions	7 770 059 638	9 093 770 665	7 127 415 816
Customer resources	57 856 002 055	54 787 526 101	53 712 685 373
Debt securities	16 130 621 745	20 364 034 596	26 076 966 883
Financial liabilities associated with transferred assets	5 067 876 208	5 285 202 014	46 489 713
Hedging derivatives	93 071 712	168 739 503	289 487 498
Provisions	1 059 667 763	1 124 832 153	1 204 722 119
Current tax liabilities	1 484 313	1 810 392	9 325 009
Deferred tax liabilities	51 065 618	83 056 370	93 316 629
Other subordinated liabilities	2 160 728 835	3 162 979 039	3 477 279 572
Other liabilities	2 489 026 652	2 818 276 090	3 104 727 273
<b>Total Liabilities</b>	<b>104 205 266 806</b>	<b>106 700 385 560</b>	<b>99 963 171 105</b>
Share capital	5 150 000 000	5 050 000 000	4 500 000 000
Revaluation reserves	(1 352 870 872)	(121 010 231)	(80 403 795)
Other reserves and retained earnings	1 182 823 321	1 131 326 041	973 113 081
Net income for the year	(316 255 089)	51 547 051	241 069 109
<b>Total Equity</b>	<b>4 663 697 360</b>	<b>6 111 862 861</b>	<b>5 633 778 395</b>
<b>Total Liabilities and Equity</b>	<b>108 868 964 166</b>	<b>112 812 248 421</b>	<b>105 596 949 500</b>

**Certified Public Accountant**

Maria Fátima O. Melo F. Sanchas

**Board of Directors****Chairman:** Fernando Manuel Barbosa Faria de Oliveira**Deputy-Chairman:** José Agostinho Martins de Matos

**Members:** António do Pranto Nogueira Leite, Norberto Emílio Sequeira da Rosa, Rodolfo Vasco Castro Gomes Mascarenhas Lavrador, Nuno Maria Pinto de Magalhães Fernandes Thomaz, João Nuno de Oliveira Jorge Palma, Eduardo Manuel Hintze da Paz Ferreira, Pedro Miguel Duarte Rebelo de Sousa, Álvaro José Barrigas do Nascimento

# Caixa Geral de Depósitos, SA

## Income Statement (Separate)<sup>(\*)</sup>

(Translation of financial statements originally issued in Portuguese – Note 48.)

(EUR)

	31.12.2011	Pro forma 31.12.2010
Interest and similar income	5 443 580 360	4 339 336 705
Income and similar costs	(4 316 988 182)	(3 413 770 568)
<b>NET INTEREST INCOME</b>	<b>1 126 592 178</b>	<b>925 566 137</b>
Income from equity instruments	219 396 807	284 678 847
Income from services and commissions	478 743 562	499 583 399
Costs of services and commissions	(103 246 814)	(91 111 500)
Net results of assets and liabilities measured at fair value through profit or loss	(92 868 126)	11 683 710
Net gain on available-for-sale financial assets	46 668 560	87 339 582
Net foreign exchange revaluation gain	(10 695 154)	6 840 391
Net gain on the sale of other assets	143 603 906	103 455 073
Other operating income	84 035 749	120 414 683
<b>NET OPERATING INCOME</b>	<b>1 892 230 668</b>	<b>1 948 450 322</b>
Staff costs	(555 868 148)	(608 194 862)
Other administrative costs	(376 710 356)	(413 691 039)
Depreciation and amortisation	(121 379 598)	(111 305 809)
Provisions net of reversals	40 193 734	52 301 260
Correction of the amount of loans and advances to customers and receivables from other debtors, net of reversals	(715 217 524)	(523 470 987)
Impairment of other financial assets net of reversals	(415 889 966)	(258 346 093)
Impairment of other assets net of reversals	(180 817 827)	(63 212 432)
<b>INCOME BEFORE TAX</b>	<b>(433 459 017)</b>	<b>22 530 360</b>
<b>Income tax</b>		
Current	(52 799 557)	(50 182 230)
Deferred	170 003 485	79 198 921
	<b>117 203 928</b>	<b>29 016 691</b>
<b>Net income for the year</b>	<b>(316 255 089)</b>	<b>51 547 051</b>
Average number of ordinary shares outstanding	1 012 027 397	900 000 000
Earnings per share (in Euros)	(0.31)	0.06

<sup>(\*)</sup> Including domestic activity and that of France, London, Spain, Luxembourg, New York, Grand Cayman, East Timor, Zhubai and Madeira Offshore branches.

### Certified Public Accountant

Maria Fátima O. Melo F. Sanchas

### Board of Directors

**Chairman:** Fernando Manuel Barbosa Faria de Oliveira

**Deputy-Chairman:** José Agostinho Martins de Matos

**Members:** António do Pranto Nogueira Leite, Norberto Emílio Sequeira da Rosa, Rodolfo Vasco Castro Gomes Mascarenhas Lavrador, Nuno Maria Pinto de Magalhães Fernandes Thomaz, João Nuno de Oliveira Jorge Palma, Eduardo Manuel Hintze da Paz Ferreira, Pedro Miguel Duarte Rebelo de Sousa, Álvaro José Barrigas do Nascimento

# Caixa Geral de Depósitos, SA

## Statement of Comprehensive Income (Separate)

(Translation of financial statements originally issued in Portuguese – Note 48.)

(EUR thousand)

	2011	Pro forma 2010
Adjustments to fair value of available-for-sale financial assets		
Change in period	(1 980 996)	(190 199)
Adjustments of fair value reserves reclassification to results		
Recognition of impairment for the year	415 235	252 280
Disposal of available-for-sale financial assets	(46 668)	(109 923)
Tax effect	479 142	7 234
Benefits to employees – amortisation of transition impact		
Change in period	(33 457)	(33 457)
Tax effect	9 464	9 075
Benefits to employees – actuarial gains and losses		
Change in period	35 282	154 035
Tax effect	(10 096)	(37 136)
Currency changes	(856)	(3 971)
Other	1 040	4 780
<b>Total comprehensive net income for the year recognised in reserves</b>	<b>(1 131 910)</b>	<b>52 718</b>
<b>Net income for the year</b>	<b>(316 255)</b>	<b>51 547</b>
<b>Total comprehensive net income for the year</b>	<b>(1 448 166)</b>	<b>104 265</b>

# Caixa Geral de Depósitos, SA

## Cash Flow Statements (Separate)

(Translation of financial statements originally issued in Portuguese – Note 48.)

(EUR thousand)

	2011	2010
<b>OPERATING ACTIVITIES</b>		
Cash flows from operating activities before changes in assets and liabilities		
Interest, commissions and similar income received	5 820 631	4 840 110
Interest, commissions and similar costs paid	(3 338 680)	(2 701 074)
Recovery of principal and interest	31 396	29 325
Payments to employees and suppliers	(887 174)	(980 550)
Payments and contributions to pensions funds, health plan and other benefits	(22 425)	(90 737)
Other results	40 152	90 449
	<b>1 643 899</b>	<b>1 187 524</b>
(Increases) decreases in operating assets:		
Loans and advances to credit institutions and customers	2 691 969	(2 697 417)
Assets held for trade and other assets at fair value through profit or loss	689 435	166 719
Other assets	(784 814)	(89 977)
	<b>2 596 590</b>	<b>(2 620 675)</b>
Increases (decreases) in operating liabilities:		
Resources of central banks and other credit institutions	101 752	6 994 298
Customer resources	2 789 391	1 057 172
Other liabilities	(610 471)	(267 867)
	<b>2 280 672</b>	<b>7 783 604</b>
Net cash from operating activities before taxation	<b>6 521 161</b>	<b>6 350 453</b>
Income tax	(17 944)	(1 529)
Net cash from operating activities	<b>6 503 218</b>	<b>6 348 924</b>
<b>INVESTING ACTIVITIES</b>		
Capital gains from subsidiary and associated companies	103 261	109 021
Capital gains from available for sale financial assets	103 214	167 194
Acquisition of investments in subsidiary and associated companies, net of disposals	41 753	(231 754)
Acquisition of available-for-sale financial assets, net of disposals	349 774	(665 547)
Acquisition of tangible and intangible assets, net of disposals	(101 468)	69 876
Net cash from financing activities	<b>496 535</b>	<b>(551 211)</b>

# Caixa Geral de Depósitos, SA

## Cash Flow Statements (Separate) (Cont.)

(Translation of financial statements originally issued in Portuguese – Note 48.)

(EUR thousand)

	2011	2010
<b>FINANCING ACTIVITIES</b>		
Interest on subordinated liabilities	(72 398)	(86 452)
Interest on debt securities	(623 355)	(630 330)
Issue of subordinated liabilities, net of repayments	(1 019 919)	(277 948)
Issue of debt securities, net of repayments	(4 363 288)	(5 998 207)
Share capital increase	-	550 000
Dividends paid	-	(170 157)
Net cash from financing activities	<b>(6 078 960)</b>	<b>(6 613 094)</b>
Increase (decrease) in cash and cash equivalents	<b>920 792</b>	<b>(815 381)</b>
Cash and cash equivalents at beginning of year	1 414 248	2 228 919
Effects on the exchange rate change on cash and cash equivalents	3 880	711
Net change of cash and cash equivalents	920 792	(815 381)
Cash and cash equivalents at end of year	<b>2 338 920</b>	<b>1 414 248</b>

# Caixa Geral de Depósitos, SA

## Statements of Changes in Shareholders' Equity (Separate)

(Translation of financial statements originally issued in Portuguese – Note 48.)

	Revaluation reserves				
	Share capital	Fair value reserves	Reserves for deferred tax	Fixed assets	Total
<b>Balances at 31 December 2009</b>	4 500 000	(392 448)	103 047	208 998	(80 404)
Impact from changes in accounting policy regarding actuarial gains and losses recognition associated with post-employment benefits (Note 2.3.)	-	-	-	-	-
<b>Balances at 31 December 2009 (pro forma)</b>	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 IAS relative to post-employment benefits	-	-	-	-	-
Actuarial gains and losses recognition associated with 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	-	-	-	-	-
<b>Balances at 31 December 2010 – pro forma</b>	<b>5 050 000</b>	<b>(440 289)</b>	<b>110 280</b>	<b>208 998</b>	<b>(121 010)</b>
Appropriation of net income for 2010:					
Transfer to reserves and retained earnings	-	-	-	-	-
Other entries directly recorded in equity:					
Measurement gain / (losses) on available for sale financial assets	-	(1 612 430)	479 142	-	(1 133 288)
Amortisation of the impact of the transition to the IAS relative to post-employment benefits	-	-	-	-	-
Actuarial gains and losses recognition associated with post-employment benefits	-	-	-	-	-
Currency changes in subsidiaries	-	-	-	-	-
Reclassification between reserves and retained earnings	-	-	-	-	-
Other	-	-	-	-	-
Total gains and losses for the year recognised in equity	-	(1 612 430)	479 142	-	(1 133 288)
Share capital increase	100 000	-	-	(98 573)	(98 573)
Net income for the year	-	-	-	-	-
<b>Balances at 31 December 2011</b>	<b>5 150 000</b>	<b>(2 052 719)</b>	<b>589 423</b>	<b>110 425</b>	<b>(1 352 871)</b>



(Cont.)

Other reserves and retained earnings				(EUR thousand)	
Legal reserve	Other reserves	Retained earnings	Total	Net income for the year	Total
805 241	402 321	(22 699)	1 184 864	241 069	5 845 529
-	(211 751)	-	(211 751)	-	(211 751)
805 241	190 570	(22 699)	973 112	241 069	5 633 778
48 214	-	22 699	70 912	(70 912)	-
-	-	-	-	(170 157)	(170 157)
-	-	-	-	-	40 607
-	-	(24 382)	(24 382)	-	(24 382)
-	116 899	-	116 899	-	116 899
-	(3 971)	-	(3 971)	-	3 971
-	(1 245)	-	(1 245)	-	(1 245)
-	111 683	(24 382)	87 301	-	46 694
-	-	-	-	-	550 000
-	-	-	-	51 547	51 547
<b>853 455</b>	<b>302 253</b>	<b>(24 382)</b>	<b>1 131 326</b>	<b>51 547</b>	<b>6 111 863</b>
9 451	17 714	24 382	51 547	(51 547)	-
-	-	-	-	-	(1 133 288)
-	-	(23 993)	(23 993)	-	(23 993)
-	25 187	-	25 187	-	25 187
-	(856)	-	(856)	-	(856)
-	2 011	(2 011)	-	-	-
-	1 040	-	1 040	-	1 040
-	27 381	(26 004)	1 377	-	(1 131 910)
-	(1 427)	-	(1 427)	-	-
-	-	-	-	(316 255)	(316 255)
<b>862 906</b>	<b>345 921</b>	<b>(26 004)</b>	<b>1 182 823</b>	<b>(316 255)</b>	<b>4 663 697</b>

# Caixa Geral de Depósitos, SA

## Consolidated Balance Sheet

(Translation of financial statements originally issued in Portuguese – Note 48.)

		31.12.2011				
					Pro forma 31.12.2010	Pro forma 01.01.2010
ASSETS	Notes	Amounts before impairment, amortisation and depreciation	Impairment and amor- tisation and depreciation	Net assets	Net assets	Net assets
Cash and cash equivalents at central banks	4	2 704 481 554	-	2 704 481 554	1 468 751 616	1 926 260 193
Cash balances at other credit institutions	5	986 196 721	-	986 196 721	1 264 973 198	1 238 202 409
Loans and advances to credit institutions	6	4 968 430 045	(12 311 757)	4 956 118 288	3 424 241 930	8 353 213 955
		8 659 108 320	(12 311 757)	8 646 796 563	6 157 966 744	11 517 676 557
Financial assets at fair value through profit or loss	7	4 131 709 466	-	4 131 709 466	4 542 488 628	6 209 572 540
Available-for-sale financial assets	8	17 724 123 515	(880 480 634)	16 843 642 881	23 855 572 602	18 851 152 139
Financial assets with repurchase agreement	9	777 953 832	-	777 953 832	1 416 896 353	-
Un-linked investments	10	584 878 996	-	584 878 996	732 511 643	867 966 717
Hedging derivatives	11	108 128 626	-	108 128 626	114 866 963	179 622 760
Held-to-maturity investments	12	2 957 413 780	(120 034 597)	2 837 379 183	2 836	3 048
		26 284 208 215	(1 000 515 231)	25 283 692 984	30 662 339 025	26 108 317 204
Loans and advances to customers	13	81 630 871 263	(3 383 245 937)	78 247 625 326	81 907 204 111	77 222 008 268
Non-current assets held for sale	14	576 858 588	(103 373 731)	473 484 857	423 388 652	244 580 943
Investment property	15	459 088 203	-	459 088 203	396 440 513	354 257 620
Other Tangible assets	16	2 227 076 796	(1 073 221 156)	1 153 855 640	1 149 998 019	1 184 057 646
Intangible assets	17	1 073 859 685	(671 771 745)	402 087 940	419 386 093	406 067 399
Investments in associates	18	35 938 692	-	35 938 692	28 463 595	26 171 674
Current tax assets	19	87 828 128	-	87 828 128	90 269 525	127 886 055
Deferred tax assets	19	1 928 680 350	-	1 928 680 350	1 131 101 330	1 033 055 183
Technical provisions for outwards reinsurance	20	226 202 088	-	226 202 088	264 564 342	258 378 805
Other assets	21	3 811 424 325	(191 423 762)	3 620 000 563	3 125 823 887	2 270 966 857
Total assets		127 001 144 653	(6 435 863 319)	120 565 281 334	125 756 945 836	120 753 424 211

(Cont.)

(EUR)

LIABILITIES AND EQUITY	Notes	31.12.2011	Pro forma 31.12.2010	Pro forma 01.01.2010
Resources of central banks and other credit institutions	22	15 860 954 374	14 603 669 257	6 478 633 482
Customer resources	23	70 587 491 118	67 680 045 524	64 255 684 982
Liability of unit-linked products	10	584 878 996	732 511 643	867 966 716
Debt securities	24	14 928 308 602	19 306 747 511	25 182 312 789
		<b>86 095 678 716</b>	<b>87 719 303 678</b>	<b>90 305 964 487</b>
Financial liabilities at fair value through profit or loss	11	1 918 487 993	1 712 117 274	1 901 977 385
Hedging derivatives	11	93 071 712	166 047 660	270 773 352
Provisions for employees benefits	25 and 39	497 493 181	530 191 951	556 971 293
Provisions for other risks	26	389 991 013	273 227 156	239 409 251
Technical provisions for insurance contracts	26	4 607 614 617	5 742 936 344	6 439 224 865
Current tax liabilities	19	52 510 647	57 827 737	58 982 381
Deferred tax liabilities	19	166 219 860	180 917 514	169 803 702
Other subordinated liabilities	27	2 075 416 185	2 800 164 159	3 201 597 691
Other liabilities	28	3 470 589 733	4 235 575 941	4 204 653 802
<b>Total liabilities</b>		<b>115 228 028 031</b>	<b>118 021 978 671</b>	<b>113 827 991 691</b>
Share capital	29	5 150 000 000	5 050 000 000	4 500 000 000
Fair value reserves	30	(2 078 222 234)	(507 360 163)	(331 153 551)
Other reserves and retained earnings	30	1 708 697 168	1 407 104 353	1 223 312 758
Net income attributable to the shareholder of CGD	30	(488 424 904)	254 872 934	278 899 370
<b>Equity attributable to the shareholder of CGD</b>		<b>4 292 050 030</b>	<b>6 204 617 124</b>	<b>5 671 058 577</b>
<b>Non controlling interest</b>	31	<b>1 045 203 273</b>	<b>1 530 350 041</b>	<b>1 254 373 943</b>
<b>Total equity</b>		<b>5 337 253 303</b>	<b>7 734 967 165</b>	<b>6 925 432 520</b>
<b>Total liabilities and equity</b>		<b>120 565 281 334</b>	<b>125 756 945 836</b>	<b>120 753 424 211</b>

**Certified Public Accountant**

Maria Fátima O. Melo F. Sanchas

**Board of Directors****Chairman:** Fernando Manuel Barbosa Faria de Oliveira**Deputy-Chairman:** José Agostinho Martins de Matos

**Members:** António do Pranto Nogueira Leite, Norberto Emílio Sequeira da Rosa, Rodolfo Vasco Castro Gomes Mascarenhas Lavrador, Nuno Maria Pinto de Magalhães Fernandes Thomaz, João Nuno de Oliveira Jorge Palma, Eduardo Manuel Hintze da Paz Ferreira, Pedro Miguel Duarte Rebelo de Sousa, Álvaro José Barrigas do Nascimento

# Caixa Geral de Depósitos, SA

## Consolidated Income Statement

(Translation of financial statements originally issued in Portuguese – Note 48.)

(EUR)

	Notes	31.12.2011	Pro forma 31.12.2010
Interest and similar income	32	5 368 194 633	4 388 088 884
Interest and similar costs	32	(3 682 929 281)	(2 972 831 017)
Income from equity instruments	33	146 724 481	197 476 680
<b>NET INTEREST INCOME</b>		<b>1 831 989 833</b>	<b>1 612 734 547</b>
Income from services rendered and commissions	34	655 987 697	648 628 263
Cost of services and commissions	34	(151 356 398)	(146 313 001)
Results from financial operations	35	(24 766 114)	124 387 923
Other net operating income	36	214 887 151	350 962 737
<b>NET OPERATING INCOME</b>		<b>2 526 742 169</b>	<b>2 590 400 469</b>
<b>TECHNICAL MARGIN ON INSURANCE OPERATIONS</b>			
Premiums net of reinsurance	37	1 243 666 064	1 323 352 472
Result of investments relating to insurance contracts	37	143 398 765	206 766 596
Cost of claims net of reinsurance	37	(788 718 768)	(931 660 148)
Commissions and other income and cost relating to insurance contracts	37	(93 326 451)	(89 461 407)
		<b>505 019 610</b>	<b>508 997 513</b>
<b>NET OPERATING INCOME FROM BANKING AND INSURANCE OPERATIONS</b>		<b>3 031 761 779</b>	<b>3 099 397 982</b>
Staff costs	38	(995 705 264)	(1 041 110 334)
Other administrative costs	40	(694 974 009)	(721 196 946)
Depreciation and amortisation	16 and 17	(212 489 208)	(198 848 549)
Provisions net of reversals	25	(146 652 255)	(51 130 457)
Loan impairment net of reversals and recovery	41	(825 926 847)	(369 101 806)
Other assets impairment net of reversals and recovery	41	(701 138 779)	(354 660 208)
Result of associated companies		9 484 929	7 100 309
<b>INCOME BEFORE TAX AND MINORITY INTEREST</b>		<b>(535 639 454)</b>	<b>370 449 991</b>
Current	19	(98 416 341)	(129 219 647)
Deferred	19	204 851 839	62 448 122
		<b>106 435 498</b>	<b>(66 771 525)</b>
Consolidated net income for the year, of which:		<b>(429 203 956)</b>	<b>303 678 466</b>
Non controlling interest	31	(59 220 948)	(48 805 532)
<b>NET INCOME ATTRIBUTABLE TO THE SHAREHOLDER OF CGD</b>		<b>(488 424 904)</b>	<b>254 872 934</b>
Average number of ordinary shares outstanding		1 012 027 397	900 000 000
Earnings per share (in Euros)	29	(0.48)	0.28

### Certified Public Accountant

Maria Fátima O. Melo F. Sanchas

### Board of Directors

**Chairman:** Fernando Manuel Barbosa Faria de Oliveira**Deputy-Chairman:** José Agostinho Martins de Matos

**Members:** António do Pranto Nogueira Leite, Norberto Emílio Sequeira da Rosa, Rodolfo Vasco Castro Gomes Mascarenhas Lavrador, Nuno Maria Pinto de Magalhães Fernandes Thomaz, João Nuno de Oliveira Jorge Palma, Eduardo Manuel Hintze da Paz Ferreira, Pedro Miguel Duarte Rebelo de Sousa, Álvaro José Barrigas do Nascimento

# Caixa Geral de Depósitos, SA

## Consolidated Statement of Comprehensive Income

(Translation of financial statements originally issued in Portuguese – Note 48.)

(EUR thousand)

	2011	Pro forma 2010
Adjustments to fair value of available-for-sale financial assets		
Gains / (loses) arising during the year	(2 670 780)	(628 390)
Adjustments of fair value reserves reclassification to results		
Recognition of impairment for the year	491 490	344 374
Disposal of available-for-sale financial assets	(47 059)	49 209
Tax effect	657 436	58 048
Currency changes		
Change in period	3 065	100 361
Adjustments of exchange reserves reclassification to results		
Recognition of impairment for the year 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	(1 500)	6 389
Benefits to employees – actuarial gains and losses		
Change in period	30 260	160 398
Tax effect	(8 492)	(38 300)
Other	(8 083)	(7 318)
<b>Total comprehensive net income for the years recognised in reserves</b>	<b>(1 553 663)</b>	<b>(8 904)</b>
Net income for the year	(429 204)	303 678
<b>Total comprehensive net income for year, of which:</b>	<b>(1 982 867)</b>	<b>294 775</b>
Non controlling interest	(68 134)	(57 970)
<b>Total comprehensive net income attributable to the shareholder of CGD</b>	<b>(2 051 001)</b>	<b>236 805</b>

# Caixa Geral de Depósitos, SA

## Consolidated Cash Flow Statements

(Translation of financial statements originally issued in Portuguese – Note 48.)

(EUR thousand)

	31.12.2011	31.12.2010
<b>OPERATING ACTIVITIES</b>		
Cash flows from operating activities before changes in assets and liabilities		
Interest, commissions and similar income received	5 891 252	5 031 194
Interest, commissions and similar costs paid	(2 857 482)	(2 434 760)
Premiums received (insurance)	1 258 054	1 335 228
Cost and claims paid (insurance)	(1 856 585)	(1 618 727)
Recovery of principal and interest	36 474	34 984
Payments to employees and suppliers	(1 639 753)	(1 704 735)
Payments and contributions to pension funds	(39 410)	(98 960)
Other results	1 249 456	792 587
	<b>2 042 007</b>	<b>1 336 810</b>
(Increases) decreases in operating assets:		
Loans and advances to credit institutions and costumers	1 348 335	(2 685 576)
Assets held for trade and other assets at fair value through profit or loss	269 574	1 102 347
Other assets	(1 081 595)	12 358
	<b>536 313</b>	<b>(1 570 871)</b>
Increases (decreases) in operating liabilities:		
Resources of central banks and other credit institutions	1 244 559	8 123 361
Customer resources	3 471 504	2 209 791
Other liabilities	(1 927 520)	(772 702)
	<b>2 788 543</b>	<b>9 560 449</b>
Net cash from operating activities before taxation	<b>5 366 862</b>	<b>9 326 388</b>
Income tax	(60 045)	(92 788)
Net cash from operating activities	<b>5 306 817</b>	<b>9 233 600</b>
<b>INVESTING ACTIVITIES</b>		
Dividends received from equity instruments	134 949	197 477
Acquisition of investments in subsidiary and associated companies, net of disposals	2 030	27 696
Acquisition of available-for-sale financial assets, net of disposals	1 602 693	(2 971 008)
Acquisition of tangible and intangible assets and investment property, net of disposals	(203 325)	(177 616)
Net cash from investing activities	<b>1 536 347</b>	<b>(2 923 452)</b>

# Caixa Geral de Depósitos, SA

## Consolidated Cash Flow Statements (Cont.)

(EUR thousand)

	31.12.2011	31.12.2010
<b>FINANCING ACTIVITIES</b>		
Interest on subordinated liabilities	(64 298)	(81 409)
Interest on debt securities	(615 135)	(525 747)
Dividends paid on preference shares	(10 366)	(9 226)
Issue of subordinated liabilities, net of repayments	(739 353)	(337 450)
Issue of debt securities, net of repayments	(4 485 157)	(6 211 604)
Share capital increase	-	550 000
Dividends paid	-	(170 157)
Net cash from financing activities	<b>(5 914 309)</b>	<b>(6 785 594)</b>
Increase (decrease) in cash and cash equivalents	<b>928 854</b>	<b>(475 445)</b>
Cash and cash equivalents at the beginning of the year	2 733 725	3 164 463
Effects of the exchange rate change on cash and cash equivalents	28 099	44 708
Net change of cash and cash equivalents	928 854	(475 445)
Cash and cash equivalents at the end of the year	<b>3 690 678</b>	<b>2 733 725</b>

# Caixa Geral de Depósitos, SA

## Consolidated Statement of Changes in Equity

(Translation of financial statements originally issued in Portuguese – Note 48.)

	Other reserves and retained earnings				
	Share Capital	Fair value	Other reserves	Retained earnings	Total
<b>Balances at 31 December 2009</b>	<b>4 500 000</b>	<b>(331 154)</b>	<b>1 643 970</b>	<b>(189 240)</b>	<b>1 454 731</b>
Changes in accounting policy regarding the recognition of actuarial gains and losses associated with post-employment benefits (Note 2.3.)	-	-	(231 418)	-	(231 418)
<b>Balances at 31 December 2009 (pro forma)</b>	<b>4 500 000</b>	<b>(331 154)</b>	<b>1 412 552</b>	<b>(189 240)</b>	<b>1 223 313</b>
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:					
Gain / (losses) on available-for-sale financial assets	-	(176 207)	(4 953)	-	(4 953)
Actuarial gains and losses associated with post-employment benefits	-	-	122 098	-	122 098
Exchange differences	-	-	49 406	-	49 406
Other	-	-	(8 412)	-	(8 412)
Total gains and losses for the year recognised in equity	-	<b>(176 207)</b>	<b>158 139</b>	-	<b>158 139</b>
Share capital increase	550 000	-	-	-	-
Changes in Group perimeter	-	-	-	-	-
Written-put over non controlling interest – Partang	-	-	(83 089)	-	(83 089)
Acquisition of preference shares issued by Caixa Geral Finance	-	-	-	-	-
Dividends paid on preference shares and other dividends paid to non controlling interest	-	-	-	-	-
Reclassification between reserves and retained earnings	-	-	(22 977)	22 977	-
Net income for the year	-	-	-	-	-
<b>Balances at 31 December 2010 (pro forma)</b>	<b>5 050 000</b>	<b>(507 360)</b>	<b>1 550 668</b>	<b>(143 564)</b>	<b>1 407 104</b>
Appropriation of net income for 2010:					
Transfer to reserves and retained earnings	-	-	230 491	24 382	254 873
Other entries directly recorded in equity:					
Gain / (losses) on available-for-sale financial assets	-	(1 570 862)	3 137	-	3 137
Actuarial gains and losses associated with post-employment benefits (IAS 19)	-	-	21 768	-	21 768
Exchange differences	-	-	(11 785)	-	(11 785)
Other	-	-	(4 834)	-	(4 834)
Total gains and losses for the year recognised in equity	-	<b>(1 570 862)</b>	<b>8 286</b>	-	<b>8 286</b>
Share capital increase	100 000	-	(100 000)	-	(100 000)
Changes in Group perimeter	-	-	-	-	-
Written-put over non controlling interest – Partang	-	-	12 248	-	12 248
Acquisition of preference shares issued by Caixa Geral Finance	-	-	126 186	-	126 186
Dividends paid on preference shares and other dividends paid to non controlling interest	-	-	-	-	-
Reclassification between reserves and retained earnings	-	-	6 082	(6 082)	-
Net income for the year	-	-	-	-	-
<b>Balances at 31 December 2011</b>	<b>5 150 000</b>	<b>(2 078 222)</b>	<b>1 833 961</b>	<b>(125 264)</b>	<b>1 708 697</b>



(Cont.)

(EUR thousand)

Net income for the year	Subtotal	Non controlling interest	Total
278 899	5 902 478	1 254 374	7 156 850
-	(231 418)	-	(231 418)
278 899	5 671 060	1 254 374	6 925 434
(108 742)	-	-	-
(170 157)	(170 157)	-	(170 157)
-	(181 160)	4 400	(176 760)
-	122 098	-	122 098
-	49 406	3 670	53 076
-	(8 412)	1 094	(7 318)
-	(18 068)	9 164	(8 904)
-	550 000	-	550 000
-	-	250 043	250 043
-	(83 089)	-	(83 089)
-	-	(14 439)	(14 439)
-	-	(17 597)	(17 597)
-	-	-	-
254 873	254 873	48 806	303 678
254 873	6 204 617	1 530 350	7 734 967
(254 873)	-	-	-
-	(1 567 725)	(1 188)	(1 568 913)
-	21 768	-	21 768
-	(11 785)	13 350	1 565
-	(4 834)	(3 249)	8 083
-	(1 562 576)	8 914	(1 553 663)
-	-	-	-
-	-	(67 808)	(67 808)
-	12 248	-	12 248
-	126 186	(458 707)	(332 521)
-	-	(26 767)	(26 767)
-	-	-	-
(488 425)	(488 425)	59 221	(429 204)
(488 425)	4 292 050	1 045 203	5 337 253



## AMERICA

### BRAZIL

Banco Caixa Geral Brasil

### CANADA

CGD – Representative Office

### CAYMAN ISLANDS

CGD – Cayman Islands Branch

### MEXICO

BCG – Representative Office

### UNITED STATES

CGD – New York Branch

### VENEZUELA

CGD – Representative Office

BCG – Representative Office

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# 2

## NOTES, REPORTS AND OPINIONS



## 2. Notes, Reports and Opinions

### 2.1. Notes to the Consolidated Financial Statements

(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. 287/93, of 20 August, which also approved its articles of association. On 23 July 2001 Banco Nacional Ultramarino, SA (BNU) was merged into Caixa.

At 31 December 2011 Caixa had a national network of 860 branch offices, a branch in France with 46 branch offices, a branch in 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 holds equity investments in companies operating in non-financial sectors of the Portuguese economy.

On 29 March 2012, the Board of Directors approved the consolidated financial statements as at 31 December 2011.

The financial statements of CGD and some of its subsidiaries and associated companies at 31 December 2011 are still subject to approval by the respective statutory bodies. CGD's 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 2011 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.

During 2011, Caixa changed its accounting policy concerning the recognition of actuarial gains and losses associated with liabilities with post-employment benefits in accordance with Note 2.3. below. As a result, the financial statements were restated to reflect the effects of the retrospective application of the new accounting criteria used.

The accounting policies 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 2011, 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, with application in financial years starting on or after 1 January 2011. The following changes were relevant to CGD Group:

- IAS 24 (Amendment) – "Related Party Disclosures" – The review made to the text of the standard introduces a partial exemption to the general disclosure requirements related to entities in which the State has control, joint control or significant influence over. 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 the composition and accounting treatment of the minimum funding requirements relating to post employment defined benefits and other long term employee benefits associated with future services. The amendment is mandatory for financial years starting on or after 1 January 2011.
- IAS 32 – "Classification of Rights Issues" (Amendment) – As a result of the change to the text of the standard, derivative instruments issued by an entity with the purpose of acquiring a fixed number of instruments of its own equity in exchange of an amount previously fixed, irrespective of the currency the operation is agreed upon, shall be recognised as equity and not as liabilities, provided that they comply with the remaining presentation requirements defined by the standard. The adoption of the revised standard is mandatory for financial years starting on or after 1 February 2010.
- IFRIC 19 – "Existing financial liabilities with early instruments" – This interpretation intends to clarify the accounting treatment by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability. This interpretation is mandatory for the financial years starting on or after 1 July 2010.

On this date, several amendments to seven international financial standards issued by the IASB in May 2010 were also adopted by Caixa. Of this collection of amendments, reference should be made to IAS 34 – "Interim Financial Reporting", which sets out additional disclosure requirements that highlight the importance of presenting updated information concerning the annual financial reports, especially in what respects significant events and transactions which occurred within a period of interim financial reporting (such as the transfer between the fair value hierarchy levels, changes in the classification of financial assets resulting from changes in its purpose, changes in contingent assets and liabilities and changes in the economic or business context which affect the fair value of assets and liabilities within the balance sheet).

At 31 December 2011, the following amendment to the standard issued by IASB and endorsed by the European Union was available for early adoption:

- IFRS 7 (Amendment) – "Financial instruments: Disclosures" – With the amendment made to the text of IFRS 7, IASB intended to clarify and complement the existing requirements related to financial instruments exposure. These amendments also intend to improve the quality of disclosures relative to transfers of financial assets such as securitisation. The amendments to this standard are mandatory for financial years starting on or after 1 July 2011.

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 of replacing 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:

## CLASSIFICATION AND MEASUREMENT OF FINANCIAL ASSETS

- a) Debt instruments held to receive contractual flows (therefore not being managed on the basis of the changes in their fair value), for which contractual cash flows represent 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 measurement should be measured at their fair value through profit or loss;
- b) Equity instruments are measured at fair value through profit or loss, there being available an irrevocable option at initial recognition to present other comprehensive income changes in fair value in an equity instrument that is not held for trading. If an entity makes such option, all subsequent valuations of the instrument (including capital gains realised on sale but excluding dividends received) are recognised on "Reserves";
- c) Financial assets with embedded derivatives, should be measured and classified considering the total characteristics of the instruments, no longer being possible to separate the embedded derivative from the host contract;
- d) There is also an option at initial recognition to irrevocably designate a financial liability as measured at fair value through profit or loss, if it eliminates or significantly reduces a measurement or recognition inconsistency 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 standard's adoption).

## FINANCIAL LIABILITIES ACCOUNTING REQUIREMENTS

- f) Financial liabilities classified in the fair value option are measured at fair value and the fair value component associated with changes in own credit risk should be recognised against reserves;
- g) Derivative financial liabilities settled by delivery of an unquoted equity instrument whose fair value cannot be reliably measured should be measured at fair value.

The adoption of this standard is mandatory for the financial years starting on or after 1 January 2015.

- IFRS 7 (Amendment) – "Financial instruments: Disclosures" – The text of the new standard is changed in order to include specific disclosures in adopting IFRS 9, allowing users of financial statements to reconcile the categories and balance sheet items in compliance with the requirements of IAS 39, with the new categories and balance sheet items in compliance with the requirements of IFRS 9.
- IFRS 13 – "Fair value measurement" – IFRS 13 sets out a framework for the initial recognition and subsequent measure of assets or liabilities at fair value, whenever this measuring is required by any other standard. It also defines disclosure requirements for assets and liabilities measured at fair value. The application of this standard is mandatory for financial years starting on or after 1 January 2013 although early adoption may be possible.
- IAS 19 – "Employee benefits" (Amendment) – The amendment to the text of the standard eliminates the corridor method, requiring the entities to recognise the changes in the fund's assets and in the liabilities with the defined benefit plan in the period it refers to. The standard revised text is mandatory for the financial years starting on or after 1 January 2013. Early adoption is permitted.
- "The Package of five"

In May 2011, IASB published a collection of five standards addressing to the preparation of consolidated financial statements and transactions between entrepreneurs. Therefore, amendments to IAS 27 – "Separate and consolidated financial statements" and IAS 28 –

"Investments in Associates and Joint Ventures", as well as the new standards IFRS 10 – "Consolidated financial statements", IFRS 11 – "Joint arrangements" and IFRS 12 – "Disclosures of interests in other entities" were issued. Each of these standards is mandatory for financial years starting on or after 1 January 2013 although early adoption is permitted. The early adoption of one of these standards included in the "Package of five" is extended to the others.

- IFRS 10 – "Consolidated financial statements" and IAS 27 – "Separate financial statements". IFRS 10 supersedes SIC 12 – "Consolidation – Special Purpose Entities" and the part of the text of IAS 27 that concerns the criteria for the preparation of consolidated financial statements. The new standard sets out the principles for the presentation and preparation of consolidated financial statements when an entity controls one or more entities. IFRS 10 defines the principle of control and establishes control as the basis for determining which entities are consolidated in the consolidated financial statements. An investor controls an investee whenever it is exposed to or has rights to variable returns from its involvement with the investee and, has the ability to influence those same returns through its power over the investee. IAS 27 – "Consolidated and separate financial statements" (Amendment) only contains accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate and financial statements.
- IFRS 11 – "Joint arrangements" – IFRS 11 supersedes IAS 31 – "Interests in joint ventures" and SIC 13 – "Jointly controlled entities – non-monetary contributions by venturers". The new standard sets out the criteria for identification, classification and accounting procedures of joint arrangements, based on rights and obligations the joint operations hold on joint arrangements.
- IAS 28 – "Investments in associates" – The amended text of IAS 28 prescribes the accounting for investments when accounting for investments in associates and sets out the requirements for the application of the equity method in accounting investments in associates and joint ventures. This standard is applicable to entities that are investors with joint control or significant influence over an investee.
- IFRS 12 – "Disclosure of interests in other entities" – this standard sets out the disclosure requirements on associates and joint ventures that will enable the assessment of the nature and risks that the reporting entity has in other entities and the way in which the referred to participations will effect its financial position, performance and cash flows.

Although an assessment of the effect of adopting the above standards and interpretations on CGD's separate 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. Change in the accounting policy during the year – IAS 19 – Actuarial gains and losses associated with liabilities with post-employment benefits

On 31 December 2011 the Group changed its policy of recognition of actuarial gains and losses associated with the liabilities with pensions and medical benefits to employees.

In accordance with the provisions of IAS 19 – "Employee Benefits" (paragraph 93.A), actuarial and financial gains and losses arising from differences observed between the assumptions used in setting out liabilities and expected return on associated assets and the actual amounts, as well as those arising from the changes in actuarial assumptions occurred during the year, are fully recognised as against other comprehensive income, whereas up to that date, these values were deferred in an assets or liabilities account ("corridor"), up to a limit of 10% of the higher of the present value of the past service liability or the value of the pension fund. Amounts that exceeded the corridor were amortised against net income for the year, over the average period up to the expected retirement age of employees covered by the plan.

This change in recognising actuarial gains and losses enables to immediately highlight the effects of the application of the terms included in the revised text of IAS 19 (as published by IASB during

June 2011) in the Group's financial statements, which eliminates the deferral option of recognising the changes occurred in the liabilities with the defined benefit plans. The standard revised text, not yet endorsed by the European Union, is mandatory for the financial years starting on or after 1 January 2013.

The Group also believes that the immediate recognition of actuarial and financial gains and losses at the time they occur will enable a more accurate presentation of its financial statements, since these liabilities' inherent costs will be fully reflected in equity.

To adequately reflect the effects of change in the accounting policy, the Group restated its financial statements in the comparative periods reported, including the following:

	01.01.2010	31.12.2010	Change
Statutory equity before the change in the accounting policy	7 156 850	7 839 996	
Impact of the recognition of actuarial gains and losses in other reserves			
Caixa Geral de Depósitos	(287 198)	(133 163)	154 035
Caixa Seguros e Saúde	(18 798)	(16 194)	2 603
Other	(7 876)	(4 116)	3 760
	(313 872)	(153 474)	160 398
Tax effect	82 454	44 154	(38 300)
	(231 418)	(109 319)	122 098
Reversal of actuarial (gains) / losses recognised as a charge to net income for the year (amortisation of deviation exceeding corridor)		6 024	
Tax effect		(1 733)	
		4 291	
Restated equity (pro forma)	6 925 434	7 734 967	
Equity attributable to the shareholder of CGD			
Before the change in the accounting policy		250 582	
After the change in the accounting policy		254 873	
Income per share			
Before the change in the accounting policy		0,278	
After the change in the accounting policy		0,283	

## 2.4. 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 holds 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 "Non controlling interest".

Consolidated net income is the result of aggregating the net results of CGD and its subsidiaries in proportion to the effective participation held, after consolidation adjustments, namely the elimination of dividends received and capital gains and losses on transactions between Group companies.

At 31 December 2010, 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



did not entitle CGD to participate in IHRU's management. The equity investment held by the Group in this entity was sold during 2011 to Direção Geral do Tesouro (Directorate General of the Treasury and Finance) (Note 8.).

Joint control 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.

## 2.5. Business combinations and goodwill

Acquisitions of subsidiaries are recorded by the purchase method. The cost of acquisition comprises the sum of the fair value of assets given, equity instruments issued and liabilities incurred or assumed in exchange for obtaining control over the entity acquired. The costs of acquisition directly attributable to the operation are recognised as charges to the income statement on the date of acquisition (for acquisitions between 1 January 2004 and 31 December 2009 these costs were added to the cost of acquisition). On the date of acquisition, 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 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.

If the Group's participating interest acquired in a subsidiary's identifiable assets, liabilities and contingent liabilities exceeds the respective cost of acquisition, the excess is recorded as income in the income statement for the year.

The acquisition of non controlling interest after obtaining control over the subsidiary is recorded as a shareholders' operation, no additional goodwill being recorded. The difference between the value of non controlling interest and the respective cost of acquisition on the date of the operation is directly recognised as a charge to reserves. Similarly, the impacts resulting from the sale of non controlling interest not implying loss of control over the subsidiary are also recognised in reserves. Gains or losses from the sale of non controlling interest, which involve changes in control over the subsidiary, are recognised by the Group as a charge to net income on the date of the operation.

At least annually, the Group performs impairment tests on 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 put options written over non-controlling interests are initially recognised by the Group against "Other reserves". Subsequent changes to the fair value of the put option measured on the basis of the contract agreed, are also charged to "Other reserves", except for the funding costs relative to the recognition of the corresponding liabilities which are recognised in the "Interest and similar costs" heading.

## 2.6. Investments 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 Group's share of losses of an associate equals or exceeds its interest in the associate. From this moment on the Group discontinues recognising its share of further losses, 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, 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.

## 2.7. 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 that 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.

## 2.8. 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 upon initial recognition were irrevocably designated as 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 evaluated on a fair value basis, in accordance with a documented risk management or investment strategies; and the related information thereon is provided internally on that basis 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 that would otherwise be required by the contract;
      - It is evident, with little or no analysis, that the embedded 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 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, plus or minus the cumulative amortisation, using the effective interest rate method of any difference between the initial cost and the maturity amount, and minus impairment losses.

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.

## 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:

- 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 herein classified 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 as reference date 1 July 2008. Reclassifications made after this date had impact on the different categories of financial instruments from the reference date in which they occurred.

Information on reclassifications carried out under the terms of the referred to amendment is presented in Note 8. and 12.

### Fair value

As mentioned above, financial assets 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:
  - › 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 loss.

### 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 discounted at the initial effective 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 derivatives with negative fair value, as well as the short trading of fixed and variable income securities. These liabilities are measured at fair value, gains or losses resulting from their subsequent measurement are recognised in the "Results from financial operations" heading.

### ii) OTHER FINANCIAL LIABILITIES

This category includes resources of 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, in order 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 2011 and 2010, 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 risk(s) being hedged;
- 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.

Valuation in fair value of hedged items is 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 period 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.

Objective 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 objective evidence of impairment of financial assets recorded at amortised cost:

- Breach of contract, 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 objective evidence of impairment on individually assessed 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 collateralised by shares, impairment loss 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 specifically assessed for impairment are included in homogenous groups with similar risk characteristics (on the basis of counterparty 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.

### i. WRITE OFF OF PRINCIPAL AND INTEREST

The Group periodically writes-off non-recoverable loans using the respective accumulated impairment loss after specific analysis has been taken by the bodies responsible for monitoring and recovering loans, and after the approval of the Executive Board 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 income 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 whereas the accrued amount of outstanding principal and overdue interest is lower than the collateral.

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 2.8. 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 for 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 objective evidence of impairment in equity instruments:

- Existence of unrealised losses exceeding 50% of the corresponding acquisition cost;
- When the fair value of an equity instrument is below 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 objective evidence of impairment.

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.

## 2.9. 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:

- The sale must be highly probable;



- 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.

Repossessed goods will be written off upon their sale with corresponding gains or losses recognised in the heading "Other operating costs".

## 2.10. 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".

## 2.11. 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 equipment	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.

## 2.12. Finance leases

Finance lease 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".

## 2.13. 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 basically consist 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.

## 2.14. 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 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 compliance with the article 3 of IRC code. 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 below in detail.

## ADJUSTMENTS TO THE NET INCOME FOR THE YEAR

### ► **Income earned by non-resident entities 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 Administrative Ruling 292/2011 of 8 November, 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 2011 and 2010, 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 according to which provisions for specific credit risk in what concerns credits collateralized by real rights on property and country risk provisions on loans granted to companies held by the Group in more than 10%, are not tax deductible;
- 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 3/95 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 the staff costs 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.

Therefore considering that deductible costs recognised by CGD in the course of 2011 and 2010 are lower than the amount effectively paid to the pension fund, (as required under the terms of the understanding of the Secretary of State for Tax Affairs), such amounts are considered as costs for tax purposes.

In addition to the change of the accounting policy relative to the recognition of actuarial gains and losses with pension plans and other post-employment benefits (as detailed in Note 2.3.), the balance of deferred net costs recorded in Caixa's balance sheet as at 31 December 2011, was fully recognised as against reserves. Considering that the referred to amounts complied with the requirements set in article 183 of Law 64-A of 30 December, which approved the State Budget law for 2012, the negative equity changes occurred in 2011, which are irrelevant for tax purposes, will be recognised as a deduction from taxable income, in equal parts, in the ten years starting on or after 1 January 2012.

### ➤ Settlement results

Article 92 of the IRC Code, introduced by the State Budget Law for 2011, establishes that the taxable income, net of deductions relative to international double taxation and tax benefits, may not be less than 90% of the amount which would be determined if the tax payer (i) did not benefit from tax benefits, (ii) did not make supplementary contributions to pension funds and similar to cover pension liabilities, and (iii) did not benefit from tax losses transferred under corporate mergers to deduction from taxable income of the new acquiring company.

Tax benefits provided for in no. 2 of the same article, are excluded from settlement results.

CGD did not make any adjustment to taxable income for 2011 and 2010 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 is 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 near future.

The main situations originating temporary differences in the CGD Group are provisions and impairment temporarily not 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 directly in equity (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.

## 2.15. 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 to 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.

## 2.16. 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 as set out in Note 39. Other Group companies also have defined benefit plans, namely Banco Comercial do Atlântico, SA, 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. The total liability is determined annually, by specialised actuaries, using the Unit Credit Projected method and other actuarial assumptions considered appropriate (Note 39.). 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 recognised as a charge to "Other reserves".

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 cost of retirement pensions and healthcare for the year, including current service cost and interest cost, less expected income of the fund's assets, 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 are 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.

## 2.17. 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 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:

- that are likely to be a significant portion of the total contractual benefits;
- the amount or timing is contractually at the discretion of the issuer; and
- are contractually based on:
  - the performance of a specified pool of contracts;
  - realised and/or unrealised investment returns on a specified pool of assets held by the issuer; or
  - the profit or loss of the company, fund or other entity that issues 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 received 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 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 feature 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 “Available-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 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.

Expenses incurred on the acquisition of on-life 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) TD 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%

Internal 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

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 2.17. 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 liability adequacy tests 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 that assessment shows that the carrying amount of its insurance liabilities (less related deferred acquisition costs and related intangible assets) is inadequate in the light of the estimated future cash flows, the entire deficiency shall be recognised in profit or loss.

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 interest rate debt, 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. From the collection of these data over an eight year period, a mortality table is graduated, based on the Gompertz-Makeham law, which is subsequently used to estimate future mortality.

➤ **Redemption:**

The mathematical provisions at the beginning and end of the year and the 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 interest rate debt 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, less 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" account 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.

## 2.18. Commissions

As mentioned in Note 2.8., commissions on credit operations and other financial instruments, namely amounts charged or paid for originating such operations, are included in amortised cost and 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.

## 2.19. Issuance of equity instruments

Equity instruments issued are 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 "Non controlling interest".

## 2.20. 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.

## 2.21. 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".

## 2.22. Critical accounting estimates and key judgemental matters in applying accounting policies

In applying the abovementioned accounting policies, the Executive Committee of 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 ON LOANS AND OTHER AMOUNTS RECEIVABLE

Impairment losses on loans are determined in accordance with the methodology defined in Note 2.8. 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 INSTRUMENTS MEASURED AS A CHARGE TO FAIR VALUE RESERVES

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 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 (see Note 2.8. 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 2.8. 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 2.8., in order to ensure adequate segregation of functions, these financial instruments are valued by a body that is independent of the trading function.

### EMPLOYEE BENEFITS

As explained in Note 2.16. 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 2.5. 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 2.17. above. The liability reflects a quantified 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 main subsidiaries, by operating sector, and the financial data taken from their statutory non-consolidated financial statements, except when expressly indicated, are summarised below:

		31.12.2011			31.12.2010	
Activity / Entity	Head Office	% Effective Participating Interest	Equity (a)	Net Income	Equity (a)	Net Income
Holding Companies						
Bandeirantes, SGPS, SA	Madeira	-	-	-	8	(3)
Caixa – Gestão de Ativos, SGPS, SA	Lisbon	100.00%	23 066	4 863	29 202	14 036
Caixa – Participações, SGPS, SA	Lisbon	100.00%	70 349	10 041	50 806	2 268
Caixa Desenvolvimento, SGPS, SA	Lisbon	100.00%	4 127	31	6 596	661
Caixa Seguros e Saúde, SGPS, SA	Lisbon	100.00%	996 542	42 955	1 001 150	52 208
Caixaweb, SGPS, SA	Lisbon	-	-	-	7 482	99
Gerbanca, SGPS, SA	Lisbon	100.00%	99 331	14 924	84 407	21 012
Parbanca, SGPS, SA	Madeira	100.00%	42 707	11 075	19 613	8 120
Parcaixa SGPS, SA	Lisbon	51.00%	1 022 320	23 687	1 010 917	5 849
Partang, SGPS	Lisbon	51.00%	112 384	16 653	92 433	4 950
Banking						
Banco Caixa Geral, SA <sup>(a)</sup>	Vigo	99.79%	455 627	1 311	435 534	1 180
Banco Comercial do Atlântico, SARL	Praia	59.33%	27 806	5 190	24 972	5 563
Banco Comercial e de Investimentos, SARL	Maputo	51.00%	119 886	23 511	74 430	21 337
Banco Nacional de Investimentos, SA	Maputo	50.01%	61 077	(3 520)	1 629	-
Banco Caixa Geral Brasil, SA	São Paulo	100.00%	173 127	6 113	186 619	4 765
Banco Interatlântico, SARL	Praia	70.00%	14 633	1 590	13 576	1 180
Banco Nacional Ultramarino, SA (Macau)	Macau	100.00%	230 813	29 150	226 367	35 156
Caixa – Banco de Investimento, SA <sup>(a)</sup>	Lisbon	99.71%	213 816	8 553	275 520	40 153
Caixa Geral de Depósitos – Subsidiária Offshore de Macau	Macau	100.00%	26 470	2 194	24 480	1 451
CGD – North America	Delaware	100.00%	1	-	1	-
CGD – Participações em Instituições Financeiras Ltda.	São Paulo	99.86%	(509)	(17)	15	(38)
Mercantile Lisbon Bank Holdings, Ltd. <sup>(a)</sup>	Johannesburg	91.75%	159 839	12 791	162 177	16 698
Banco Caixa Geral Totta de Angola, SA	Luanda	26.01%	216 262	37 501	187 110	30 961
Banco para Promoção e Desenvolvimento, SA	Luanda	50.00%	372 761	(5 767)	-	-
Insurance						
Cares – Companhia de Seguros, SA	Lisbon	100.00%	17 389	4 728	16 909	5 306
Companhia de Seguros Fidelidade Mundial, SA	Lisbon	100.00%	626 067	13 580	782 282	65 763
Companhia Portuguesa de Resseguros, SA	Lisbon	100.00%	9 866	265	19 395	5 326
Garantia – Companhia de Seguros de Cabo Verde, SARL	Praia	65.36%	8 061	1 023	7 267	917
Império Bonança – Companhia de Seguros, SA	Lisbon	100.00%	203 777	10 195	229 293	19 421
Multicare – Seguros de Saúde, SA	Lisbon	100.00%	26 138	215	26 980	604
Universal Seguros, SA (Angola)	Luanda	70.00%	6 149	(372)	-	-
Via Directa – Companhia de Seguros, SA	Lisbon	100.00%	25 019	261	26 897	(2 981)
Specialised Credit						
Caixa Leasing e Factoring – Instituição Financeira de Crédito, SA	Lisbon	51.00%	126 979	(11 402)	140 219	9 009
CREDIP – Instituição Financeira de Crédito, SA	Lisbon	80.00%	11 895	193	11 703	659
Promoleasing – Sociedade de Locação Financeira, SA	Praia	60.25%	153	(49)	202	(70)
Asset Management						
Caixagest – Técnicas de Gestão de Fundos, SA	Lisbon	100.00%	27 189	1 142	27 106	1 053
CGD Pensões – Sociedade Gestora de Fundos de Pensões, SA	Lisbon	100.00%	4 684	710	4 827	1 017
Fundimo – Sociedade Gestora de Fundos de Investimento Imobiliário, SA	Lisbon	100.00%	7 076	4 376	5 557	3 408
Venture Capital						
A Promotora, Sociedade de Capital de Risco, SARL	Praia	52.72%	3 159	31	3 381	51
Caixa Capital – Sociedade de Capital de Risco, SA	Lisbon	100.00%	38 103	5 148	32 955	4 863
Real estate						
Imocaixa – Gestão Imobiliária, SA	Lisbon	100.00%	(2 104)	(3 235)	1 329	7
Caixa-Imobiliário SA	Lisbon	100.00%	(591)	(656)	(187)	(233)
Fidelidade Mundial – SGIL, SA	Lisbon	100.00%	44 142	2 388	42 304	381
Inmobiliaria Caixa Geral, SL	Madrid	99.79%	(20 949)	(8 051)	(12 898)	(4 389)
Other Financial Entities						
CGD Finance	Cayman	100.00%	3 049	20 106	6 366	1 485

Activity / Entity	Head Office	31.12.2011			31.12.2010	
		% Effective Participating Interest	Equity (a)	Net Income	Equity (a)	Net Income
Caixa Geral Finance <sup>(c)</sup>	Cayman	-	112 194	10 431	600 043	9 268
<b>Other Companies</b>						
Caixanet – Telemática e Comunicações, SA	Lisbon	80.00%	1 778	-	1 778	12
Caixatec, Tecnologias de Comunicação, SA	Lisbon	100.00%	77	(5)	16	(48)
Cares RH – Companhia de Assistência e Representação de Seguros, SA	Lisbon	100.00%	805	187	647	207
Cares Multiassistance, SA	Lisbon	51.00%	2 501	1 552	1 349	771
EAPS – Empresa de Análise, Prevenção e Segurança, SA	Lisbon	100.00%	152	72	104	37
EPS – Gestão de Sistemas de Saúde, SA	Lisbon	100.00%	596	(25)	621	20
LCS – Linha de Cuidados de Saúde, SA	Lisbon	100.00%	4 062	1 612	2 450	329
Cetra – Centro Técnico de Reparação Automóvel, SA	Lisbon	100.00%	4 428	181	4 247	209
GEP – Gestão de Peritagens Automóveis, SA	Lisbon	100.00%	204	86	188	78
HPP – Hospitais Privados de Portugal, SGPS, SA <sup>(b)</sup>	Lisbon	100.00%	(14 688)	(14 776)	15 418	(23 872)
HPP International Ireland, Ltd.	Dublin	100.00%	30 913	(19)	30 933	(18)
HPP International – Luxembourg, SARL	Luxembourg	100.00%	(30 704)	(14 013)	(15 412)	(16)
Wolfpart, SGPS, SA	Lisbon	100.00%	(12 083)	(5 776)	8 286	380
Mesquita ETVIA, Construção de Vias de Comunicação, SA	Lisbon	99.98%	20 341	1 947	18 394	(687)
<b>Complementary Corporate Groupings</b>						
Groupment d'Interet Economique	Paris	100.00%	-	-	-	-
Sogruppo – Serviços Administrativos, ACE	Lisbon	100.00%	-	-	-	-
Sogruppo – Sistemas de Informação, ACE	Lisbon	100.00%	-	-	-	-
Sogruppo IV – Gestão de Imóveis, ACE	Lisbon	100.00%	-	-	-	-
<b>Special Purpose Entities and Investment Funds</b>						
Fundo Nostrum Mortgage 2003-1	Lisbon	100.00%	430 786	(129)	478 833	308
Nostrum Mortgages PLC	Dublin	100.00%	5 443	928	3 435	963
Intermoney Banking Caixa Geral RMBS	Madrid	99.79%	-	-	-	-
Fundo de Capital de Risco – Grupo CGD – Caixa Capital	Lisbon	99.98%	333 872	(11 706)	327 115	9 794
Fundo de Capital de Risco – Energias Renováveis – Caixa Capital	Lisbon	90.74%	33 042	1 967	31 075	(3 018)
Fundo de Capital de Risco Empreender Mais	Lisbon	100.00%	7 980	(1 706)	7 186	(170)
Fundo de Capital de Risco Caixa Mezzanine – Caixa Capital	Lisbon	100.00%	29 337	(18)	29 356	(371)
Fundo de Capital de Risco Desenvolvimento e Reorganização Empresarial	Lisbon	100.00%	14 321	(679)	29 356	(371)
Fundo de investimento Imobiliário Fechado para Arrendamento Habitacional – Caixa Arrendamento	Lisbon	99.68%	81 137	473	40 697	762
Fundo Invest. Imobil. Fechado Imocentro	Lisbon	100.00%	4 647	(345)	4 992	(232)
Caixagest Estratégia Dinâmica	Lisbon	60.71%	56 779	(1 679)	63 203	(413)
Fundo Especial Investimento Aberto Estratégias Alternativas	Lisbon	78.33%	26 332	(1 836)	29 672	(451)
Caixagest Renda Mensal – Fundo Investimento Mobiliário Aberto						
Obrigações Taxa Variável	Lisbon	-	-	-	120 600	3 242
Caixa Imobiliário – Fundo de Investimento fechado de Arrendamento Habitacional	Lisbon	100.00%	51 425	1 006	50 453	492
Caixagest Private Equity – Fundo Especial de Investimento	Lisbon	71.15%	99 303	15 963	93 192	12 683
Caixagest Imobiliário Internacional – Fundo Especial de Investimento	Lisbon	70.21%	251 173	10 533	242 861	10 205
Caixagest Infra-Estruturas – Fundo Especial de Investimento	Lisbon	66.69%	76 631	2 094	82 793	102
Caixagest Moeda – Fundo de Investimento Mobiliário de Tesouraria	Lisbon	-	-	-	131 611	3 169
Caixagest Oportunidades – Fundo Especial de Investimento	Lisbon	58.70%	30 978	308	18 737	(1 896)
Fundo de Investimento Imobiliário Fechado Saudeinvest	Lisbon	99.09%	113 759	3 259	95 212	7 412
Fundo de Investimento Imobiliário Fechado Bonança 1	Lisbon	100.00%	15 179	65	15 114	33
<b>Companies Recorded by the Proportional Method</b>						
Esegur – Empresa de Segurança, SA	Lisbon	50.00%	10 000	445	9 750	510
Locarent	Lisbon	50.00%	6 643	3 017	4 972	1 570

(a) Equity includes net income for the year.

(b) Data taken from consolidated financial statements.

(c) Share capital comprises 1000 ordinary shares of EUR 1 and 112 128 non-voting preference shares of EUR 1000 each (600 000 preference shares at 31.12.2010).

Principal movements in group's subsidiaries in 2011 and in 2010 were as follows:

## BANCO CAIXA GERAL, SA

The Shareholders' General Meeting of May 2010 decided a share capital increase of Banco Caixa Geral from EUR 442 792 thousand to EUR 462 792 thousand, through the issue of 3 327 787 new shares with nominal value of EUR 6.01 each, of which 3 327 751 shares were subscribed 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 4326 146 new shares of EUR 6.01 per share, of which 4326 034 shares subscribed by CGD.

In 2011 and in order to strengthen the bank's capital structure, the shareholders' general meeting decided a new share capital increase of EUR 30 000 thousand, through the issuance of 4 991 672 new shares of EUR 6.01 per share subscribed and fully paid up by CGD.

On 31 December 2011 and 2010, the amounts relative to the share capital increases subscribed by Caixa Geral de Depósitos were fully paid up.

### BANCO PARA PROMOÇÃO E DESENVOLVIMENTO, SA (BPD)

Banco para Promoção e Desenvolvimento was incorporated on 14 February 2011, through a public deed signed between Sonangol, Empresa Pública, Sonangol Holdings, Limitada, Gerbanca, SGPS, SA, Caixa – Participações, SGPS, SA and Caixa Geral de Depósitos, SA.

The bank's purpose is to carry out the banking activity as permitted by law. Its share capital is 45 900 000 000 Kwanzas, corresponding to approximately USD 500 000 000 at the date of its incorporation (of which 23 500 000 kwanzas already paid up). CGD Group's equity investment in BPD is 50%, split up between CGD (49.99%), Caixa – Participações (0.005%) and Gerbanca (0.005%).

### BANCO NACIONAL DE INVESTIMENTO, SA (BNI)

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 (Treasury), Caixa Geral de Depósitos, SA and Banco Comercial e de Investimentos, SARL with the purpose of operating in the investment banking area.

In December 2010, Banco Nacional de Investimento, SA's subscribed and paid up capital was MZN 70 000 thousand, split up by Direcção Nacional de Tesouro (Treasury) (49.5%), CGD (49.5%) and Banco Comercial de Investimentos, SARL (1%). The Shareholders' General Meeting of 22 November 2011 decided the bank share capital increase to MZM 2 240 000 thousand, represented by 2 240 000 000 shares at a 1 metical each.

On 31 December 2011, BNI share capital was fully paid up, the shareholders maintaining the stake of initial share capital.

### FUNDO DE DESENVOLVIMENTO E REORGANIZAÇÃO EMPRESARIAL, FCR

Fundo de Desenvolvimento e Reorganização Empresarial, FCR was incorporated on 16 August 2011 with the initial share capital of EUR 100 000 thousand, represented by 100 000 participating units with a nominal value of EUR 1000 each.

The purpose of the Fund is to operate in the venture capital area, through the investment in companies which are or are expected to be in financial and/or operating difficulties or whose recovery in the short term implies a re-organisation of its activity.

On 31 December 2011, of the total amount of the Fund's share capital EUR 15 000 thousand was already paid up. The remaining will be settled depending on the achievement of the investment needs.

### FUNDO DE INVESTIMENTO IMOBILIÁRIO FECHADO PARA ARRENDAMENTO HABITACIONAL – CAIXA ARRENDAMENTO (FIIAH – CAIXA ARRENDAMENTO)

On 30 September 2011, and subsequent to the deliberation of the Fund's participants, CGD subscribed 38 873 participating units for the global amount of EUR 39 999 thousand, increasing its equity participation to 82.51%, as a result of this transaction.

The Fund's share capital increase, fully subscribed by CGD, was paid up through the delivery of EUR 29 979 thousand in cash and the remaining EUR 10 020 thousand in properties.



## CAIXAWEB, SGPS, SA (IN LIQUIDATION) (CAIXAWEB)

The Shareholders' General Meeting of 28 March 2011 decided the end of the liquidation process of Caixaweb. As a result, the company's net assets were delivered to the sole shareholder, Caixa Geral de Depósitos, SA.

Caixa incorporated the equity investments held by Caixaweb in Caixatec – Tecnologias de Comunicação, SA (and respective partners' loans) and Yunit Serviços, SA.

## BANCO CAIXA GERAL BRASIL

The Shareholders' General Meeting of January 2010, decided the share capital increase of this company from BRL 123 000 thousand to BRL 400 000 thousand, through the issue of 743 170 new shares with nominal value of BRL 372.73, fully subscribed by Caixa. This share capital increase was made in two instalments of BRL 138 500 each, in January and July 2010.

## BANCO INTERATLÂNTICO, SARL

Banco Interatlântico made in April 2010 a share capital increase of CVE 400 000 thousand through the issuance of 40 000 new shares of CVE 10 thousand each. CGD followed this share capital increase subscribing 28 000 new shares, becoming the holder of 70 000 shares and keeping its participation interest in 70% of Banco Interatlântico share capital.

## GERBANCA, SGPS, SA

In June 2010 the shareholders general meeting of Gerbanca decided to increase the company's share capital by EUR 12 140 through the issuance of 2 428 shares of EUR 5 per share with an issue premium of EUR 26 063.7431 each, paid up by Companhia de Seguros Fidelidade Mundial, SA, in kind, through the delivery of 12 658 640 shares of Caixa-Banco de Investimento, SA, measured at market value of EUR 5 per share, corresponding to a global value of approximately EUR 63 295 thousand.

Companhia de Seguros Fidelidade Mundial, SA sold to CGD in September 2010, its equity participation in Gerbanca by the global amount of EUR 63 295 thousand.

## 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 authorizations 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 and 2010:

- 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 issue 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) 7781391 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;

- On 2 July 2010, Caixa exercised a call option of 1% of capital and voting rights of Partang, at the global price of USD 2 381 597 (EUR 1885 thousand at that date exchange rate). As a result of this operation, the equity interest held by Caixa in Partang's share capital increased to 51%.

Also under the terms of the agreement entered into between Caixa and BST:

- 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.

### CGD – PARTICIPAÇÕES EM INSTITUIÇÕES FINANCEIRAS, LTDA

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 Real each. As a result of these transactions Caixa ceased to have any direct equity participation in 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 the same date the two new shareholders of CGD – Representação de Bancos changed its designation to CGD – Participações em Instituições Financeiras, Ltda.

### BANIF CORRECTORA DE VALORES E CÂMBIO, SA (BANIF CVC)

On 2 June 2010, CGD Group signed with Banif Group a partnership agreement under which the acquisition to the latter of 70% of Banif Correctora de Valores e Câmbio, SA's share capital. This operation is subject to prior authorisation of the respective regulatory authorities of both Portugal and Brazil.

### Subsequent events

At 6 February 2012, the Group signed with BANIF Group the purchase agreement related to the equity investment in the share capital of Banif CVC. Under the terms of the contract, the acquisition of Banif CVC's share capital will be made through CGD – Participações em Instituições Financeiras, Ltda (a company under Brazilian law with equal equity investment from Banco Caixa Geral – Brasil, SA and Caixa – Banco de Investimento, SA) for the total amount of BRL 123 925 thousand, approximately.

The procedure referring to the formal signing of the transfer of rights of Banif CVC, which is currently taking place, foresees in a first stage, the subscription by CGD – Participações em Instituições Financeiras, Ltda, of a share capital increase in the amount of BRL 47 500 thousand, and further acquisition from Banif – Banco de Investimento (Brazil) of shares, in sufficient number, to enable the Group to achieve a global participation of 70% in the share capital of this company.

The shareholders agreement of Banif CVC, also foresees the following:

- Sale option by Banif Group of the remaining equity participation held in Banif CVC to be completed between the 12<sup>th</sup> and 60<sup>th</sup> month from the signature date of the shares Sale-Purchase Contract dated 2 June 2010;
- Purchase option by Caixa group of the remaining equity participation held by Banif Group in Banif CVC from the 60<sup>th</sup> month from the signature date of the shares Sale-Purchase Contract dated 2 June 2010, onwards;

The exercise option price will depend on Banif CVC's the net income for the year.

## 4. CASH AND CASH EQUIVALENTS AT CENTRAL BANKS

This heading comprises the following:

	31.12.2011	31.12.2010
Cash	806 559	588 476
Demand deposits in central banks		
Principal	1 897 315	879 616
Accrued interest	607	659
	<b>2 704 482</b>	<b>1 468 752</b>

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 2011 and 2010, 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:

	31.12.2011	31.12.2010
Cheques for collection		
Portugal	129 083	146 057
Abroad	47 155	15 183
	<b>176 239</b>	<b>161 240</b>
Demand deposits		
Portugal	213 721	571 771
Abroad	592 316	528 705
	<b>806 037</b>	<b>1 100 477</b>
Accrued interest	3 921	3 257
	<b>986 197</b>	<b>1 264 973</b>

"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 year.

## 6. LOANS AND ADVANCES TO CREDIT INSTITUTIONS

This heading comprises the following:

	31.12.2011	31.12.2010
Interbank Money Market	883 073	807 537
Term deposits		
Portugal	80 343	33 761
Abroad	132 230	288 919
Loans		
Portugal	2 570 868	649 948
Abroad	599 321	819 594
Other applications		
Portugal	33 240	242 683
Abroad	547 034	457 299
Purchase operations with resale agreement	101 077	98 618
Overdue loans and interest	7 594	104 469
	<b>4 954 780</b>	<b>3 502 828</b>
Adjustments to assets under hedging operations	219	2 257
Accrued interest	13 992	8 296
Deferred income	(561)	(205)
	<b>4 968 430</b>	<b>3 513 175</b>
Impairment (Note 41.)	(12 312)	(88 933)
	<b>4 956 118</b>	<b>3 424 242</b>

On 31 December 2011 and 2010, the heading "Loans - Portugal" comprises EUR 1 400 000 thousand and EUR 400 000 thousand, respectively relative to commercial paper issues made by BPN and which are guaranteed by the Portuguese State under the terms of Law 62-A/2008 of 11 November which nationalised BPN.

In December 2010, and in scope of the reorganization process of BPN loans and liquidity assistance operations, Caixa subscribed bond loans made by Parvalorem, SA, Parups, SA and Parparticipadas, SA in the amount of EUR 3 100 000 thousand. These issues are also guaranteed by the Portuguese State and are recognised in the "Available-for-sale financial assets" heading (Note 8.). The application of funds in BPN by the referred to entities, enabled this company to liquidate part of the liabilities assumed in Caixa under the commercial paper programme which represented at that time EUR 4 000 000 thousand.

Loans have also been granted to these companies in the amount of approximately EUR 792 953 thousand (EUR 795 112 thousand at 31 December 2010) and the referred to loans are recorded in the "Loans and advances to customers" heading, and are guaranteed by pledges and mortgages on the assets of the respective vehicles (Note 13.).

In addition, at 31 December 2011 and 2010 the heading "Interbank Money Market" included EUR 433 849 thousand and EUR 745 852 thousand, respectively, of applications made in BPN.

Although the liquidity assistance operations through the interbank money market do not have yet the usual Guarantee Statement issued by Direcção Geral do Tesouro e Finanças (Treasury), Caixa Geral de Depósitos considers that those operations benefit from the State personal guarantee under the terms of paragraph 9 of article 2 of Law 62-A/2008.

In fact, paragraph 9 of article 2 of Law 62-A/2008, establishes that "loans or liquidity support operations made by Caixa Geral de Depósitos, SA in BPN concerning the nationalisation process and acting as a substitute for the state up to the date of the approval of management objectives foreseen in paragraph 7, benefit from the State personal guarantee as a result of the present law". In turn, paragraph 10 of the same article determines that "the previous paragraph does not affect the observance of maximum limit legally established for the granting of the State personal guarantees. The minister responsible for the finance will ensure the compliance of the respective dispositions".

Caixa considers that the referred to article applies to this particular situation since these are liquidity support operations made by Caixa in BPN in the context of the nationalisation as a substitute for the State. It also considers that, the management objectives foreseen in paragraph 7 of article 2 of the said decree law have not been approved yet, and the compliance with the maximum limit established by law for the granting of the State personal guarantees is ensured by the finance minister.

Developments relating to BPN taking place after 31 December 2011 are described in Note 47. – Subsequent events.

Caixa recorded impairment for applications in banks domiciled in Iceland, which amounted to EUR 12 157 thousand, and EUR 49 125 thousand at 31 December 2011 and 2010, respectively. During 2011, provisions in the amount of EUR 37 500 thousand, approximately, have been used.

During the first half 2011, Caixa sold its rights over the receivable balances with a North American bank. As a result of this transaction the previously booked provision for this asset, in the amount of EUR 39 557 thousand has been used.

The changes in impairment of loans and advances to credit institutions during 2011 and 2010 are presented in Note 41.

## 7. FINANCIAL ASSETS HELD FOR TRADING AND OTHER ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

These headings comprise the following:

	31.12.2011			31.12.2010		
	Held for trading	At fair value through profit or loss	Total	Held for trading	At fair value through profit or loss	Total
<b>Debt instruments</b>						
Public issuers:						
Public debt securities	85 346	-	85 346	132 704	-	132 704
Treasury bills	112 493	10 551	123 043	281 695	11 590	293 285
Bonds of other public issuers:						
Domestic			-	-	-	-
Foreign	285 908	16 571	302 479	167 336	164 348	331 683
Other issuers:						
Bonds and other securities:						
Issued by residents	81 770	21 292	103 062	94 609	133 471	228 079
Issued by non-residents	32 427	124 809	157 235	130 569	99 247	229 816
	<b>597 944</b>	<b>173 222</b>	<b>771 166</b>	<b>806 913</b>	<b>408 655</b>	<b>1 215 567</b>
<b>Equity instruments</b>						
Residents	15 902	495 394	511 296	9 233	479 011	488 244
Non-residents	15 333	953	16 286	15 781	-	15 781
	<b>31 235</b>	<b>496 347</b>	<b>527 582</b>	<b>25 014</b>	<b>479 011</b>	<b>504 026</b>
<b>Other financial instruments</b>						
Trust fund units						
Issued by residents	2 704	234 728	237 433	64 900	294 809	359 709
Issued by non-residents	44 594	573 668	618 262	134 060	432 272	566 332
Other						
Issued by non-residents	-	-	-	-	8 068	8 068
	<b>47 298</b>	<b>808 396</b>	<b>855 695</b>	<b>198 960</b>	<b>735 149</b>	<b>934 109</b>
<b>Loans and receivables</b>	-	1 337	1 337	-	2 686	2 686
<b>Derivatives with positive fair value (Note 11.)</b>						
Swaps	1 487 109	-	1 487 109	1 297 804	-	1 297 804
Futures and other forward operations	3 561	-	3 561	12 521	-	12 521
Options - shares and indexes	312 790	-	312 790	458 129	-	458 129
Caps and floors	170 392	-	170 392	115 734	-	115 734
Other	2 078	-	2 078	1 913	-	1 913
	<b>1 975 930</b>	<b>-</b>	<b>1 975 930</b>	<b>1 886 101</b>	<b>-</b>	<b>1 886 101</b>
	<b>2 652 407</b>	<b>1 479 303</b>	<b>4 131 709</b>	<b>2 916 987</b>	<b>1 625 501</b>	<b>4 542 489</b>

Financial assets held for trading and other financial assets at fair value through profit or loss at 31 December 2011, include participating units in unit trust and property funds managed by Group entities, in the amounts EUR 48 005 thousand and EUR 81 774 thousand, respectively (EUR 162 099 thousand and EUR 65 380 thousand, respectively on 31 December 2010).

On 31 December 2011 and 2010, the heading "Financial assets held for trading – debt instruments", includes securities which form part of the cover pool of covered bonds with a book value of EUR 118 065 thousand and EUR 45 317 thousand, respectively (Note 24.).

On 31 December 2011 and 2010, the heading "Financial assets at fair value through profit or loss – equity instruments", includes EUR 342 447 thousand and EUR 326 538 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. During February 2012, the period for the option's exercise came to an end, and there was no buyback from the seller of the referred to shares. On 31 December 2011 and 2010, the option's negative valuation was recorded in the heading "Options – Shares and indexes" (Note 11.).

At 3 February 2010, Caixa entered into a shareholders' agreement with Votorantim Cimentos, SA under which, and among other provisions, assumed the commitment to hold for an initial period of 10 years, shares corresponding to at least 9.7%, of Cimpor's share capital. Votorantim Cimentos was also granted the right of first refusal, in the case of sale of these shares by Caixa to third parties.

At 31 December 2010 and 2011, the heading "Financial assets at fair value through profit or loss" includes EUR 62 616 thousand and EUR 59 634 thousand, respectively, relative to an equity investment of 19.4% in the share capital of Sumol + Compal, SA. The Group has a put option to Refrigor, SGPS, SA to be exercised in April 2012 over the total number of shares of this company for a price corresponding to the investment amount capitalised at a variable interest rate indexed to the Euribor rate.

In 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. Detailed information on the securities included in the referred to transfer is presented in Note 8.

## 8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

This heading comprises the following:

	31.12.2011	31.12.2010
<b>Debt instruments</b>		
Public debt	4 827 809	4 470 571
Other public issuers	1 044 296	2 457 870
International financial organisations	57 390	71 466
Other issuers	8 763 637	14 211 311
	<b>14 693 132</b>	<b>21 211 218</b>
<b>Equity instruments</b>		
Measured at fair value	1 728 865	1 908 891
Measured at historical cost	194 480	197 100
	<b>1 923 344</b>	<b>2 105 991</b>
<b>Other instruments</b>	1 107 648	1 031 611
	<b>17 724 124</b>	<b>24 348 820</b>
<b>Impairment (Note 41.)</b>		
Equity instruments	(724 211)	(332 398)
Debt instruments	(52 629)	(59 982)
Other instruments	(103 641)	(100 867)
	<b>(880 481)</b>	<b>(493 247)</b>
	<b>16 843 643</b>	<b>23 855 573</b>

The "Debt instruments" heading at 31 December 2010, includes securities included in the cover pool of the covered bonds (mortgage and public sector) in the amount EUR 408 803 thousand (Note 24.).

On 31 December 2011 and 2010, the heading "Debt instruments – Issued by other issuers" includes EUR 1 807 981 thousand and EUR 3 100 000 thousand, respectively, relative to bonds issued by Parvalorem, SA, Parups, SA and Parparticipadas, SA under the re-organisation process of liquidity support operations in BPN (Note 6.). These bonds are secured by a Portuguese State guarantee and will be amortised in increasing capital instalments over a 10 year period.

On 31 December 2011 and 2010, impairment of debt instruments includes EUR 26 838 thousand and EUR 29 556 thousand respectively, relative to bonds issued by banks domiciled in the Republic of Iceland. At 31 December 2011 it also includes impairment EUR 14 629 thousand for sovereign bonds issued by Greece.

On 31 December 2010, it also includes impairment of EUR 7687 thousand to cover estimated losses in debt instruments issued by a North-American bank.

On 31 December 2011, impairment of "Other instruments" includes EUR 3749 thousand and EUR 3266 thousand, respectively relative to unit trust and property investment funds, managed by Group companies, which presented a long-standing decline in their market value, below cost price (EUR 13 562 thousand in unit trust funds at 31 December 2010).

On 31 December 2011, the balance net of impairment of participating units in unit trust and property funds managed by Group entities recorded in the available-for-sale financial assets' portfolio amounts to EUR 277 860 thousand and EUR 123 183 thousand, respectively (EUR 246 765 thousand and EUR 101 743 thousand, respectively at 31 December 2010).

The equity instruments heading includes the following investments:

	31.12.2011							
	Banking	Insurance	Investment banking and venture capital	Value before impairment	Accumulated impairment	Net	Fair value reserve	Effective participating interest (%)
<b>Measured at fair value</b>								
Portugal Telecom, SA	459 990	2 688	-	462 678	(216 256)	246 422	(2 588)	6.18
Galp Energia, SGPS, SA	158 562	3 094	-	161 657	-	161 657	(14 755)	1.71
ZON – Serviços de Telecomunicações e Multimédia, SGPS, SA	300 757	1 538	-	302 295	(224 746)	77 550	1 564	10.80
SICAR NovEnergia II	-	-	50 546	50 546	-	50 546	15 546	14.90
Finpro, SGPS, SA	-	-	35 333	35 333	-	35 333	11 516	17.16
Banco Comercial Português, SA	123 820	20 239	-	144 059	(115 411)	28 649	228	2.92
La Seda Barcelona, SA	48 099	-	2	48 101	(23 445)	24 656	(3 094)	14.24
Brisa – Autoestradas de Portugal, SA	63 000	2 497	-	65 497	(41 627)	23 870	(3)	1.56
Redes Energéticas Nacionais, SGPS, SA	14 785	246	-	15 032	-	15 032	3 544	1.12
A. Silva & Silva – Imobiliário e Serviços, SA	-	-	21 300	21 300	(9 129)	12 171	-	19.64
EDP – Energias de Portugal, SA	12 596	5 363	-	17 959	(6 293)	11 665	527	0.13
EDP Renováveis, SA	7	1 893	1 677	3 577	(1 359)	2 218	564	0.05
Foreign entities' shares	7 305	302 567	8 331	318 203	(50 773)	267 430	(23 146)	
Other instruments with characteristics of equity	130	-	-	130	-	130	(32)	
Other	25 021	18 236	39 239	82 496	(26 918)	55 579	(1 574)	
	<b>1 214 074</b>	<b>358 362</b>	<b>156 428</b>	<b>1 728 865</b>	<b>(715 957)</b>	<b>1 012 907</b>	<b>(11 703)</b>	
<b>Measured at historical cost</b>								
Águas de Portugal, SA	153 003	-	-	153 003	-	153 003	-	9.69
VAA – Vista Alegre Atlantis, SA	4 058	-	622	4 680	(1 178)	3 502	-	4.48
Other	29 210	67	7 520	36 797	(7 076)	29 721	-	
	<b>186 271</b>	<b>67</b>	<b>8 142</b>	<b>194 480</b>	<b>(8 254)</b>	<b>186 226</b>	<b>-</b>	
	<b>1 400 345</b>	<b>358 428</b>	<b>164 570</b>	<b>1 923 345</b>	<b>(724 211)</b>	<b>1 199 133</b>	<b>(11 703)</b>	

31.12.2010								
	Banking	Insurance	Investment banking and venture capital	Value before impairment	Accumulated impairment	Net	Fair value reserve	Effective participating interest (%)
<b>Measured at fair value</b>								
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 – Autoestradas 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	
	<b>1 313 968</b>	<b>418 038</b>	<b>176 884</b>	<b>1 908 891</b>	<b>(323 060)</b>	<b>1 585 830</b>	<b>(24 354)</b>	
<b>Measured at historical cost</b>								
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	-	
	<b>184 835</b>	<b>33</b>	<b>12 232</b>	<b>197 100</b>	<b>(9 337)</b>	<b>187 762</b>	<b>-</b>	
	<b>1 498 803</b>	<b>418 071</b>	<b>189 116</b>	<b>2 105 990</b>	<b>(332 397)</b>	<b>1 773 593</b>	<b>(24 354)</b>	

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 consolidated 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 2011 and 2010 comprises the following (Note 41.):

	31.12.2011	31.12.2010
Portugal Telecom, SGPS, SA	216 256	-
Banco Comercial Português, SA	81 845	39 589
Brisa – Auto Estradas de Portugal, SA	41 630	-
Instituto da Habitação e da Reabilitação Urbana	32 621	-
ZON Multimédia – Serviços de Telecomunicações e Multimédia, SGPS, SA	21 777	30 721
La Seda Barcelona, SA	19 034	-
A. Silva & Silva – Imobiliário & Serviços, SA	9 129	-
EDP – Energias de Portugal, SA	873	97 485
Equity Instruments – Insurance Activity	25 035	66 986
Other	12 757	26 349
	<b>460 957</b>	<b>261 130</b>



At 31 December 2011 and 2010, the fair value reserve of available-for-sale financial assets comprises the following:

	31.12.2011	31.12.2010
Fair value reserve (Note 30.) (gross amount before minority interest)		
Debt instruments	(3 177 898)	(663 253)
Equity instruments		
Positive fair value	65 052	104 672
Negative fair value		
Unrealised loss lower than 20% of acquisition cost	(29 623)	(49 112)
Unrealised loss between 20% and 30% of acquisition cost	(8 341)	(27 942)
Unrealised loss between 30% and 40% of acquisition cost	(13 586)	(50 977)
Unrealised loss between 40% and 50% of acquisition cost	(25 205)	(995)
	(11 703)	(24 354)
Other instruments	17 880	43 739
	(3 171 720)	(643 868)
Balance attributable to minority interest	1 571	(12 390)
	(3 170 149)	(656 258)
Deferred tax reserve	738 453	161 919
	(2 431 696)	(494 339)

In 2011 and 2010, the changes in the main equity instruments recorded as available-for-sale financial assets were as follows:

### BANCO COMERCIAL PORTUGUÊS, SA (BCP) AND BCP - SUBORDINATED PERPETUAL SECURITIES

In the scope of the public bid to acquire subordinated perpetual securities launched by Banco Comercial Português on 29 April 2011 (as a public exchange offer), Caixa converted the two issues of the referred to instruments held in its portfolio, at a total nominal value of EUR 41 325 thousand, into shares representative of the offeror's share capital. The terms of this exchange operation determined the receipt of 1600 shares of BCP for each subordinated perpetual security whose nominal value was EUR 1000. As a result, Caixa recognised a capital loss of EUR 8265 thousand (Note 35.).

Caixa also sold subordinated perpetual securities in the period prior to the public exchange offer, which enabled a capital gain of EUR 133 thousand (Note 35.).

Furthermore and as a result of the approval of a share capital increase at the shareholders general meeting of BCP of April 2011, Caixa acquired 14 567 133 new shares at EUR 0.36 each.

### PORTUGAL TELECOM, SGPS, SA (PORTUGAL TELECOM)

During 2011, CGD acquired 6 157 384 shares and sold 6 127 384 of Portugal Telecom for EUR 28 618 thousand and EUR 28 324 thousand, respectively. As a result of these operations, the Group recorded a capital loss of EUR 24 371 thousand (Note 35.).

During 2010, CGD acquired 22 707 328 shares of Portugal Telecom for EUR 226 369 thousand. Also in that period Caixa sold 23 007 328 shares for EUR 229 196 thousand. As a result of these operations, the Group recorded a capital gain of EUR 31 727 thousand (Note 35.).

Still in the course of 2010, 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 35.). 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 2.17.b)).

### INSTITUTO DA HABITAÇÃO E DA REABILITAÇÃO URBANA (IHRU)

At 31 December 2011, Caixa sold the participation in Instituto da Habitação e da Reabilitação Urbana to Direcção Geral do Tesouro (Treasury) for EUR 82 356 thousand. As a result of this operation, the

Group recorded a capital gain of EUR 28 024 thousand (Note 35.). Still in the course of 2011 Caixa recorded an impairment of EUR 32 621 thousand as a charge to net income for the year.

### 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 a total amount of EUR 22 881 thousand. As a result, the Group recorded a capital gain of EUR 21 816 thousand (Note 35.).

### ZON – SERVIÇOS DE TELECOMUNICAÇÕES E MULTIMÉDIA, SGPS, SA (ZON)

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 was 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 and after confirmation of the suspension foreseen in the agreement signed up in December 2009, Caixa sold to Kento Holding Limited 7 727 420 shares of ZON. As a result, the Group recorded a capital gain of EUR 11 881 thousand (Note 35.).

In addition, during the 2<sup>nd</sup> half 2010, Caixa acquired 1 481 007 shares of ZON for EUR 5233 thousand and sold 1 532 744 shares for EUR 5388 thousand, recording a capital gain of EUR 914 thousand (Note 35.).

Caixa Seguros e Saúde contribution in 2010 was positive and amounted to approximately EUR 26 thousand (Nota 35.) resulting from the sale of 1 619 714 shares of ZON for EUR 6414 thousand. The referred to operations 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" (Nota 2.17.b)).

### EDP – ENERGIAS DE PORTUGAL, SA (EDP)

On 30 September 2010, Caixa sold to Parpública 91413 443 shares of EDP for EUR 292 523 thousand, and received EUR 58 505 thousand as agreed under the terms of the transfer contract of the referred to participation interest (Note 21.). As a result of this operation, Caixa recognised a capital loss of EUR 26 827 thousand (Note 35.).

At the same date, Caixa recognised, as a charge to net income, the impairment for the shares that remained in the portfolio in the amount of EUR 93 075 thousand.

At 31 December 2010, Caixa sold a second block of 91 413 443 shares of EDP for EUR 283 382 thousand, of which EUR 56 676 thousand were paid at the date of the operation (Note 21.). As a result, the Group recorded a capital gain of EUR 53 568 thousand (Note 35.).

In 2010, the contribution of Caixa Seguros e Saúde was positive in around EUR 30 thousand (Note 35.) resulting from the sale of 137 653 shares of EDP for the total amount of EUR 360 thousand. The referred to transactions do not include securities related to insurance portfolios whose results from the sale are recognised as a charge to "Results in investments associated with insurance contracts" (Note 2.17.b))

During 2011, Parcaixa sold 16 173 184 shares for EUR 55 458 thousand and recognised a capital gain of EUR 5321 thousand. Also in this year the capital gains made by Caixa Seguros e Saúde in securities not associated with insurance contracts, totalled EUR 1 thousand (Note 35.).

### GALP ENERGIA, SGPS, SA (GALP)

During the second half 2010, CGD sold 1401 489 shares of Galp for EUR 20273 thousand recording a total capital gain of EUR 2414 thousand (Note 35.).

## LA SEDA BARCELONA

During 2010 and as a result of the general meeting' deliberation, La Seda increased its share capital to EUR 300 million through the issue of 3000 million shares at EUR 0.1 each. As result of that share capital increase Caixa Group strengthened its equity participation in La Seda through the subscription of 490 450 377 shares, of which 422 394 839 were paid in cash and 68 055 538 through loan conversion 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
	<b>490 450 377</b>

## 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. As a result, the Group's equity participation was 4.48% at 31 December 2011 and 2010.

## MARTIFER, SGPS, SA (MARTIFER)

During 2010 the Fundo de Capital de Risco Energias Renováveis – Caixa Capital, sold its total equity participation in Martifer for EUR 1418 thousand and recorded a capital loss of EUR 1178 thousand as a result of this operation.

## RECLASSIFICATION OF SECURITIES CAIXA GERAL DE DEPÓSITOS

In 2008 and during the first half 2010, Caixa transferred a group of securities from the "Financial assets held for trading" category to "Available-for-sale financial assets" category under the terms of the amendment to IAS 39 approved in October 2008, as described in further detail in Note 2.8., owing to the exceptional circumstances experienced in the financial markets in the referred to periods.

The reclassifications made by Caixa resulting from the instability and volatility experienced by the evolution of the financial markets, notably in 2010 regarding the evolution of credit markets, highly affected by the disturbance in funding of sovereign debt of Eurozone countries, determined the change of Caixa's perspectives relating to the sale of these assets and therefore, Caixa no longer had the expectation to sell these securities in the short term. The transfer of securities occurred in the first half 2010, mainly comprised sovereign debt instruments, securities issued by government agencies and other credit instruments issued by financial institutions directly affected by the turmoil in the Eurozone public debt markets.

Also during the first half 2010 Caixa reclassified securities from the "Available-for-sale financial assets" category to "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**

	Financial assets at fair value reserve	Financial assets at amortised cost
Book value of securities at reclassification date	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.
Book value on 31.12.2011	261 035	n.a.
Fair value of securities reclassified on 31.12.2011	261 035	n.a.
Fair value reserve of securities reclassified on 31.12.2011	(28 724)	n.a.
Capital gains / (losses) associated with the change in the securities' fair value between 31.12.2008 and 31.12.2009		n.a.
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.
Other gains (and losses) recognised as a charge to 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		n.a.
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.
Other gains (and losses) recognised as a charge to net income for the year	(2 247)	n.a.
Capital gains / (losses) associated with the change in the securities' fair value between 31.12.2010 and 31.12.2011		n.a.
Unrealised net capital gains recorded as a charge to fair value reserve	(17 620)	n.a.
Impairment losses recorded in period	-	n.a.
Other gains (and losses) recognised as a charge to net income for the year	(487)	n.a.

n.a. – not available

**SECURITIES RECLASSIFIED IN 2010**

	Financial assets at fair value reserve	Financial assets at amortised cost
Book value at the date of reclassification	1 414 007	503 466
Book value on 31.12.2010	1 039 972	504 393
Book value on 31.12.2011	483 799	495 037
Fair value of securities reclassified on 31.12.2011	483 799	498 361
Fair value reserve of securities reclassified on 31.12.2011	(84 483)	n.a.
Gains / (losses) associated with the change in securities fair value between reclassification date and 31.12.2010		
Unrealised net capital gains recognised as a charge to fair value reserve	(36 589)	n.a.
Capital gains / (losses) associated with the change in the securities' fair value between 31.12.2010 and 31.12.2011		
Unrealised net capital losses recorded as a charge to fair value reserve	(47 894)	n.a.
Other gains (and losses) recognised as a charge to net income for the year	(1 234)	n.a.

n.a. – not available

The values presented do not reflect tax effect.

"Other gains / (losses) recognised as charge to net income for the year" comprise results of the disposal of securities after the date of reclassification and of foreign exchange valuation, and exclude income and charges with interest and commissions.

## 9. FINANCIAL ASSETS WITH REPURCHASE AGREEMENT

At 31 December 2011 and 2010, financial assets with repurchase agreement comprised the following:

	31.12.2011	31.12.2010		
	At fair value through revaluation reserves	At fair value through profit or loss	At fair value through revaluation reserves	Total
<b>Debt instruments</b>				
From public issuers:				
Debt securities	272 634	-	247 805	247 805
Bonds of other public				
Foreign entities	58 130	523 918	103 364	627 282
From other issuers:				
Bonds and other securities:				
Non-residents	447 190	-	541 810	541 810
	<b>777 954</b>	<b>523 918</b>	<b>892 978</b>	<b>1 416 896</b>

During 2011 and 2010, the Group entered into financial assets sale operations with purchase agreement at a future date with financial institutions and customers, at a pre-established price.

Financial instruments ceded in sales operations with repurchase agreement are not derecognised in the balance sheet and remain classified in accordance with the accounting policies applicable to underlying assets. The difference between the sale and the repurchase value is recognised as interest income and deferred over the term of the contract.

Liabilities resulting from the repurchase agreement are recognised as a liability in the "Resources of other credit institutions – Sale operations with repurchase agreement" (Note 22.) and "Customer resources – Other resources – Sale operations with repurchase agreement" headings (Note 23.).

## 10. 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 2011 and 2010 comprise the following:

	31.12.2011	31.12.2010
<b>Unit-linked investments</b>		
Debt instruments	509 211	620 488
Equity instruments	20 615	26 740
Other	18	22
<b>Derivatives</b>		
Positive fair value	5 765	5 182
Loans and advances to credit institutions	49 270	80 080
	<b>584 879</b>	<b>732 512</b>
<b>Liability to subscribers of unit-linked products</b>	<b>584 879</b>	<b>732 512</b>

## 11. DERIVATIVES

The Group carries out derivative operations in the normal course of its business in order to meet the specific needs of its customers and to hedge its exposure to foreign exchange, interest rate and stock market fluctuations.

The Group controls the risk of its activities with derivatives 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 2011 and 2010 these operations were valued in accordance with the criteria explained in Note 2.8. c). The notional and book values of these operations on the above mentioned dates were as follows:

31.12.2011							
Notional value			Book value				
Trading derivatives	Hedging derivatives	Total	Assets held for trading	Liabilities held for trading	Hedging derivatives		Total
					Assets	Liabilities	
<b>Forward foreign exchange transactions</b>			3 505	(3 187)	-	-	319
Foreign exchange							
Purchase	335 753	-	335 753				
Sale	346 410	-	346 410				
<b>FRA (forward rate agreements)</b>	5 000	-	5 000	36	-	-	36
<b>Swaps</b>							
Currency swaps			34 777	(1 591)	-	-	33 186
Purchase	2 167 174	-	2 167 174				
Sale	2 133 643	-	2 133 643				
Interest rate swaps and cross currency interest rate swaps			1 442 780	(1 394 107)	108 129	(93 072)	63 730
Purchase	64 286 822	1 070 084	65 356 907				
Sale	64 238 533	1 002 511	65 241 044				
Credit default swaps			9 552	(19 096)	-	-	(9 544)
Purchase	400 943	-	400 943				
Sale	400 943	-	400 943				
<b>Futures</b>							
Currency			-	-	-	-	-
Long positions	78 819	-	78 819				
Short positions	-	-	-				
Interest rate			-	-	-	-	-
Long positions	(249 713)	-	(249 713)				
Short positions	1 457 636	-	1 457 636				
Shares			19	-	-	-	19
Long positions	6 410	-	6 410				
Short positions	3 667	-	3 667				
Other			-	-	-	-	-
Traded on behalf of customers							
Long positions	99 211	-	99 211				
Short positions	216 988	-	216 988				
<b>Options</b>							
Currency			2 682	(1 981)	-	-	701
Purchase	1 055	-	1 055				
Sale	1 055	-	1 055				
Shares			310 108	(314 833)	-	-	(4 725)
Purchase	-	-	-				
Sale	-	-	-				
Interest rates (Caps & Floors)			170 392	(179 501)	-	-	(9 109)
Purchase	769 174	-	769 174				
Sale	793 037	-	793 037				
Other			2 078	(4 193)	-	-	(2 114)
Purchase	-	-	-				
Sale	-	-	-				
<b>137 492 560</b>	<b>2 072 595</b>	<b>139 565 155</b>	<b>1 975 930</b>	<b>(1 918 488)</b>	<b>108 129</b>	<b>(93 072)</b>	<b>72 499</b>

	31.12.2010							
	Notional value			Book value				
	Trading derivatives	Hedging derivatives	Total	Assets held for trading	Liabilities held for trading	Hedging derivatives		Total
Assets						Liabilities		
Forward foreign exchange transactions								
Foreign exchange				8 296	(7 135)	-	-	1 161
Purchase	465 109	-	465 109					
Sale	452 879	-	452 879					
NDF's (no deliverable forward )				3 345	(437)	-	-	2 908
Purchase	21 980	-	21 980					
Sale	21 996	-	21 996					
FRA (forward rate agreements)				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					
Credit default 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				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				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

The Group's derivative transactions at 31 December 2011 and 2010, by residual terms to maturity, are as follows:

31.12.2011						
	<= 3 months	> 3 months <= 6 months	> 6 months <= 1 year	> 1 year <= 5 years	> 5 years	Total
<b>Forward foreign exchange transactions</b>						
Foreign exchange						
Purchase	238 650	24 076	3 167	69 860	-	335 753
Sale	265 183	28 136	2 731	50 360	-	346 410
<b>FRA (forward rate agreements)</b>	-	-	-	5 000	-	5 000
<b>Swaps</b>						
Currency swaps						
Purchase	2 020 567	113 853	32 753	-	-	2 167 174
Sale	1 994 636	108 879	30 127	-	-	2 133 643
Interest rate swaps and cross currency						
Interest rate swaps						
Purchase	5 373 946	6 464 568	9 475 779	27 825 359	16 217 255	65 356 907
Sale	5 337 337	6 464 568	9 510 120	27 758 031	16 170 988	65 241 044
Credit default swaps						
Purchase	19 321	85 000	30 914	188 421	77 286	400 943
Sale	19 321	85 000	30 914	188 421	77 286	400 943
<b>Futures</b>						
Currency						
Long positions	75 068	3 751	-	-	-	78 819
Short positions	-	-	-	-	-	-
Interest rate						
Long positions	(2 177)	-	(247 535)	-	-	(249 713)
Short positions	1 161 181	296 455	-	-	-	1 457 636
Shares						
Long positions	6 410	-	-	-	-	6 410
Short positions	3 667	-	-	-	-	3 667
Other						
Traded on behalf of customers						
Long positions	14 704	41 453	14 897	28 157	-	99 211
Short positions	79 789	52 895	51 816	32 489	-	216 988
<b>Options (Currency and shares)</b>						
Purchase	1 055	-	-	-	-	1 055
Sale	1 055	-	-	-	-	1 055
<b>Interest rates (Caps &amp; Floors)</b>						
Purchase	-	-	-	384 702	384 472	769 174
Sale	-	-	-	405 623	387 415	793 037
	<b>16 609 713</b>	<b>13 768 634</b>	<b>18 935 684</b>	<b>56 936 423</b>	<b>33 314 701</b>	<b>139 565 155</b>



31.12.2010						
	<= 3 months	> 3 months <= 6 months	> 6 months <= 1 year	> 1 year <= 5 years	> 5 years	Total
<b>Forward foreign exchange transactions</b>						
Foreign exchange						
Purchase	348 066	30 925	21 691	64 427	-	465 109
Sale	372 532	12 985	17 001	50 360	-	452 879
<b>NDF's (no deliverable forward)</b>						
Purchase	21 980	-	-	-	-	21 980
Sale	21 996	-	-	-	-	21 996
<b>FRA (forward rate agreements)</b>						
	-	-	10 000	10 000	-	20 000
<b>Swaps</b>						
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
Credit default swaps						
Purchase	-	-	314 968	360 162	125 840	800 970
Sale	-	-	314 968	360 162	125 840	800 970
<b>Futures</b>						
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						
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
<b>Options (Currency and shares)</b>						
Purchase	8 888	-	-	-	-	8 888
Sale	8 888	-	-	-	-	8 888
<b>Interest rates (Caps &amp; Floors)</b>						
Purchase	-	28 575	218 526	220 000	562 012	1 029 113
Sale	-	28 575	215 750	242 857	585 257	1 072 439
	<b>15 274 676</b>	<b>10 246 411</b>	<b>16 243 550</b>	<b>76 034 137</b>	<b>30 240 888</b>	<b>148 039 662</b>

The Group's derivative transactions at 31 December 2011 and 2010, by type of counterparty, are as follows:

	31.12.2011		31.12.2010	
	Notional value	Book value	Notional value	Book value
<b>Foreign forward exchange transactions</b>				
Foreign exchange				
Financial institutions	342 195	685	538 450	(735)
Customers	339 968	(366)	379 538	1 896
	<b>682 163</b>	<b>319</b>	<b>917 987</b>	<b>1 161</b>
<b>NDF's (non deliverable forward)</b>				
Financial institutions	-	-	21 619	276
Customers	-	-	22 357	2 632
	-	-	<b>43 976</b>	<b>2 908</b>
<b>FRA (forward rate agreements)</b>				
Financial institutions	<b>5 000</b>	<b>36</b>	<b>20 000</b>	<b>328</b>
<b>Swaps</b>				
Currency swaps				
Financial institutions	4 275 705	32 073	1 098 117	(781)
Customers	25 111	1 113	-	-
	<b>4 300 816</b>	<b>33 186</b>	<b>1 098 117</b>	<b>(781)</b>
Interest rate swaps e cross currency interest rate swaps				
Financial institutions	110 116 123	(473 441)	115 864 448	(140 683)
Customers	20 481 828	537 171	22 641 659	314 007
	<b>130 597 951</b>	<b>63 730</b>	<b>138 506 107</b>	<b>173 324</b>
Credit default swaps				
Financial institutions	<b>801 886</b>	<b>(9 544)</b>	<b>1 601 941</b>	<b>(24 593)</b>
<b>Futures</b>				
Currency				
Customers	78 819	-	-	-
Stock exchange	-	-	145 542	-
	<b>78 819</b>	<b>-</b>	<b>145 542</b>	<b>-</b>
Interest rate				
Financial institutions	-	-	9 871	-
Customers	26 414	-	-	-
Stock exchange	1 181 510	-	2 959 613	33
	<b>1 207 924</b>	<b>-</b>	<b>2 969 484</b>	<b>33</b>
Shares				
Financial institutions	3 667	-	3 618	-
Customers	-	-	12 687	-
Stock exchange	6 410	19	11 928	516
	<b>10 077</b>	<b>19</b>	<b>28 233</b>	<b>516</b>
Other				
Customers	-	-	587 527	-
Stock exchange	316 199	-	1 422	4
	<b>316 199</b>	<b>-</b>	<b>588 949</b>	<b>4</b>
<b>Options (currency and shares)</b>				
Financial institutions	-	11 027	-	33 106
Stock exchange	-	562	-	-
Customers	2 110	(15 613)	17 776	(60 716)
	<b>2 110</b>	<b>(4 024)</b>	<b>17 776</b>	<b>(27 609)</b>
<b>Caps &amp; Floors</b>				
Financial institutions	994 872	12 038	450 000	(30 081)
Customers	567 339	(21 146)	1 651 552	31 408
	<b>1 562 211</b>	<b>(9 109)</b>	<b>2 101 552</b>	<b>1 327</b>
<b>Other options</b>				
Financial institutions	-	1 501	-	(509)
Customers	-	(3 616)	-	(3 305)
	-	(2 114)	-	(3 814)
	<b>139 565 155</b>	<b>72 499</b>	<b>148 039 662</b>	<b>122 803</b>

## 12. HELD TO MATURITY INVESTMENTS

At 31 December 2011 and 2010, this heading comprises the following:

	31.12.2011	31.12.2010
<b>Debt instruments</b>		
➤ Public debt	1 818 396	-
➤ Other public issuers	341 950	-
➤ Other issuers		
Other residents	366 944	-
Other non-residents	430 124	3
	<b>2 957 414</b>	<b>3</b>
<b>Impairment (Note 41.)</b>	(120 035)	-
	<b>2 837 379</b>	<b>3</b>

In April and October 2011, Caixa Seguros e Saúde reclassified a series of sovereign debt instruments, debt issued by financial institutions, and other corporate debt, from the available-for-sale financial assets to the held to maturity investments category.

The criteria governing the reclassification, took into account the portfolios associated with the financial assets, as well as their maturities, bearing in mind the future cash flow needs of the portfolios involved.

The details on the characteristics of the reclassified debt instruments on the date of transfer between financial assets categories in addition to the gains and losses recognised in shareholders' equity after the reclassification date are given below:

	Portuguese public debt securities	Securities from foreign public issuers	Securities from other issuers	Total
<b>At reclassification date</b>				
Book value	1 760 395	297 508	843 223	2 901 126
Fair value reserve	(314 586)	(80 233)	(28 604)	(423 423)
Effective interest rate	8.46%			
<b>At 31 December 2011</b>				
Book value	1 818 396	221 915	797 067	2 837 379
Fair value	1 476 727	209 636	739 892	2 426 254
Gain / (losses) that have been recognised as a charge to shareholders' equity if there had been no reclassification	(341 669)	(12 280)	(57 176)	(411 125)

It should be noted that the calculation of the effective rate on reclassified assets on the date of transfer between portfolios considered the recovery of the full amount of the future cash flows associated with such instruments.

The amounts recognised in the "income for the year" heading related to reclassified securities (excluding the tax effect), as well as fair value gains and losses recognised as a charge to revaluation reserves in the period immediately prior to the reclassification, are as follows:

Impact in net income for 2011, of which:	
Interest and similar income	141 923
Impairment for the year	(120 035)
Foreign exchange income	4
Other	1 136
	<b>23 026</b>
Fair value reserve of securities reclassified at 31.12.2009	<b>5 486</b>
Fair value reserve of securities reclassified at 31.12.2010	<b>(168 528)</b>
Change in fair value of reclassified securities recognised as a charge to fair value reserves for 2010	<b>(174 014)</b>
Fair value reserve of securities reclassified at 31.12.2010	<b>(168 528)</b>
Fair value reserve of securities reclassified at the date of reclassification	<b>(423 423)</b>
Change in fair value of reclassified securities recognised as a charge to fair value reserves for 2011 (up to the date of reclassification)	<b>(254 895)</b>

Also in 2011, the Group recognised impairment losses for EUR 120 035 thousand on Greek sovereign debt securities, classified as held to maturity investments. The amount of impairment losses recorded as against net income for the year was calculated based on the assumption of a 50% recovery of nominal value and accrued interest of the issues in the portfolio. In addition, EUR 50 856 thousand are recorded as provisions for other risks and charges, to cover additional impairment losses in these securities. These provisions were calculated based on the market value as of the first day (9 March 2012) in which the price of assets received in the context of the exchange offer as disclosed by the Greek Republic on 21 February 2012, was set. This exchange offer was considered an 'adjusting event' according to IAS 10.

At 31 December 2011, the book value of investments in Greek sovereign debt securities, net of impairment losses and provisions recorded by the Group, is EUR 53 592 thousand which reflects an implicit impairment level of around 76% of the respective nominal value. The book value of these securities (net of accumulated impairment) and the corresponding market price calculated on the basis of the price at that date, was EUR 104 448 thousand and EUR 56 785 thousand, respectively (Note 44.).

### 13. LOANS AND ADVANCES TO CUSTOMERS

This heading comprises the following:

	31.12.2011	31.12.2010
<b>Domestic and foreign loans</b>		
Loans	51 831 655	53 297 575
Current account loans	4 170 807	4 917 873
Other	12 849 384	13 432 304
Other loans and amounts receivable - securitised		
Commercial Paper	3 293 879	3 609 136
Other	1 489 151	1 518 840
Property leasing operations	1 691 124	1 752 760
Discounts and other loans secured by bills	604 186	749 723
Purchase operations with resale agreement	97 865	116 769
Equipment leasing operations	1 135 854	1 330 923
Factoring	430 413	591 624
Overdrafts	397 845	413 915
	<b>77 992 162</b>	<b>81 731 440</b>
Adjustment to assets under hedging operations	1 443	1 492
Accrued interest	414 236	319 773
Deferred income, commissions and other cost and income associated with amortised cost	805	(13 491)
	<b>78 408 646</b>	<b>82 039 214</b>
Overdue loans and interest	3 222 225	2 477 814
	<b>81 630 871</b>	<b>84 517 028</b>
Impairment (Note 41.)	(3 383 246)	(2 609 824)
	<b>78 247 625</b>	<b>81 907 204</b>

The "Domestic and foreign – other loans" heading at 31 December 2011 and 2010 includes EUR 86 366 thousand and EUR 86 924 thousand, respectively, relating to mortgage and personal loans granted by CGD to its employees.

In the first half 2010, Caixa reclassified bonds recognised in "Available-for-sale financial assets" to "Loans and advances to customers" category. At 31 December 2011 and 2010, the book value of these assets was EUR 495 037 thousand and EUR 504 393 thousand, respectively.

On 31 December 2011 and 2010, the heading "Purchase operations with resale agreement" includes EUR 97 865 thousand and EUR 110 885 thousand relative to contracts settled with Caixa Geral de Depósitos' Pension Fund.

The heading "Loans" at 31 December 2011 and 2010, includes EUR 792 953 thousand and EUR 795 112 relative to credit granted by Caixa to Parvalorem, SA, Parups, SA and Parparticipadas, SA in the scope of the liquidity support re-organisation process in BPN (Notes 6. and 8.). These loans are not covered by the guarantee granted by the Portuguese state and are collateralised by pledges and mortgages on the assets of the referred to vehicles.

The heading "Loans" at 31 December 2011 and 2010 includes mortgage and consumer loans ceded by Caixa in securitisation operations. The changes in these loans in 2011 and 2010 were as follows:

	Nostrum Mortgages nº1	Nostrum Consumer	Nostrum Mortgages nº2	Total
<b>Balances at 31.12.2009</b>	<b>528 523</b>	<b>47 124</b>	<b>-</b>	<b>575 647</b>
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)
<b>Balances at 31.12.2010</b>	<b>476 584</b>	<b>-</b>	<b>5 280 725</b>	<b>5 757 309</b>
Sale of new loans	714	-	16 738	17 452
Payments	(47 513)	-	(175 904)	(223 417)
Repurchase operations	(714)	-	(60 594)	(61 308)
Other	(2)	-	(5 256)	(5 258)
<b>Balances at 31.12.2011</b>	<b>429 069</b>	<b>-</b>	<b>5 055 709</b>	<b>5 484 778</b>

These loans serve as collateral for the securities issued by the SPEs in these operations, which amounted, in what concerns Nostrum Mortgage no. 1, to EUR 402 830 thousand and EUR 475 046 thousand, respectively, at 31 December 2011 and 2010 (Note 24.). These balances do not include liabilities associated with the Nostrum Mortgages no. 2 operation, which are fully held by the Group and therefore, were eliminated when preparing the consolidated financial statements.

At 24 August 2010, CGD repurchased securitised loans relative to the Nostrum Consumer operation at the respective market value as of 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 as defined by IAS 39. Amounts received by the Fund relating to the repurchase of credits were used by this company in the early amortisation of nominal value of the credit securitisation units subscribed by Nostrum Consumer PLC. This vehicle, in turn, used the received funds in the repayment of the bonds issued to finance the acquisition of the referred to securitisation units. As a result of these operations, and in compliance with the terms of the Fund Management Regulation, this was liquidated at the date of the retransmission to CGD of the securitised loans.

The heading "Loans" at 31 December 2011 and 2010 includes mortgage loans associated with the issue of covered bonds with a book value of EUR 12 167 353 thousand and EUR 8 988 548 thousand, respectively, as well as loans associated to the issue of bonds on the public sector whose book value is EUR 1 620 035 thousand and EUR 1 308 423 thousand, respectively (Note 24.). On 31 December 2010 it also includes loans acquired under the scope of commercial paper issue programmes related to the issue of covered bonds of EUR 48 150 thousand (Note 24.).

In addition, at 31 December 2011 and 2010, the autonomous pool of assets allocated to the issue of covered bonds also included debt securities with a book value of EUR 118 065 thousand and EUR 454 120 thousand, respectively (Notes 7. and 8.).

At 31 December 2011 and 2010, the aging of "Overdue loans and interest" was as follows:

	31.12.2011	31.12.2010
Up to three months	317 427	254 912
Three to six months	201 934	155 978
Six months to one year	481 765	211 950
One to three years	931 223	889 925
Over three years	1 289 875	965 049
	<b>3 222 225</b>	<b>2 477 814</b>

Loans and advances to customers at 31 December 2011 and 2010, excluding adjustments to the value of assets under hedging operations, by business sector are made up as follows:

31.12.2011									
	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
<b>Companies</b>									
Agriculture, cattle breeding, hunting and forestry	-	-	-	404 389	33 145	437 533	404 389	33 145	437 533
Mining industries	-	-	-	144 755	4 002	148 757	144 755	4 002	148 757
Manufacturing industries									
Food, beverages and tobacco	-	-	-	941 524	52 696	994 220	941 524	52 696	994 220
Textiles	-	-	-	288 879	45 098	333 977	288 879	45 098	333 977
Leather and by-products	-	-	-	58 097	3 684	61 782	58 097	3 684	61 782
Wood and cork	-	-	-	199 117	25 069	224 186	199 117	25 069	224 186
Pulp, paper, printing and publishing	-	-	-	254 600	6 804	261 404	254 600	6 804	261 404
Coal, oil products and nuclear fuel	-	-	-	675 937	41	675 977	675 937	41	675 977
Chemical products and synthetic or artificial fibres	-	-	-	300 068	5 853	305 920	300 068	5 853	305 920
Rubber and plastic goods	2 712	-	2 712	126 314	6 700	133 014	129 026	6 700	135 726
Non-metallic mineral products	-	-	-	468 143	26 179	494 322	468 143	26 179	494 322
Basic metallurgy industries and metallic products	-	-	-	477 504	36 738	514 241	477 504	36 738	514 241
Machinery and equipment	-	-	-	96 296	7 154	103 451	96 296	7 154	103 451
Electrical and optical equipment	-	-	-	156 389	2 384	158 773	156 389	2 384	158 773
Transport equipment	457	-	457	87 231	3 351	90 582	87 688	3 351	91 039
Miscellaneous manufacturing industries	7 412	-	7 412	296 154	46 879	343 033	303 567	46 879	350 445
Electricity, water and gas	51 737	-	51 737	1 706 396	5 176	1 711 573	1 758 133	5 176	1 763 309
Building	38 504	-	38 504	5 369 521	694 879	6 064 400	5 408 026	694 879	6 102 905
Wholesale / retail trade and repair of cars, motorcycles and personal and domestic goods	126	-	126	3 159 765	230 082	3 389 847	3 159 890	230 082	3 389 972
Restaurants and hotels	495	-	495	1 139 168	65 368	1 204 536	1 139 663	65 368	1 205 031
Transports, warehousing and communications	119 081	-	119 081	2 152 237	61 775	2 214 012	2 271 317	61 775	2 333 093
Financial activities	794 447	-	794 447	7 633 059	134 746	7 767 805	8 427 506	134 746	8 562 251
Real estate activities	12 999	-	12 999	3 693 022	297 081	3 990 103	3 706 021	297 081	4 003 102
Other activities	44 167	89	44 256	2 274 626	77 189	2 351 815	2 318 793	77 278	2 396 070
Public administration, defence and mandatory social security contributions	3 038 543	77 439	3 115 982	276 269	1 580	277 849	3 314 812	79 019	3 393 831
Education	7 927	148	8 076	217 908	2 344	220 252	225 836	2 492	228 328
Healthcare and social security	1 857	7 111	8 968	637 298	67 285	704 583	639 155	74 396	713 551
Other activities and social and personal services	182 982	1 769	184 751	1 846 860	65 318	1 912 178	2 029 841	67 087	2 096 929
Families with domestic employees	-	-	-	298	88	386	298	88	386
International entities and other institutions	-	-	-	22	369	391	22	369	391
	<b>4 303 446</b>	<b>86 556</b>	<b>4 390 002</b>	<b>35 081 845</b>	<b>2 009 056</b>	<b>37 090 902</b>	<b>39 385 291</b>	<b>2 095 612</b>	<b>41 480 903</b>
<b>Individuals</b>									
Housing	-	-	-	36 621 882	979 646	37 601 528	36 621 882	979 646	37 601 528
Other	-	-	-	2 400 030	146 967	2 546 997	2 400 030	146 967	2 546 997
	<b>-</b>	<b>-</b>	<b>-</b>	<b>39 021 912</b>	<b>1 126 613</b>	<b>40 148 525</b>	<b>39 021 912</b>	<b>1 126 613</b>	<b>40 148 525</b>
	<b>4 303 446</b>	<b>86 556</b>	<b>4 390 002</b>	<b>74 103 757</b>	<b>3 135 669</b>	<b>77 239 427</b>	<b>78 407 203</b>	<b>3 222 225</b>	<b>81 629 428</b>

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
<b>Companies</b>									
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 social security	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	2 148 756	97 536	2 246 293	2 204 076	99 255	2 303 331
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
	<b>3 574 129</b>	<b>88 759</b>	<b>3 662 888</b>	<b>38 739 462</b>	<b>1 353 041</b>	<b>40 092 503</b>	<b>42 313 592</b>	<b>1 441 800</b>	<b>43 755 391</b>
<b>Individuals</b>									
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
	<b>-</b>	<b>-</b>	<b>-</b>	<b>39 724 130</b>	<b>1 036 014</b>	<b>40 760 144</b>	<b>39 724 130</b>	<b>1 036 014</b>	<b>40 760 144</b>
	<b>3 574 129</b>	<b>88 759</b>	<b>3 662 888</b>	<b>78 463 592</b>	<b>2 389 055</b>	<b>80 852 648</b>	<b>82 037 722</b>	<b>2 477 814</b>	<b>84 515 535</b>

## 14. NON-CURRENT ASSETS HELD FOR SALE

At 31 December 2011 and 2010, the non-current assets held for sale comprised the following:

	31.12.2011	31.12.2010
Property and equipment	576 859	495 517
Impairment (Note 41.)	(103 374)	(72 128)
	<b>473 485</b>	<b>423 389</b>

As explained in Note 2.9., the Group records in this heading, property and other assets obtained in the recovery of credit.

Entries in these assets during 2011 and 2010 were as follows:

	2011							
	Balance at 31.12.2010		Adjustments	Sales and write-offs	Transfers and other adjustmnts	Impairment (Note 41.)	Balance at 31.12.2011	
	Gross value	Accumulated impairment					Gross value	Accumulated impairment
Non-current assets held for sale								
Property	491 904	(70 425)	146 325	(75 183)	11 763	(33 471)	572 584	(101 671)
Other	3 612	(1 703)	7 026	(5 093)	(1 271)	-	4 274	(1 703)
	495 517	(72 128)	153 351	(80 276)	10 492	(33 471)	576 859	(103 374)

		2010							
		Balance at 31.12.2009				Transfers and other adjustmnts	Impairment (Note 41.)	Balance at 31.12.2010	
		Gross value	Accumulated impairment					Adjustments	Sales and write-offs
Non-current assets held for sale									
Property		406 148	(56 951)	177 928	(74 858)	(13 776)	(17 013)	491 904	(70 425)
Other		3 354	(2 874)	3 868	(3 337)	898	-	3 612	(1 703)
		409 502	(59 825)	181 797	(78 195)	(12 877)	(17 013)	495 517	(72 128)

In 2011 and 2010, net gains on the sale of non-current assets were EUR 3415 thousand and EUR 4228 thousand, respectively (Note 36.).

## 15. INVESTMENT PROPERTY

The changes in the heading "Investment property" in 2011 and 2010 were as follows:

<b>Balances at 31.12.2009</b>	<b>354 258</b>
Acquisitions	23 347
Revaluations	1 343
Sales	(2 900)
Transfers from tangible assets and non-current assets held for sale	8 589
Other	11 805
<b>Balances at 31.12.2010</b>	<b>396 441</b>
Acquisitions	45 368
Revaluations	1 675
Sales	(12 197)
Transfers from tangible assets and non-current assets held for sale	32 059
Other	(4 258)
<b>Balances at 31.12.2011</b>	<b>459 088</b>

As referred to in Note 2.10., investment properties are recorded at fair value and refer mainly 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. The market value is 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.

Therefore, property is valued with the objective of determining the best price to be obtained from its sale under normal market conditions. To determine the revalued amount 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.

## 16. OTHER TANGIBLE ASSETS

In 2011 and 2010, the changes in "Other tangible assets" (net) were as follows:

	2011											
	Balance at 31.12.2010										Balance at 31.12.2011	
	Gross value	Accumulated depreciation and impairment losses	Changes in consolidation perimeter	Additions	Exchange differences	Transfers	Other transfers and adjustments	Depreciation for the year	Reversals, net of impairment in the year (Note 41.)	Net sales and write-offs	Gross value	Accumulated depreciation and impairment losses
Premises for own use												
Land	174 736	-	-	119	(156)	1 940	(5 315)	-	-	(73)	171 251	-
Buildings	704 985	(255 637)	6 954	33 849	2 990	365	(20 265)	(16 300)	4 432	(613)	723 352	(262 592)
Leasehold improvements	129 492	(75 850)	(239)	5 386	26	-	31 611	(10 479)	-	(651)	164 694	(85 398)
Other premises	80	(5)	-	-	2 164	-	(2 165)	-	-	-	80	(6)
Equipment												
Fittings and office equipment	115 051	(95 654)	(142)	8 177	204	8	(12 959)	(6 122)	(8)	(82)	109 212	(100 739)
Machinery and tools	35 410	(27 803)	46	1 747	143	47	1 469	(2 792)	-	(17)	38 347	(30 097)
Computer equipment	153 991	(128 268)	(710)	10 954	768	135	8 652	(16 130)	-	(276)	169 016	(139 900)
Indoor facilities	289 575	(230 972)	106	4 005	323	344	14 688	(14 558)	(345)	(29)	308 457	(245 320)
Transport material	9 882	(5 738)	670	5 255	277	-	(1 758)	(1 722)	-	(185)	13 663	(6 982)
Safety/security equipment	36 500	(26 190)	-	4 257	299	95	728	(3 641)	-	(27)	42 433	(30 412)
Other equipment	207 633	(68 553)	24	2 605	(156)	28	20 077	(26 471)	17	(15)	203 449	(68 260)
Assets under finance lease	159 003	(73 451)	-	6 895	(33)	-	8 421	(25 812)	-	(53)	169 762	(94 792)
Other tangible assets	15 045	(7 507)	(1)	279	33	14	(60)	(1 183)	-	-	15 343	(8 723)
Tangible assets in progress	114 239	-	14	59 557	1 686	(2 976)	(73 964)	-	-	(540)	98 016	-
	2 145 624	(995 626)	6 722	143 085	8 568	-	(30 840)	(125 210)	4 096	(2 561)	2 227 077	(1 073 221)

2010											
Balance at 31.12.2009										Balance at 31.12.2010	
Gross value	Accumulated depreciation and impairment losses	Changes in consolidation perimeter	Additions	Exchange differences	Transfers	Other transfers and adjustments	Depreciation for the year	Reversals, net of impairment in the year (Note 41)	Net sales and write-offs	Gross value	Accumulated depreciation and impairment losses
Premises for own use											
Land	189 633	-	392	211	673	5 870	-	-	(22 043)	174 736	-
Buildings	817 323	(281 358)	6 203	30 064	2 296	1 483	9 430	(15 629)	(55)	(120 408)	(255 637)
Leasehold improvements	112 430	(68 080)	73	2 879	148	9 586	5 306	(8 162)	-	(536)	(75 850)
Other premises	80	-	-	-	-	(5)	-	-	-	80	(5)
Equipment											
Fittings and office equipment	108 988	(90 112)	226	6 654	103	(1 229)	1 245	(5 825)	-	(654)	(95 654)
Machinery and tools	31 394	(25 841)	105	2 290	61	1 813	150	(2 361)	-	(3)	(27 803)
Computer equipment	135 102	(107 471)	333	11 190	510	1 696	(1 389)	(14 211)	-	(36)	(128 268)
Indoor facilities	339 997	(276 802)	128	10 019	86	10 413	(21)	(15 112)	179	(10 283)	(230 972)
Transport material	7 787	(4 901)	277	2 071	22	5	337	(1 283)	-	(171)	(5 738)
Safety/security equipment	30 361	(22 954)	-	4 397	49	1 556	(40)	(3 057)	-	(3)	(26 190)
Other equipment	230 481	(77 714)	154	41 892	139	7 880	(1 956)	(24 868)	(34)	(36 894)	(68 553)
Assets under finance lease	115 690	(58 043)	-	41 871	(4)	2 990	9 936	(26 547)	-	(340)	(73 451)
Other tangible assets	13 088	(5 425)	-	1 951	3	7	(1 087)	(1 000)	-	-	(7 507)
Tangible assets in progress	70 405	-	7 839	87 637	224	(36 872)	(14 775)	-	-	(219)	-
<b>2 202 758</b>	<b>(1 018 700)</b>	<b>15 338</b>	<b>243 308</b>	<b>3 848</b>	<b>-</b>	<b>13 002</b>	<b>(118 055)</b>	<b>90</b>	<b>(191 591)</b>	<b>2 145 624</b>	<b>(995 626)</b>

During 2010 Caixa sold its headquarter's 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 36.). The sale of this property was made at the market value as at the transaction date, which was determined by independent experts.

This operation also comprises the lease by Caixa of this property for an initial period of 20 years, subsequently renewable for equal successive periods of 5 years. Under the terms of the agreement, Caixa has a call option on the property that can be exercised at the end of each leasing period at the respective market value of that date and maintaining in any circumstance preferential right in its acquisition.

Accumulated impairment of other tangible assets at 31 December 2011 and 2010 amounted to EUR 11 068 thousand and EUR 15 741 thousand, respectively (Note 41.).

## 17. INTANGIBLE ASSETS

The changes in this heading in 2011 and 2010 were as follows:

2011											
	Balance at 31.12.2010		Acquisition / (sale) of subsidiaries	Additions	Net disposals	Transfers and adjustments	Exchange differences	Amortisation for the year	Impairment for the year	Balance at 31.12.2011	
	Gross book value	Accumulated amortisation								Gross book value	Accumulated amortisation
Goodwill											
Império Bonança	146 707	-	-	-	-	-	-	-	-	146 707	-
Banco Caixa Geral Totta de Angola	24 531	-	-	-	-	-	-	-	-	24 531	-
Value-in-force - Império Bonança (Note 2.17. n))	46 386	(24 739)	-	-	-	-	-	(6 855)	-	46 386	(31 594)
Computer software	683 131	(547 095)	750	35 965	(528)	54 409	(3 662)	(78 451)	-	766 281	(621 760)
Other intangible assets	38 489	(5 255)	2 263	260	-	117	(10)	(1 973)	(11 069)	41 240	(18 417)
Intangible assets in progress	57 232	-	(3 104)	49 374	-	(54 853)	66	-	-	48 715	-
	<b>996 476</b>	<b>(577 090)</b>	<b>(91)</b>	<b>85 600</b>	<b>(528)</b>	<b>(326)</b>	<b>(3 606)</b>	<b>(87 279)</b>	<b>(11 069)</b>	<b>1 073 860</b>	<b>(671 772)</b>

	2010									
	Balance at 31.12.2009		Acquisition / (sale) of subsidiaries	Additions	Net disposals	Transfers and adjustments	Exchange differences	Amortisation for the year	Balance at 31.12.2010	
	Gross book value	Accumulated amortisation							Gross book value	Accumulated amortisation
Goodwill										
Império Bonança	146 707	-	-	-	-	-	-	-	146 707	-
Banco Caixa Geral Totta de Angola	8 786	-	-	24 531	(8 786)	-	-	-	24 531	-
Value-in-force - Império Bonança (Note 2.17. n)	46 386	(19 328)	-	-	-	-	-	(5 412)	46 386	(24 739)
Computer software	605 173	(471 524)	103	36 405	(53)	38 886	315	(73 268)	683 131	(547 095)
Other intangible assets	34 669	(5 159)	-	4 727	(7)	1 118	0	(2 114)	38 489	(5 255)
Intangible assets in progress	60 357	-	189	45 752	-	(52 151)	3 084	-	57 232	-
	<b>902 078</b>	<b>(496 010)</b>	<b>292</b>	<b>111 415</b>	<b>(8 846)</b>	<b>(12 147)</b>	<b>3 400</b>	<b>(80 794)</b>	<b>996 476</b>	<b>(577 090)</b>

Intangible assets in progress at 31 December 2011 and 2010 refer essentially to costs incurred with the development of computer software, which had not yet started operating on those dates.

At 31 December 2011 and 2010, accumulated impairment of intangible assets amounted to EUR 12 027 thousand and EUR 958 thousand, respectively (Note 41.).

### GOODWILL – BCGTA

As detailed 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 8786 thousand was recognised as a result of this operation.

During 2010, Caixa exercised the call option of 1% of the share capital and voting rights of Partang as agreed between this company's shareholders. As a result of this operation, the Group's effective equity 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%.

In accordance with accounting requirements of the business combination operations 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"), the acquisition of Partang's control determined the recognition of a capital gain of EUR 22 896 thousand against net income for the year, 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 (50% of Partang's share capital) and the respective book value as of 30 June 2010.

In addition the Group recorded a new goodwill from the control acquisition operation which can be detailed 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
<b>Net assets – BCGTA [1]</b>	<b>188 656</b>	<b>9 225</b>	<b>197 881</b>
Faire value of equity participation (26.01% of BCGTA's share capital)			82 825
Book value of minority interest at acquisition date			139 586
<b>Cost allocated to net assets of BCGTA [2]</b>			<b>222 412</b>
<b>Goodwill [2-1]</b>			<b>24 531</b>

(\*) Adjustments net of deferred tax.

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.

The Group also recorded the liability inherent to the put option on minority interest agreed upon with Santander Group as a charge to the "Other reserves" heading, whose conditions and exercise price are contractually expressed under 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 2011, 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 the value and that there was, therefore, no need to recognise any impairment losses.

The following is a description of 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, being the valuation of the non-life portfolio based on income assessments.

## VALUATION BASED ON 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 2019 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 rate;
- KCPT = Required return on equity.

## MACROECONOMIC ASSUMPTIONS

The main macroeconomic assumptions considered in the projections were the inflation rate and real GDP growth.

## DISCOUNT RATE

The cash flow discount rate corresponds to the cost of shareholder's capital, determined based on Capital Asset Pricing Model ("CAPM") model. Since it was considered that interest rates with no risks will converge over the next 5 years the following discount rates had been used:

	2012P	2013P	2014P	2015P	2016P	2017P	2018P	2019P
Shareholders' equity cost	14,8%	14,8%	14,0%	13,2%	12,4%	11,7%	10,9%	10,9%

## 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, while inflation indexed growth was 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 earned. Other administrative costs were indexed to the projected rate of inflation.

## RESEARCH AND DEVELOPMENT EXPENSES

Caixa spent EUR 5500 thousand and EUR 7400 thousand on research, development and innovation projects in 2011 and 2010, respectively.

## 18. INVESTMENTS IN ASSOCIATES

This heading includes the following:

	31.12.2011		31.12.2010	
	Effective participating interest (%)	Book value	Effective participating interest (%)	Book value
SIBS – Sociedade Interbancária de Serviços, SA	21.60	16 931	21.60	14 837
Torre Ocidente Imobiliária, SA	25.00	5 571	25.00	1 531
Prado – Cartolinas da Lousã, SA	38.15	4 257	38.15	4 361
Banco Internacional de São Tomé e Príncipe, SA	27.00	2 851	27.00	2 752
Companhia de Papel do Prado, SA	38.15	1 303	38.15	1 303
Other		5 026		3 680
		<b>35 939</b>		<b>28 464</b>

Financial data (non-audited) of the principal associated companies at 31 December 2011 and 2010 is as follows:

		31.12.2011				
Business sector / Entity	Registered office	Assets	Liabilities	Equity (a)	Net income	Total income
Banking						
Banco Internacional de São Tomé e Príncipe	São Tomé	83 582	73 018	10 564	1 115	7 298
Property						
Torre Ocidente, Imobiliária, SA	Lisbon	71 438	49 156	22 282	(410)	3 513
Vale do Lobo, Resort Turístico de Luxo, SA	Lisbon	382 837	436 737	(53 900)	(21 011)	16 063
Other						
Companhia de Papel do Prado, SA	Tomar	4 377	962	3 415	(1)	4
Prado – Cartolinas da Lousã, SA	Lousã	19 452	8 291	11 161	812	21 853
SIBS – Sociedade Interbancária de Serviços, SA	Lisbon	141 551	63 160	78 391	16 021	138 645

(a) Equity includes net income for the year and excludes non controlling interest.

		31.12.2010				
Business sector / Entity	Registered office	Assets	Liabilities	Equity (a)	Net income	Total income
<b>Banking</b>						
Banco Internacional de São Tomé e Príncipe	São Tomé	54 082	43 900	10 182	1 080	6 309
<b>Property</b>						
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
<b>Other</b>						
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 non controlling interest.

## 19. INCOME TAX

Income tax assets and liabilities at 31 December 2011 and 2010 were as follows:

	31.12.2011	31.12.2010
<b>Current tax assets</b>		
Income tax recoverable	56 913	68 312
Other	30 915	21 957
	<b>87 828</b>	<b>90 270</b>
<b>Current tax liabilities</b>		
Income tax payable	(17 523)	(20 428)
Other	(34 988)	(37 400)
	<b>(52 511)</b>	<b>(57 828)</b>
<b>Deferred tax assets</b>		
Temporary differences	1 850 133	1 048 838
Reported tax losses	78 547	82 263
<b>Deferred tax liabilities</b>		
	<b>(166 220)</b>	<b>(180 918)</b>
	<b>1 762 460</b>	<b>950 184</b>

Changes in deferred tax during 2011 and 2010 were as follows:

	2011					
	Balance at 31.12.2010	Change in		Transfer to current tax	Other	Balance at 31.12.2011
		Equity	Profit or loss			
Impairment and adjustments to property and tangible and intangible assets	51 616	513	2 391	-	(303)	54 218
Provisions and impairment temporarily not tax deductible	460 828	-	256 506	(2 949)	3 327	717 712
Revaluation of derivatives	103	-	(11 910)	-	(31)	(11 338)
Valuation of available-for-sale financial assets	172 100	610 832	-	-	(963)	782 069
Valuation of other securities	13 848	-	(12 906)	-	63	1 004
Reported tax losses	82 263	-	(7 982)	-	4 267	78 547
Employee benefits	158 629	(8 492)	(1 239)	-	(1 958)	146 940
Commissions	22 401	-	234	-	(5 059)	17 576
Legal revaluation of other tangible assets	(5 796)	-	662	-	1	(5 133)
Pluriannual costs	858	-	(858)	-	-	-
Other	(7 267)	-	(20 046)	-	8 177	(19 136)
	950 184	602 853	204 852	(2 949)	7 521	1 762 460



	2010					
		Change in		Transfer to current tax	Other	Balance at 31.12.2010
	Balance at 31.12.2009	Equity	Profit or loss			
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
Revaluation 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	198 951	(38 300)	(2 119)	-	97	158 629
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)
	863 251	22 635	62 448	(2 863)	4 711	950 184

As presented in further detail into Note 2.3., during 2011 the Group changed its accounting policy in what respects the recognition of actuarial gains and losses related to pension plans and post employment benefits. Accordingly, actuarial gains and losses arising from both the update of liabilities with pensions and healthcare and expected income of the pensions fund were fully recognised as a charge to a shareholders' equity heading. Up to 2010 these gains and losses were accounted for considering the corridor method.

The Group's financial statements were restated in order to reflect the retrospective application of impacts of the new accounting policy. The comparative periods presented have been changed accordingly.

Under the terms of art. 183 of the Budget Law for 2012 (Law 64-A/2011, of 30 December) the alterations from the change in the accounting policy in terms of the recognition of actuarial gains and losses in 2011, considering Caixa and other subsidiaries headquartered in national territory, respecting the contributions made during that year or previous years, will be considered tax deductible, in equal parts, over the ten tax periods starting on or after 1 January 2012.

Income tax for period, as well as the tax burden measured by the ratio of income tax to pre-tax income, is as follows:

	31.12.2011	31.12.2010
Current tax		
For the year	68 111	103 242
Contribution on the banking sector	29 398	-
Prior year adjustments (net)	907	25 977
	<b>98 416</b>	<b>129 220</b>
Deferred tax	(204 852)	(62 448)
	<b>(106 435)</b>	<b>66 772</b>
Consolidated income before tax and minority interest	(535 639)	370 450
Tax charge	<b>19,87%</b>	<b>18,02%</b>

In 2011 and 2010, the "Prior year adjustments" heading comprises the following:

	31.12.2011	31.12.2010
Insufficiency / (excess) of estimated tax for 2009 and 2008	(6 400)	3 551
Adjustments to taxable income (2002 and 2006)	(2 808)	(1 470)
Additional liquidations (2005, 2006, 2007 and 2008)	10 115	23 897
Other	-	(1)
	<b>907</b>	<b>25 977</b>

Reconciliation between nominal rate and effective tax rate for the years 2011 and 2010 is as follows:

	31.12.2011		31.12.2010	
	Rate	Tax	Rate	Tax
Income before tax		<b>(535 639)</b>		<b>370 450</b>
Tax at the nominal rate	28.83%	(154 425)	28.77%	106 578
Madeira Offshore Financial Branch (Note 2.14.)	(0.02%)	93	(0.63%)	(2 322)
Companies recorded in accordance with the equity method	0.51%	(2 735)	(0.55%)	(2 043)
Impact of companies with tax rates different from the nominal rate in Portugal	1.12%	(5 978)	3.91%	14 498
Definitive differences to be deducted:				
Dividends from available-for-sale equity instruments	0.12%	(654)	(8.18%)	(30 316)
Tax exempted capital gains	2.27%	(12 159)	(18.53%)	(68 649)
Other	1.07%	(5 706)	(1.26%)	(4 653)
Impairment on available-for-sale financial assets, net of reversals	4.29%	(22 971)	7.76%	28 753
Definitive difference to be added:	(0.89%)	4 766	2.75%	10 182
Tax benefits	0.74%	(3 962)	(0.55%)	(2 051)
Annulment of tax losses (not used)	(1.76%)	9 416	0.00%	-
Autonomous taxation	(0.50%)	2 652	0.59%	2 177
Change in the nominal tax rate - state surtax	0.00%	-	(12.79%)	(47 383)
Contribution on the banking sector	(5.49%)	29 398	0.00%	-
Other	(9.16%)	49 047	10.44%	38 668
	<b>21.14%</b>	<b>(113 217)</b>	<b>11.73%</b>	<b>43 441</b>
Tax adjustments relative to prior years				
Adjustment to taxable income from previous years	(1.39%)	7 436	6.29%	23 312
Insufficiency / (excess) of tax estimate relative to 2010 and 2009, net of deferred tax	0.10%	(539)	0.12%	455
Other	0.02%	(116)	(0.12%)	(436)
	(1.27%)	6 782	6.30%	23 331
	<b>19.87%</b>	<b>(106 435)</b>	<b>18.02%</b>	<b>66 772</b>

In 2011, CGD's nominal tax rate considering the state surtax (derrama) applicable to its operations was 28.83% (28.77% at 31 December 2010).

The setting up of CGD's nominal tax rate reflects the amendment under the terms of Law 12-A/2010, of 30 June (law that approves a number of additional measures for the budget consolidation in the scope of the Stability and Growth Programme), of article 87-A no. 1 of CIRC, which determines the application of an additional tax rate of 2.5% on the part of the taxable income higher than EUR 2 000 thousand (State surtax). As a result, at 31 December 2010, deferred tax income includes a gain of EUR 47 383 thousand in the scope of the update of the nominal tax rate on the base for the deferred tax assets and liabilities balances calculation.

In addition, under the terms of the State Budget Law for 2012 (Law 64-B/2011, of 30 December) the text of article 87-A of CIRC was altered in order to include the updates to the additional tax rate on taxable income higher than EUR 1500 thousand and EUR 10 000 thousand, respectively, when globally it exceeds EUR 10 000 thousand, relative to which, the additional taxation to be considered will be 3% and 5%. Considering that the new text of article 87-A is only temporarily applicable to taxable income and additional payments on account referring to two taxation periods starting on or after 1 January 2012, it was decided not to make any change to the nominal tax rate used in the calculation of the balances of deferred tax assets and liabilities to be recovered / (paid) recognised as at 31 December 2011.

CGD recognised in December 2010 deferred tax assets of EUR 53112 thousand relative to reported tax losses incurred during the year (EUR 56 986 thousand at 31 December 2011). In accordance with the law in force, tax losses incurred in 2010 are recoverable in a four year period after their creation and can be deducted from tax gains generated in that period.

In 2011 the Group recognised a cost of EUR 29 398 thousand relative to the introduction of a new tax regime applicable to the banking sector, established by article 141 of the State Budget for 2011

(Law 55-A/2010 of 31 December. The tax base of the new contribution under Administrative Ruling 121/2011 of 30 March, comprise the liabilities of credit institutions based in Portugal, deducted from basis and complementary own funds therein included and deposits covered by the Deposit Guarantee Fund, as well as the notional value of non-hedging derivatives. Credit institutions' subsidiaries based outside Portugal as well as branches in Portugal that are based outside the European Union, are also subject to that contribution.

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 (2008 to 2011 in the case of companies based in Portugal), as a result of different interpretations of the law. In the case of Caixa Geral de Depósitos, the years of 2008 and 2009 have already been examined. 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.

## 20. TECHNICAL PROVISIONS FOR OUTWARDS REINSURANCE

At 31 December 2011 and 2010, this heading is made up as follows:

	31.12.2011	31.12.2010
<b>Caixa Seguros</b>		
<b>Life insurance:</b>		
Mathematical provision	7 399	5 020
Provision for claims:		
Reported claims	12 755	15 246
Unreported claims (IBNR)	2 646	1 940
	<b>15 401</b>	<b>17 186</b>
Provision for profit sharing	-	31
Total life insurance	<b>22 800</b>	<b>22 237</b>
<b>Non-life insurance</b>		
Provision for unearned premiums	<b>42 413</b>	<b>43 687</b>
Provision for claims		
Reported claims	145 243	185 022
Unreported claims (IBNR)	9 568	9 216
	<b>154 811</b>	<b>194 238</b>
Total non-life insurance	<b>197 224</b>	<b>237 925</b>
Subtotal Caixa Seguros	<b>220 024</b>	<b>260 162</b>
<b>Other</b>	6 178	4 402
	<b>226 202</b>	<b>264 564</b>

The provision for unearned premiums for outwards reinsurance at 31 December 2011 and 2010 is made up as follows:

	31.12.2011			31.12.2010		
	Deferred premium	Deferred costs	Net	Deferred premium	Deferred costs	Net
Workman's compensation	202	(6)	196	-	-	-
Personal and passenger accident	8 082	(3 954)	4 128	11 220	(5 553)	5 667
Health	591	(310)	281	1 856	(1 152)	704
Fire and other damage	32 815	(4 479)	28 336	30 956	(4 334)	26 622
Motor	187	-	187	25	-	25
Marine, air and transport	1 967	(250)	1 717	3 275	(354)	2 921
General third party liability	3 502	(214)	3 288	3 389	(192)	3 197
Credit and guarantees	154	(3)	151	182	(4)	178
Legal protection	52	-	52	52	-	52
Miscellaneous	5 736	(1 659)	4 077	6 178	(1 857)	4 321
	<b>53 288</b>	<b>(10 875)</b>	<b>42 413</b>	<b>57 133</b>	<b>(13 446)</b>	<b>43 687</b>

At 31 December 2011 and 2010, the provision for outwards reinsurance claims is made up as follows:

	31.12.2011			31.12.2010		
	Reported	Unreported	Total	Reported	Unreported	Total
<b>Life insurance:</b>	<b>12 755</b>	<b>2 646</b>	<b>15 401</b>	<b>15 246</b>	<b>1 940</b>	<b>17 186</b>
<b>Non-life insurance:</b>						
Workman's compensation	1 455	-	1 455	1 454	-	1 454
Personal and passenger accident	6 497	137	6 634	3 085	140	3 225
Health	366	-	366	256	-	256
Fire and other damage	79 863	6 954	86 817	94 277	6 792	101 069
Motor	15 579	51	15 630	17 945	50	17 995
Marine, air and transport	7 023	239	7 262	31 542	239	31 781
General third party liability	24 184	161	24 345	26 159	140	26 299
Credit and guarantees	6	-	6	34	-	34
Legal protection	-	-	-	-	-	-
Miscellaneous	10 270	2 026	12 296	10 270	1 855	12 125
	<b>145 243</b>	<b>9 568</b>	<b>154 811</b>	<b>185 022</b>	<b>9 216</b>	<b>194 238</b>
	<b>157 998</b>	<b>12 214</b>	<b>170 212</b>	<b>200 268</b>	<b>11 156</b>	<b>211 424</b>

Changes in the technical provisions for outwards reinsurance for 2011 and 2010 are summarised in Note 26.

## 21. OTHER ASSETS

This heading is made up as follows:

	31.12.2011	31.12.2010
Other assets		
Debt certificates of the Territory of Macau	322 294	274 633
Other	20 872	58 324
Debtors and other applications		
Premiums receivable - Insurance	88 385	102 773
Other debtors	1 622 358	724 939
Central and local government	6 147	12 220
Shareholders' loans	159 238	123 428
Debtors - futures contracts	25 087	36 307
Amount receivable from the sale of EDP (Note 8.)	460 724	460 724
Grants receivable from		
The State	40 433	17 135
Other entities	12 042	12 018
Amount receivable from the sale of assets received as settlement of defaulting loans	29 506	23 415
Other	482 576	530 856
Liability for pensions and other benefits		
Excess / (insufficiency) coverage of liabilities		
Caixa Geral de Depósitos (Note 39.)	115 372	116 651
Caixa Seguros e Saúde (Note 39.)	1 682	6 491
Other	(348)	(501)
Income receivable	45 189	60 565
Deferred costs		
Rent	7 784	8 079
Other	29 376	32 865
Deferred income	(4 784)	(5 339)
Operations pending settlement	336 282	684 105
Stock exchange operations	11 209	1 941
	<b>3 811 424</b>	<b>3 281 628</b>
Impairment (Note 41.)	<b>(191 424)</b>	<b>(155 804)</b>
	<b>3 620 001</b>	<b>3 125 824</b>

The changes in impairment of debtors and other applications in 2011 and 2010 are presented in Note 41.

On 31 December 2011 and 2010 the amounts receivable for the sale of EDP result from the sale from CGD to Parpública of an equity participation in this company, as referred to in detail in Note 8.

On 31 December 2011 and 2010, the "Debtors and other applications – other debtors" heading includes EUR 1 190 401 thousand and EUR 417 695 thousand, respectively, relative to surety accounts in several financial institutions. The referred to surety accounts derive from the liquidity-providing operation which are collateralised by financial assets and from "Interest rate swaps" agreements signed with these entities.

On 31 December 2011 and 2010, the "Debtors and other applications – other debtors" heading includes EUR 50 282 thousand relative to surety deposits made by Caixa with the Tax Administration in the scope of the suspension of the tax settlement as referred to in greater detail in Note 25.

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 28.). 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 2011 and 2010 amounted to EUR 322 294 thousand and EUR 274 633 thousand, respectively. No interest is received on the promissory note, as 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 2011 and 2010, shareholders' loans granted were made up as follows:

	31.12.2011	31.12.2010
Locarent – Companhia Portuguesa de Aluguer de Viaturas, SA	43 000	45 000
Moretextile, SGPS, SA	31 855	-
A. Silva & Silva – Imobiliário & Serviços, SA	27 187	25 640
Sagesecur – Estudo, desenvolvimento e Participações em Projetos, SA	14 830	19 705
PP3E – Projetos e Participações em Empreendimentos de Energia Eléctrica, SA	9 891	9 891
Other	32 475	23 192
	<b>159 238</b>	<b>123 428</b>

At 31 December 2011 and 2010, the shareholders' loans attributed to Locarent – Companhia Portuguesa de Aluguer de Viaturas, SA represent 50% of the amounts granted to this entity (consolidated in compliance with the proportional method) 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 July 2010 a new additional clause was signed, envisaging the reimbursement of the outstanding balance in two instalments. Subsequently, at December 2010 Locarent owed a 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 4000 thousand were paid in January 2011. The reimbursement of the remainder EUR 36 000 thousand will occur on 30 July 2014;
- Shareholders' loan of EUR 50 000 thousand. This operation 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. In the first half 2011 a new additional clause to the shareholders's loan made by Caixa to this entity was signed and the initial maturity date (1 April 2011) was postponed until 30 September 2012.

In the scope of the financial restructuring agreement of the textile groups Coelima, JMA – José Machado de Almeida e AAF – António Almeida & Filhos, signed during the first half 2011, Caixa granted to Moretextile, SGPS, SA (a company created as a result of this operation), shareholders' loans of EUR 31 182 thousand. These shareholders' loans used in the partial amortisation of the Coelima's debt

from its creditors (among which CGD), bear an interest rate corresponding to a 6 month Euribor rate plus a 2.5% spread, and will be fully reimbursed (principal and interest) in a one off reimbursement on 13 May 2018. This term is renewable for an additional 5 year period. The reimbursement of these shareholders' loans is subordinated to the liquidation by Moretextil and its subsidiaries of overdue and unpaid loans from other creditors. In 2011 Caixa recognised an impairment loss of EUR 22 299 thousand to cover possible losses on this asset.

On 31 December 2011 and 2010, this heading also includes the ceding to Parcaixa of the credit rights over 19.5% of the shareholders' loans granted to Sage secur by Par pública, in the scope of the carrying out of its share capital, at the date of its incorporation. During 2011 Sage secur amortised the shareholders' loan for the amount EUR 4875 thousand.

## 22. RESOURCES OF CENTRAL BANKS AND OTHER CREDIT INSTITUTIONS

This heading comprises the following:

	31.12.2011	31.12.2010
<b>Resources of central banks</b>		
Resources – European Central Bank		
Loans, deposits and other resources		
Caixa Geral de Depósitos	9 000 000	6 550 000
Other Group entities	1 287 000	1 430 002
Resources of other central banks		
Deposits and other resources		
Of domestic credit institutions	544	553
Of foreign credit institutions	4 246	1 011 842
Sales operations with repurchase agreement	-	6 677
Other resources	-	2 687
Interest payable	11 195	10 712
	<b>10 302 985</b>	<b>9 012 473</b>
<b>Resources of other credit institutions</b>		
Deposits and other resources		
Of domestic credit institutions	1 202 239	834 497
Of foreign credit institutions	2 518 886	2 411 292
Interbank Money Market resources	586 600	327 630
Immediate short term resources		
Of domestic credit institutions	237 403	337 474
Of foreign credit institutions	162 236	174 891
Loans		
Of domestic credit institutions	23 819	58 709
Of foreign credit institutions	29 223	15 922
Resources of international financial entities	53 818	43 338
Sale operations with repurchase agreement	724 333	1 383 335
Adjustments to liabilities under hedging operations	219	(2 844)
Interest payable	22 339	12 463
Charges with deferred cost	(3 144)	(5 511)
	<b>5 557 970</b>	<b>5 591 196</b>
	<b>15 860 954</b>	<b>14 603 669</b>

On 31 December 2011 and 2010, the "Resources of central banks – Resources – European Central Bank" heading refers to loans from the European Central Bank, which are backed by debt instruments from Group's portfolio. These assets are not available for free circulation and are recorded at their nominal value in the off-balance sheet headings "Assets given as collateral" (Note 25.).

On 31 December 2011 and 2010, the "Sale operations with repurchase agreement" heading refers to sale contracts of financial assets with repurchase agreement in a future date, for which the price has already been established, and were signed by the Group with different financial institutions.

The financial instruments ceded in sale operations with repurchase agreement are not derecognised in the balance sheet and remain classified and measured in accordance with the accounting policies applicable to underlying assets (Note 9). The difference between the sale and the repurchase price is recognised as interest cost and it is deferred through the contract period.

## 23. CUSTOMER RESOURCES

This heading comprises the following:

	31.12.2011	31.12.2010
Savings deposits	2 732 795	5 235 562
Other debts		
Repayable on demand	17 806 732	19 037 259
Term		
Deposits	42 621 894	35 284 915
Fixed rate products - insurance	6 269 921	7 110 244
Mandatory deposits	337 629	380 589
Other resources:		
Cheques and orders payable	53 497	82 392
Loans	159 911	233 058
Sale operations with repurchase agreement	25 903	26 647
Other	72 248	58 684
	<b>49 541 004</b>	<b>43 176 528</b>
	<b>67 347 736</b>	<b>62 213 788</b>
Accrued interest	502 129	235 859
Deferred costs net of deferred income	(10 906)	(11 330)
Adjustments to liabilities under hedging operations	25 264	16 153
Commissions associated with amortised cost (deferred)	(9 527)	(9 986)
	<b>506 960</b>	<b>230 695</b>
	<b>70 587 491</b>	<b>67 680 045</b>

The "Fixed rate products – insurance" heading corresponds to life insurance products classified as investment contracts (Note 2.17.) which, in a similar way to the customer deposits in the banking activity, are recorded in accordance with IAS 39.

## 24. DEBT SECURITIES

This heading comprises the following:

	31.12.2011	31.12.2010
<b>Bonds issued:</b>		
Bonds issued under the EMTN Programme		
Remuneration indexed to interest rates	2 159 042	2 752 721
Fixed interest rate	4 121 628	4 017 517
Remuneration indexed to shares / indexes	468 542	496 369
Remuneration indexed to exchange rates	777 416	1 322 329
	<b>7 526 628</b>	<b>8 588 936</b>
Covered bonds	5 696 350	7 015 350
Public sector covered bonds	930 900	995 000
Other cash bonds		
Remuneration indexed to interest rates	26 668	45 768
Remuneration indexed to shares/indexes	11 890	11 890
Fixed interest rate	6	1 232 326
	<b>14 192 442</b>	<b>17 889 270</b>
<b>Other:</b>		
Issues under the Euro Commercial Paper and Certificates of Deposit Programme Commercial Paper	-	676 124
	-	<b>676 124</b>
Issues under the US Commercial Paper Programme		
Commercial Paper	23 186	22 458
Securities issued under securitisation operations (Note 13.):		
Mortgage loans	402 830	475 046
	<b>426 016</b>	<b>1 173 628</b>
Adjustments to liabilities under hedging operations	76 276	17 524
Deferred costs net of income	(29 769)	(70 159)
Accrued interest	258 343	296 482
	<b>14 923 309</b>	<b>19 306 748</b>

At 31 December 2011 and 2010, the breakdown of debt securities is net of the accumulated balances of repurchased debt whose amounts can be split up as follows:

	31.12.2011	31.12.2010
EMTM	200	-
Covered bonds	2 617 000	-
Bonds on the general government	37 000	-
Other cash bonds	4 600 000	1 000 000
	<b>7 254 200</b>	<b>1 000 000</b>

On 31 December 2010 the heading "Bonds issued – other cash bonds – fixed interest rate" includes EUR 1 185 200 thousand, relative to a bond issue made by CGD under the collateral given by the Portuguese State. This issue paid interest at a fixed interest rate of 3.875% and matured on 12 December 2011.

Subsequently, on 19 July 2011 and 23 December 2011, Caixa made two new bond issues of EUR 1 800 000 thousand and EUR 2 800 000 thousand, respectively, under the collateral given by the Portuguese State according to the following terms:

- Issue of a bond loan of EUR 1 800 000 thousand – the bonds bear interest at a 3 month Euribor rate plus a spread of 4.95% and fall due at 19 July 2014;
- Issue of a bond loan of EUR 2 800 000 thousand – the bonds bear interest at a 6 month Euribor rate plus a spread of 5% and fall due at 23 December 2014.

The referred to issues are in compliance with Law 60-A/2008 of 20 October, Law 55-A/2010, of 31 December and Administrative Rulings 1219-A/2008 of 23 October and 946/2010 of 22 September.



These issues were fully repurchased by Caixa and serve as collateral of liquidity-providing operations with the European central Bank.

To diversify its funding sources, CGD uses the following specific programmes:

#### (i) EURO COMMERCIAL PAPER AND CERTIFICATES OF DEPOSIT (ECP E CCP)

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.

#### (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 and London 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 five 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 and guarantee the liabilities to which the bondholders will have access, 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 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. 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 2011 and 2010 the nominal value of covered bonds issued by Caixa was EUR 8 345 000 thousand and EUR 8 045 000 thousand, respectively with the following characteristics:

Designation	Nominal value		Date of issue	Date of redemption	Interest payment	Remuneration	Interest rate at 31.12.2011	Interest rate at 31.12.2010
	31.12.2011	31.12.2010						
Hipotecárias Série 1 2006/2016 1st tranche	2 000 000	2 000 000	06.12.2006	06.12.2016	Annually on 6 December	Fixed Rate	3.875%	3.875%
Hipotecárias Série 2 2007/2015 (*)	900 000	900 000	30.03.2007	30.09.2015	Half yearly, on 30 March and September	6month Euribor Rate + 0.04%	1.793%	1.190%
Hipotecárias Série 3 2007/2012	2 000 000	2 000 000	28.06.2007	28.06.2012	Annually on 28 June	Fixed Rate	4.625%	4.625%
Hipotecárias Série 4 2007/2022	250 000	250 000	28.06.2007	28.06.2022	Quarterly on 28 March, June, September and December	3month Euribor Rate + 0,05%	1.437%	1.060%
Hipotecárias Série 5 2007/2015 (**)	-	200 000	20.12.2007	20.12.2015	Half yearly, on 20 June and 20 December	6month Euribor Rate + 0.10%	-	1.350%
Hipotecárias Série 6 2008/2016 (*)	200 000	200 000	27.02.2008	29.02.2016	Half yearly, on 27 February and 27 August	6month Euribor Rate + 0.16%	1.905%	1.300%
Hipotecárias Série 7 2008/2016	150 000	150 000	31.03.2008	15.03.2016	Quarterly on 15 March, June, September and December	3month Euribor Rate 0.012%	1.407%	1.010%
Hipotecárias Série 1 2006/2016 2nd tranche	150 000	150 000	09.09.2008	06.12.2016	Annually on 6 December	Fixed Rate	3.875%	3.875%
Hipotecárias Série 8 2008/2038	20 000	20 000	01.10.2008	01.10.2038	Annually on 1 October	Fixed Rate	5.380%	5.380%
Hipotecárias Série 9 15/09/2016	175 000	175 000	08.10.2009	15.09.2016	Half yearly, on 15 March and 15 September	6month Euribor Rate + 0.575%	2.309%	1.710%
Hipotecárias Série 10 2010/2020	1 000 000	1 000 000	27.01.2010	27.01.2020	Annually on 27 January	Fixed Rate	4.250%	4.250%
Hipotecárias Série 11 2010/2013 (**)	-	1 000 000	14.06.2010	14.06.2013	Quarterly on 14 March, June, September and December	3month Euribor Rate + 0.6%	-	1.730%
	<b>6 845 000</b>	<b>8 045 000</b>						
Hipotecárias Série 12 2010/2021 FRN (*)	750 000	-	28.04.2011	28.04.2021	Quarterly on 28 January, April, July and October	3month Euribor Rate + 0.75%	2.342%	-
Hipotecárias Série 13 2011/2021 FRB (*)	750 000	-	28.04.2011	28.04.2021	Quarterly on 28 January, April, July and October	3month Euribor Rate + 0.75%	2.342%	-
	<b>8 345 000</b>	<b>8 045 000</b>						

(\*) Issue fully repurchased by CGD. These securities are collateralising liquidity providing operations with the European Central Bank.

(\*\*) Issue early settled.

The cover pool which backs the issues comprises mortgage loans originated in Portugal. At 31 December 2011 and 2010 their book value was EUR 12 167 353 thousand and EUR 8 988 548 thousand (Note 13.). At 31 December 2010, it also comprises loans granted in the scope of the commercial paper issue programmes amounting to EUR 48 150 thousand (Note 13.).

In addition, at 31 December 2011 and 2010, the cover pool which backed the issues also comprised debt securities, whose book value was EUR 118 065 thousand and EUR 454 120 thousand, respectively (Notes 7. and 8.).

At 31 December 2011, Moody's and Fitch awarded these covered bonds Baa3 and BBB ratings, respectively.

## (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 assets that is segregated in the balance sheet of the issuing entity and guarantee the liabilities to which the bondholders have access, 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 2011 and 2010 the nominal value of public sector covered bonds issued by Caixa was EUR 1000 000 thousand resulting from 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 of EUR 1620 035 thousand and EUR 1308 423 at 31 December 2011 and 2010 (Note 13.), respectively.

At 31 December 2011, Moody's and Fitch awarded the public sector bonds Baa3 and BBB-, respectively.

At 31 December 2011 and 2010 the bonds issued, by type of remuneration and residual term to maturity, were as follows:

31.12.2011							
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	69 000	116 078	456 431	641 509	1 989 200	11 896	2 642 605
One to five years	266 950	278 634	5 589 280	6 134 863	2 437 150	957 568	9 529 581
Five to ten years	132 592	156 433	224 960	513 985	1 000 000	-	1 513 985
Over ten years	-	226 271	10 000	236 271	270 000	-	506 271
468 542	777 416	6 280 670	7 526 628	5 696 350	969 464	14 192 442	

	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	63 095	514 579	1 708 710	2 286 384	-	1 278 094	3 564 477
One to five years	274 774	442 351	4 733 068	5 450 193	3 091 200	1 006 890	9 548 283
Five to ten years	53 500	85 233	280 053	418 786	3 654 150	-	4 072 936
Over ten years	105 000	280 167	48 408	433 574	270 000	-	703 574
	496 369	1 322 329	6 770 239	8 588 936	7 015 350	2 284 984	17 889 270

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.

## 25. PROVISIONS AND CONTINGENT LIABILITIES

### PROVISIONS

The changes in the provisions for employee benefits and provisions for other risks in 2011 and 2010 were as follows:

2011								
	Balances at 31.12.2010	Changes in consolidation perimeter	Additions	Reversals	Write-offs	Exchange differences	Other	Balances at 31.12.2011
Provision for employee benefits (Note 39.)	530 192	(1 584)	12 051	(13 578)	(26 956)	(335)	(2 297)	497 493
Provision for litigation	18 180	-	2 366	(2 347)	(600)	(174)	487	17 912
Provision for guarantees and other commitments	142 518	-	13 608	(3 601)	-	94	(27 508)	125 111
Provision for other risks and charges	112 529	(2 394)	163 693	(25 540)	(6 921)	1 140	4 461	246 968
	<b>273 227</b>	<b>(2 394)</b>	<b>179 667</b>	<b>(31 488)</b>	<b>(7 521)</b>	<b>1 060</b>	<b>(22 560)</b>	<b>389 991</b>
	<b>803 419</b>	<b>(3 978)</b>	<b>191 718</b>	<b>(45 066)</b>	<b>(34 477)</b>	<b>725</b>	<b>(24 857)</b>	<b>887 484</b>

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 39.)	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
	<b>239 409</b>	<b>1 179</b>	<b>118 068</b>	<b>(67 879)</b>	<b>(12 779)</b>	<b>561</b>	<b>(5 332)</b>	<b>273 227</b>
	<b>796 380</b>	<b>1 716</b>	<b>126 266</b>	<b>(75 136)</b>	<b>(37 062)</b>	<b>1 410</b>	<b>(10 155)</b>	<b>803 419</b>

Provisions for other risks and charges are to cover contingencies arising from the Group's activity. At 31 December 2011, this heading includes EUR 19 417 thousand relative to an extraordinary contribution to the Investor Compensation System to be made by CGD, which was liquidated in January 2012, and EUR 50 856 thousand to cover additional impairment losses in the Greek sovereign debt securities recorded in the "Investments held to maturity" portfolio (Note 12.).

The changes in the provisions for employee benefits are presented in Note 39.

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:

	31.12.2011	31.12.2010
<b>Contingent liabilities</b>		
Assets given as collateral	25 400 062	18 311 197
Guarantees and sureties	5 245 619	5 003 841
Stand by letters of credit	123 534	110 804
Open documentary credits	382 499	378 078
Acceptances and endorsements	2 965	2 277
Transactions with recourse	2	9
Other contingent liabilities	8 382	4 318
	<b>31 163 063</b>	<b>23 810 525</b>
<b>Commitments</b>		
Revocable commitments	9 617 769	13 608 355
Irrevocable lines of credit	2 457 880	2 891 116
Other irrevocable commitments	840 000	1 664 250
Securities subscription	1 541 658	2 118 354
Term liabilities relating to annual contributions to the Deposit Guarantee Fund	155 553	154 428
Investor Compensation System	38 895	32 087
Term operations	99 095	80 919
Forward deposit agreements		
Receivable	203 658	256 575
To be created	-	2 634
Other	98 425	103 945
	<b>15 052 933</b>	<b>20 912 661</b>
<b>Deposit and custody of securities</b>	<b>45 671 855</b>	<b>53 190 453</b>

Assets given as collateral are as follows:

	31.12.2011	31.12.2010
<b>Debt Instruments</b>		
Consigned resources		
EIB – European Investment Bank	781 052	646 352
Bank of Portugal*	23 297 282	16 611 743
Deposit Guarantee Fund	195 815	179 750
Royal Bank of Scotland	16 000	25 000
Investor Compensation System (futures)	29 945	20 251
Euronext	4 000	10 000
<b>Equity instruments</b>		
JP Morgan	319 838	-
<b>Other Assets</b>		
Consignated resources		
European Development Bank	692 500	692 500
European Central Bank	30 000	90 000
Other	33 629	35 601
	<b>25 400 062</b>	<b>18 311 197</b>

(\*) Includes the securities portfolio associated with liquidity-taking with the European Central Bank, as well as the securities given to the Bank of Portugal as collateral, in the scope of the in the scope of the "Daily Market Credit Agreement" in the amount of EUR 500 million.

At 31 December 2011 and 2010, assets given as collateral correspond to debt instruments and equity instruments classified as assets held for trading, available-for-sale financial assets, and loans and advances for customers. At 31 December 2011 and 2010, this heading also includes debt securities acquired in the scope of purchase operations with resale agreement whose nominal value was at that date EUR 125 000 thousand and EUR 93 160 thousand, respectively. 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 instruments given as collateral was at those dates, EUR 22 050 565 thousand and EUR 17 188 634 thousand, respectively.

In addition, at 31 December 2011, the "Assets given as collateral" heading comprises credit granted by the Group as guarantee to the European Development Bank and European Central Bank in the amounts of EUR 692 500 thousand and EUR 30 000 thousand, respectively (EUR 692 500 thousand and EUR 90 000 thousand respectively, at 31 December 2010).

At 31 December 2011 and 2010, CGD gave securities in the amount of EUR 206 075 thousand and EUR 195 910 thousand, respectively, as collateral for term liabilities relating to annual contributions to the Deposit Guarantee Fund and Investor Compensation System.

Assets given as collateral are not available for free use by the Group and are recorded in off-balance sheet accounts at nominal value, except for equity instruments whose book value reflects the adjustments resulting from changes in market value.

The Deposit Guarantee Fund (DGF) guarantees deposits from 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 2011 and 2010, in accordance with the applicable regulations, was EUR 13 966 thousand and EUR 12 208 thousand, respectively. Part of these liabilities, in the amounts of EUR 1125 thousand and EUR 1221 thousand, respectively, were 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 155 553 thousand and EUR 154 428 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 it 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 2011 and 2010.

As a result of these taxation procedures deriving from previous corrections made by the Tax Administration during 2010, Caixa constituted a surety bond as collateral to the suspension of the tax settlement. The referred to surety deposit in the amount of EUR 50 282 thousand, is recorded in the "Other assets – other debtors" heading (Note 21.).

## 26. TECHNICAL PROVISION FOR INSURANCE CONTRACTS

At 31 December 2011 and 2010 this heading is made up as follows:

	31.12.2011	31.12.2010
<b>Caixa Seguros</b>		
Direct insurance and inwards reinsurance:		
Life insurance:		
Mathematical provision:		
Insurance contracts	242 714	251 069
Insurance contracts with discretionary profit sharing	2 025 187	2 970 247
	<b>2 267 901</b>	<b>3 221 316</b>
Provision for profit sharing	31 574	54 560
Provision for unearned premiums	1 655	1 641
Provision for claims:		
Reported claims	125 768	155 677
Unreported claims (IBNR)	16 242	11 998
	<b>142 010</b>	<b>167 675</b>
Other technical provisions		
Provision for interest rate commitments	8 860	6 393
Provision of portfolio stabilization	20 687	18 086
	<b>29 547</b>	<b>24 479</b>
Total life insurance	<b>2 472 687</b>	<b>3 469 671</b>
Non-life insurance:		
Provision for unearned premiums	288 890	296 295
Provision for claims:		
Reported claims	1 679 379	1 786 118
Unreported claims (IBNR)	111 009	119 015
	<b>1 790 388</b>	<b>1 905 132</b>
Provision for outstanding risks	31 549	43 688
Other technical provisions		
Provision for profit sharing	71	334
Total non-life insurance	<b>2 110 898</b>	<b>2 245 449</b>
Total life and non-life insurance	<b>4 583 585</b>	<b>5 715 120</b>
Other provisions for the insurance activity	12 955	17 835
<b>Caixa Seguros Subtotal</b>	<b>4 596 540</b>	<b>5 732 955</b>
<b>Garantia</b>	<b>11 075</b>	<b>9 981</b>
<b>Total</b>	<b>4 607 615</b>	<b>5 742 936</b>

The mathematical provision for life insurance and provision for profit sharing in direct insurance and inwards reinsurance at 31 December 2011 and 2010 are made up as follows:

	31.12.2011			31.12.2010		
	Mathematical provision	Provision for profit sharing	Total	Mathematical provision	Provision for profit sharing	Total
<b>Insurance contracts:</b>						
Capital Vida 4%	4 227	21	4 248	4 829	105	4 934
Rendas Ind. 4%	11 816	1 835	13 651	13 020	1 945	14 965
Vida c/ Participação	475	2 664	3 139	609	2 848	3 457
Rendas Grupo 4%	108 936	990	109 926	114 535	1 073	115 609
Vida c/ Participação Bonança	-	2 052	2 052	(0)	2 723	2 723
Vida c/ Participação Império	-	4 088	4 088	-	2 989	2 989
Guaranteed Education Plan	107	-	107	11	-	11
Guaranteed Savings 5 Years	7 686	-	7 686	2 496	-	2 496
F Ind. c/ Part.	7 190	7 285	14 475	7 835	7 418	15 253
F Grupo c/ Part.	14 405	7 543	21 948	20 338	8 006	28 345
Seguro de dependência	118	-	118	108	-	108

	31.12.2011			31.12.2010		
	Mathematical provision	Provision for profit sharing	Total	Mathematical provision	Provision for profit sharing	Total
Proteção Sénior	157	-	157	187	-	187
Educação Garantida	214	-	214	206	-	206
Hipoteca Prima Única (Espanha)	9 672	-	9 672	10 515	-	10 515
Rentas Individuais Vitalícias T Gar	25	-	25	-	-	-
LUX-Império Previdência	19	-	19	19	-	19
LUX-Crédito Consumo	12	-	12	3	-	3
LUX-Crédito Habitação	185	-	185	218	-	218
LUX-Seguro Funeral	-	-	-	0	-	0
LUX-CAIXA ASSUR IMMO	276	-	276	141	-	141
Rendas (ESP)	19 983	-	19 983	25 933	-	25 933
Postal - Proteção Vida	4 445	-	4 445	-	-	-
F Ind. s/ Part.	11 732	-	11 732	9 656	-	9 656
F Grupo s/ Part.	41 034	-	41 034	40 409	-	40 409
	<b>242 714</b>	<b>26 478</b>	<b>269 192</b>	<b>251 069</b>	<b>27 107</b>	<b>278 177</b>
<b>Investment contracts with discretionary profit sharing:</b>						
Top Reforma 4%-Ind.	59 937	58	59 995	71 390	1 190	72 580
Seg Poupança 2ºS 2.75%	-	580	580	343	552	895
Seg Poupança 3º/4ºS 3.5%	17 937	1 976	19 913	21 604	3 196	24 799
Garantia Crescente 2.75% - Bco	219	-	219	277	0	277
Super Garantia 2.75% (Med)	3 925	-	3 925	5 561	0	5 561
PIR 4%	16 099	503	16 602	18 509	3 368	21 877
Postal Poup Invest 3.25%	-	-	-	1 743	0	1 743
Postal Poup Futuro Série A - 3%	5 132	-	5 132	5 576	0	5 576
Seg Poupança 5ºS 2.75%	255 942	126	256 068	496 169	126	496 294
Seg Poupança 6ºS 2.25%	29 919	32	29 951	37 532	32	37 564
Postal Poup Futuro Série B - 2.25%	1 068	-	1 068	1 478	0	1 479
Postal Poupança Segura	26 856	-	26 856	29 740	-	29 740
Fundo Poupança 7º S 2%	28 568	1	28 569	75 373	1	75 373
Caixa Seguro 4.5%	-	-	-	97 936	350	98 286
Caixa Seguro 4.25%	-	-	-	94 864	369	95 233
Caixa Seguro Liquidez 2%	21 721	-	21 721	39 058	-	39 058
Caixa Seguro 4.4%	-	-	-	46 134	-	46 134
Postal 4.10%	15 221	92	15 313	15 455	83	15 537
Seg. Poupança 9ª Série	33 274	55	33 329	41 540	55	41 595
Poupança / Poupainveste	1 838	-	1 838	2 149	-	2 149
Cx 10ºS Postal Ser E	20 336	-	20 336	24 027	-	24 027
LUX-Império Poupança +	561	-	561	534	-	534
LUX-CPR	37	-	37	34	-	34
LUX-Compte Epargne Investiment	533	-	533	516	-	516
LUX-Cx. Invest. Seguro - Pr. Únicos	6 152	48	6 200	9 261	48	9 309
LUX-Cx. Invest. Seguro - Pr. Periódicos	396	-	396	322	-	322
Conta Poupança Reforma Individual	63 743	279	64 022	74 419	3 879	78 298
Plano Império Investimento	-	84	84	-	83	83
PUR	20 965	92	21 057	26 286	78	26 364
PUR 3.25%	818	7	825	1 909	7	1 916
PUR 2.4%	14 145	259	14 404	17 106	320	17 425
Conta Poupança Reforma 3%	8 763	104	8 867	10 748	104	10 852
Poupainveste 2ª série	3 324	-	3 324	3 986	-	3 986
Top Reforma 4%-Grupo	1 603	1	1 604	4 199	55	4 254
Top Reforma 2.75%-Grupo	12 107	-	12 107	12 738	58	12 796
Complementos Reforma	3 580	1	3 581	3 802	25	3 826
Epargne Libre (FRF) 3.75%	240 179	-	240 179	247 022	1 066	248 087
Epargne Libre Plus (FRF)	22 878	-	22 878	22 390	-	22 390
Jubilacion BCG (ESP)	1 905	9	1 914	1 851	7	1 859



	31.12.2011			31.12.2010		
	Mathematical provision	Provision for profit sharing	Total	Mathematical provision	Provision for profit sharing	Total
Capitalização Grupo	323	1	324	152	-	152
Capital Diferido 1%+PB	841	11	852	-	-	-
Grupo Capitalização	3 559	16	3 575	3 730	16	3 746
PoupalInveste Empresas	120	-	120	175	-	175
PUR 3.25% – Grupo	504	-	504	557	0	557
PUR 2.4% – Grupo	337	31	368	338	31	369
PPR/E Fidelidade 4%	137 237	27	137 264	155 242	997	156 239
PPR/E Rendimento 1º/2º S 3.5%	178 560	184	178 744	194 544	7 039	201 582
PPR (Clássico) 4%	35 450	72	35 522	41 596	531	42 127
Multiplano PPR/E 3%	7 880	-	7 880	9 101	-	9 101
PPR/E MC Série A 3%	25 678	-	25 678	29 008	0	29 008
Postal PPR/E Série A 3.25%	7 245	-	7 245	8 302	(0)	8 302
PPR/E Rend. 3º S 2.75%	137 162	-	137 162	154 972	(0)	154 972
PPR/E MC Série B 2.75%	132 674	10	132 684	228 027	10	228 037
Postal PPR/E Série B 2.75%	9 058	-	9 058	10 132	0	10 132
PPR/E Capital Garantido	1 134	1	1 135	3 140	1	3 140
PPR/E Rend 4ºS 2.25%	31 529	-	31 529	84 190	0	84 190
PPR/E Capital Mais FRN	31 928	3	31 931	48 223	3	48 226
Caixa PPR 4%	13 251	-	13 251	74 300	-	74 300
PPR – Leve Duo	61 694	-	61 694	65 449	1 271	66 720
Postal PPR 4.10%	6 479	2	6 481	6 624	29	6 654
Postal PPR/E Série E	1 705	-	1 705	1 658	-	1 658
Postal PPR Série F	1 892	-	1 892	1 876	-	1 876
PPR	57 833	215	58 048	65 844	740	66 584
PPR	23 114	1	23 115	26 367	153	26 521
PPR 3%	36 954	86	37 040	41 382	1 451	42 834
Império Bonança Reforma (PPR) –412	90 553	55	90 608	90 655	55	90 709
Império Bonança Reforma (PPR/E) –413	14 923	4	14 927	17 086	4	17 091
Império Bonança PPR/E Ganha +	2 812	14	2 826	4 793	14	4 807
PPR Ganha +	16 471	24	16 495	25 087	24	25 110
PPR Ganha + 3ª Série	7 161	-	7 161	6 863	-	6 863
IB PPR Leve Duo	3 224	32	3 256	1 304	32	1 336
PPR Ganha + 4ª Série Transferências	4 973	-	4 973	5 141	-	5 141
PPR Rendimento Garantido 5ª S Transfer.	1 254	-	1 254	811	-	811
	<b>2 019 193</b>	<b>5 096</b>	<b>2 030 289</b>	<b>2 970 247</b>	<b>27 453</b>	<b>2 997 699</b>
	<b>2 261 907</b>	<b>31 574</b>	<b>2 299 481</b>	<b>3 221 316</b>	<b>54 560</b>	<b>3 275 876</b>

Changes in mathematical provision and provision for profit sharing in direct insurance and inwards reinsurance and mathematical provision for outwards reinsurance in 2011 and 2010 are as follows:

2011				
	Opening Balance 31.12.2010	Liabilities originated in period and interest paid	Profit sharing	Closing balance 31.12.2011
Direct insurance and inwards reinsurance				
Mathematical provision:				
Insurance contracts	251 069	(13 983)	5 628	242 714
Investment contracts with discretionary profit sharing	2 970 247	(949 526)	4 472	2 025 187
	<b>3 221 316</b>	<b>(963 509)</b>	<b>10 100</b>	<b>2 267 901</b>
Provision for profit sharing:				
Insurance contracts	27 107	4 837	(5 466)	26 478
Investment contracts with discretionary profit sharing	27 453	(18 511)	(3 846)	5 096
	<b>54 560</b>	<b>(13 674)</b>	<b>(9 312)</b>	<b>31 574</b>
	<b>3 275 876</b>	<b>(977 183)</b>	<b>788</b>	<b>2 299 475</b>
Outwards reinsurance:				
Mathematical provision:				
Insurance contracts	(5 020)	(2 382)	-	(7 399)
Investment contracts with discretionary profit sharing	-	-	-	-
	<b>(5 020)</b>	<b>(2 382)</b>	<b>-</b>	<b>(7 399)</b>
	<b>3 270 856</b>	<b>(979 565)</b>	<b>788</b>	<b>2 292 076</b>

2010				
	Opening Balance 31.12.2009	Liabilities originated in period and interest paid	Profit sharing	Closing balance 31.12.2010
Direct insurance and inwards reinsurance				
Mathematical provision:				
Insurance contracts	255 666	(9 192)	4 595	251 069
Investment contracts with discretionary profit sharing	3 605 208	(639 566)	4 605	2 970 247
	<b>3 860 874</b>	<b>(648 758)</b>	<b>9 200</b>	<b>3 221 316</b>
Provision for profit sharing:				
Insurance contracts	26 378	5 324	(4 595)	27 107
Investment contracts with discretionary profit sharing	30 589	1 468	(4 605)	27 453
	<b>56 969</b>	<b>6 791</b>	<b>(9 200)</b>	<b>54 560</b>
	<b>3 917 842</b>	<b>(641 966)</b>	<b>-</b>	<b>3 275 876</b>
Outwards reinsurance:				
Mathematical provision:				
Insurance contracts	(5 259)	239	-	(5 020)
Investment contracts with discretionary profit sharing	(7)	7	-	-
	<b>(5 266)</b>	<b>246</b>	<b>-</b>	<b>(5 020)</b>
	<b>3 912 576</b>	<b>(641 721)</b>	<b>-</b>	<b>3 270 856</b>

Provisions for unearned premiums on direct insurance and inwards reinsurance (non-life) at 31 December 2011 and 2010, are as follows:

	31.12.2011			31.12.2010		
	Deferred premiums	Deferred costs	Net	Deferred premiums	Deferred costs	Net
Workman's compensation	14 788	(2 623)	12 165	15 416	(2 671)	12 745
Personal and passenger accident	15 009	(2 943)	12 066	18 839	(3 696)	15 143
Health	26 811	(4 610)	22 201	27 680	(5 337)	22 343
Fire and other damage	92 205	(16 229)	75 976	88 224	(15 456)	72 768
Motor	161 840	(29 077)	132 763	169 018	(31 627)	137 391
Marine, air and transport	3 486	(403)	3 083	4 781	(372)	4 409
General third party liability	11 856	(1 598)	10 258	12 202	(1 628)	10 574
Credit and guarantees	356	(37)	319	317	(25)	292
Legal protection	2 787	(388)	2 399	2 701	(341)	2 360
Assistance	11 467	(1 652)	9 815	11 812	(1 467)	10 345
Miscellaneous	9 443	(1 600)	7 843	9 540	(1 615)	7 925
	<b>350 048</b>	<b>(61 160)</b>	<b>288 890</b>	<b>360 530</b>	<b>(64 235)</b>	<b>296 295</b>

Changes in provisions for unearned premiums and deferred acquisition costs for direct insurance and outwards and inwards reinsurance in 2011 and 2010 are as follows:

2011				
	Opening balance 31.12.2010	Liabilities origi- nated in period	Exchange differences	Closing balance 31.12.2011
Direct insurance and inwards reinsurance:				
Provision for unearned premiums:				
Workman's compensation	15 416	(628)	-	14 788
Personal and passenger accident	18 839	(3 830)	-	15 009
Health	27 680	(869)	-	26 811
Fire and other damage	88 224	3 958	23	92 205
Motor	169 018	(7 180)	2	161 840
Marine, air and transport	4 781	(1 297)	2	3 486
General third party liability	12 202	(348)	2	11 856
Credit and guarantees	317	39	-	356
Legal protection	2 701	86	-	2 787
Assistance	11 812	(345)	-	11 467
Miscellaneous	9 540	(97)	-	9 443
	<b>360 530</b>	<b>(10 512)</b>	<b>30</b>	<b>350 048</b>
Deferred acquisition costs:				
Workman's compensation	(2 671)	48	-	(2 623)
Personal and passenger accident	(3 696)	753	-	(2 943)
Health	(5 337)	727	-	(4 610)
Fire and other damage	(15 456)	(773)	-	(16 229)
Motor	(31 627)	2 550	-	(29 077)
Marine, air and transport	(372)	(31)	-	(403)
General third party liability	(1 628)	30	-	(1 598)
Credit and guarantees	(25)	(12)	-	(37)
Legal protection	(341)	(47)	-	(388)
Assistance	(1 467)	(185)	-	(1 652)
Miscellaneous	(1 615)	15	-	(1 600)
	<b>(64 235)</b>	<b>3 075</b>	<b>-</b>	<b>(61 160)</b>
	<b>296 295</b>	<b>(7 437)</b>	<b>30</b>	<b>288 890</b>
Outwards reinsurance				
Provision for unearned premiums:				
Workman's compensation	-	202	-	202
Personal and passenger accident	11 220	(3 138)	-	8 082
Health	1 856	(1 265)	-	591
Fire and other damage	30 956	1 859	-	32 815
Motor	25	174	(12)	187
Marine, air and transport	3 275	(1 307)	(1)	1 967
General third party liability	3 389	115	(2)	3 502
Credit and guarantees	182	(26)	(2)	154
Legal protection	52	-	-	52
Assistance	-	-	-	-
Miscellaneous	6 178	(442)	-	5 736
	<b>57 133</b>	<b>(3 828)</b>	<b>(17)</b>	<b>53 288</b>
Deferred acquisition costs:				
Workman's compensation	-	(6)	-	(6)
Personal and passenger accident	(5 553)	1 599	-	(3 954)
Health	(1 152)	842	-	(310)
Fire and other damage	(4 334)	(145)	-	(4 479)
Marine, air and transport	(354)	104	-	(250)
General third party liability	(192)	(22)	-	(214)
Credit and guarantees	(4)	1	-	(3)
Miscellaneous	(1 857)	198	-	(1 659)
	<b>(13 446)</b>	<b>2 571</b>	<b>-</b>	<b>(10 875)</b>
	<b>43 687</b>	<b>(1 257)</b>	<b>(17)</b>	<b>42 413</b>

	2010			
	Opening balance 31.12.2009	Liabilities origi- nated in period	Exchange differences	Closing balance 31.12.2010
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
	<b>364 831</b>	<b>(4 301)</b>	<b>-</b>	<b>360 530</b>
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)	-	-	(25)
Legal protection	(121)	(220)	-	(341)
Assistance	(561)	(906)	-	(1 467)
Miscellaneous	(774)	(841)	-	(1 615)
	<b>(62 145)</b>	<b>(2 091)</b>	<b>-</b>	<b>(64 235)</b>
	<b>302 686</b>	<b>(6 391)</b>	<b>-</b>	<b>296 295</b>
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
Motor	-	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	(17)	-	-
Miscellaneous	4 010	2 168	-	6 178
	<b>55 644</b>	<b>1 488</b>	<b>-</b>	<b>57 133</b>
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)	-	-	(4)
Miscellaneous	(1 298)	(559)	-	(1 857)
	<b>(13 708)</b>	<b>263</b>	<b>-</b>	<b>(13 446)</b>
	<b>41 936</b>	<b>1 751</b>	<b>-</b>	<b>43 687</b>

The provision for claims for direct insurance and inwards reinsurance at 31 December 2011 and 2010 comprises the following:

	31.12.2011			31.12.2010		
	Reported	Not reported	Total	Reported	Not reported	Total
Life insurance:	125 768	16 242	142 010	155 677	11 998	167 675
Non-life insurance:						
Workman's compensation						
Mathematical provision	513 580	2 643	516 223	505 278	3 166	508 444
Provision for lifelong assistance	130 285	16 053	146 338	119 426	22 455	141 881
Provision for temporary assistance	93 296	5 249	98 545	102 723	5 734	108 457
	<b>737 161</b>	<b>23 945</b>	<b>761 106</b>	<b>727 427</b>	<b>31 355</b>	<b>758 782</b>
Other insurance						
Personal and passenger accident	14 129	773	14 902	13 454	802	14 256
Health	31 113	9 051	40 164	37 643	11 803	49 446
Fire and other damage	138 038	16 774	154 812	154 926	15 657	170 583
Motor	610 429	49 641	660 070	657 548	44 523	702 071
Marine, air and transport	12 734	1 214	13 948	39 575	1 251	40 826
General third party liability	111 859	5 269	117 128	118 796	9 659	128 455
Credit and guarantees	934	24	958	928	18	946
Legal protection	6 716	730	7 446	6 157	738	6 895
Assistance	3 260	91	3 351	17 151	96	17 247
Miscellaneous	13 006	3 497	16 503	12 512	3 113	15 625
	<b>942 218</b>	<b>87 064</b>	<b>1 029 282</b>	<b>1 058 690</b>	<b>87 660</b>	<b>1 146 350</b>
	<b>1 679 379</b>	<b>111 009</b>	<b>1 790 388</b>	<b>1 786 118</b>	<b>119 015</b>	<b>1 905 132</b>
	<b>1 805 147</b>	<b>127 251</b>	<b>1 932 398</b>	<b>1 941 795</b>	<b>131 013</b>	<b>2 072 807</b>

The changes in provisions for direct insurance and inwards reinsurance and outwards reinsurance claims for 2011 and 2010 were as follows:

	2011				
	Opening balance 31.12.2010	Liabilities originated in period	Claims	Exchange differences	Closing balance 31.12.2011
Direct insurance and inwards reinsurance:					
Provision for claims					
Life insurance	167 675	1 157 321	(1 182 986)	-	142 010
Non-life insurance					
Workman's compensation	758 782	111 344	(109 020)	-	761 106
Other insurance:					
Personal and passenger accident	14 256	8 232	(7 586)	-	14 902
Health	49 446	130 620	(139 902)	-	40 164
Fire and other damage	170 583	122 026	(137 797)	-	154 812
Motor	702 071	254 498	(296 499)	-	660 070
Marine, air and transport	40 826	(18 523)	(8 355)	-	13 948
General third party liability	128 455	(214)	(11 113)	-	117 128
Credit and guarantees	946	192	(180)	-	958
Legal protection	6 895	789	(238)	-	7 446
Assistance	17 247	13 321	(27 217)	-	3 351
Miscellaneous	15 625	14 224	(13 346)	-	16 503
	1 146 350	525 165	(642 233)	-	1 029 282
	1 905 132	636 509	(751 253)	-	1 790 388
	2 072 807	1 793 830	(1 934 239)	-	1 932 398
Outwards reinsurance (Note 20.):					
Provision for claims					
Life insurance	17 186	(10 511)	8 726	-	15 401
Non-life insurance					
Workman's compensation	1 454	(82)	83	-	1 455
Other insurance:					
Personal and passenger accident	3 225	2 923	486	-	6 634
Health	256	7 679	(7 569)	-	366
Fire and other damage	101 069	(76 522)	62 270	-	86 817
Motor	17 995	(4 305)	1 940	-	15 630
Marine, air and transport	31 781	(30 454)	5 935	-	7 262
General third party liability	26 299	(3 017)	1 063	-	24 345
Credit and guarantees	34	(28)	-	-	6
Legal protection	-	-	-	-	-
Miscellaneous	12 125	(5 371)	5 542	-	12 296
	192 784	(109 095)	69 667	-	153 356
	194 238	(109 177)	69 750	-	154 811
	211 424	(119 688)	78 476	-	170 212

	2010				
	Opening balance 31.12.2009	Liabilities originated in period	Claims	Exchange differences	Closing balance 31.12.2010
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 20.):					
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



The changes in the provision for risks in progress of direct insurance and inwards reinsurance during 2011 and 2010 were as follows:

2011				
	Opening balance 31.12.2010	Appropriations in period	Exchange differences	Closing balance 31.12.2011
Direct insurance and inwards reinsurance:				
Workman's compensation	4 995	(1 522)	-	3 473
Personal and passenger accident	169	(161)	-	8
Health	605	7 199	-	7 804
Fire and other damage	7 009	(1 948)	-	5 061
Motor	26 225	(12 619)	-	13 606
Marine, air and transport	17	(17)	-	-
General third party liability	2 757	(1 934)	-	823
Credit and guarantees	4	21	-	25
Legal protection	-	1	-	1
Assistance	737	12	-	749
Miscellaneous	1 170	(1 170)	-	-
	<b>43 688</b>	<b>(12 138)</b>	<b>-</b>	<b>31 549</b>

2010				
	Opening balance 31.12.2009	Appropriations in period	Exchange differences	Closing balance 31.12.2010
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
	<b>31 392</b>	<b>12 296</b>	<b>-</b>	<b>43 688</b>

## 27. OTHER SUBORDINATED LIABILITIES

This heading comprises the following:

	31.12.2011	31.12.2010
Bonds	2 080 970	2 531 959
Loans	23 708	312 072
	<b>2 104 678</b>	<b>2 844 031</b>
Interest payable	16 689	9 150
Deferred income net of charges	(45 227)	(57 503)
Adjustment to liabilities under hedging operations	(723)	4 485
	<b>2 075 416</b>	<b>2 800 164</b>

The conditions of the principal issues are as follows:

Issuer	Bonds	Currency	Value of issue	Book value 31.12.2011	Book value 31.12.2010	Date of issue	Date of redemption	Interest rate / payment	Early redemption clause
Caixa Geral de Depósitos	Step Up Switchable Subordinated Notes due May 2019	EUR	538 552	536 823	535 016	11.05.2009	13.05.2019	12 month Euribor rate + 1.15%. If there is no early redemption, 12 month Euribor + 1.65%. Annual interest payment on 11 May.	With prior authorisation of the Bank of Portugal in the payment date of the coupons as from 11 May 2014.
Caixa Geral de Depósitos	Subordinated Cash Bonds CGD 2007/2017 (1st issue)	EUR	400 000	392 811	393 486	12.11.2007	13.11.2017	12 month Euribor rate. If there is no early redemption, 5.80%. Annual interest payment on 12 November.	With prior authorisation of the Bank of Portugal in the payment date of the coupons as from the 5th year.
Caixa Geral de Depósitos	Subordinated Cash Bonds CGD 2008/2018 (1st issue)	EUR	369 045	369 045	364 495	03.11.2008	05.11.2018	2nd year, 12 month Euribor rate + 0.125%; 3rd year, 12 month Euribor rate + 0.250%, 4th year, 12 month Euribor rate + 0.500% and 5th year, 12 month Euribor rate + 1.00%. If there is no early redemption, 12 month Euribor rate + 1.50%. Annual interest payment on 3 November.	With prior authorisation of the Bank of Portugal in the payment date of the coupons as from the 5th year.
CGD (France Branch)	Floating Rate Undated Subordinated Notes	EUR	110 000	209	81 245	18.12.2002	Perpetual	3 month Euribor rate + 1.30%. If there is no early redemption, 3 month Euribor rate + 2.80%. Quarterly interest payment on 18 March, June, September and December.	With prior authorisation of the Bank of Portugal in the payment date of the coupons as from 18 December 2012.
Caixa Geral de Depósitos	Floating Rate Notes due December 2017	EUR	125 000	125 000	125 000	27.12.2007	27.12.2017	5.733%. If there is no early redemption, 3 month Euribor rate + 1.70%. Annual interest rate payment on 27 December. Quarterly interest payment on 27 March June, September and December (if there is no early redemption).	With prior authorisation of the Bank of Portugal in the payment date of the coupons as from 27 December 2012.
Caixa Geral de Depósitos	Subordinated Cash Bonds Renda Mais 2005/2015	EUR	104 891	104 891	104 891	29.06.2005	03.07.2015	6 month Euribor rate + 0.25%. If there is no early redemption, 6 month Euribor rate + 0.75%. Half yearly interest payment on 3 January and July.	With prior authorisation of the Bank of Portugal in the payment date of the coupons as from the 10th coupon.
Caixa Geral de Depósitos	Lower Tier 2 due March 3, 2028	EUR	100 000	100 000	100 000	03.03.2008	03.03.2028	5.980%. Annual interest rate payment on 3 March.	N.A.
Caixa Geral de Depósitos	Floating Rate Notes due December 2017	EUR	120 000	95 715	100 720	17.12.2007	17.12.2017	3 month Euribor rate + 1.08%. If there is no early redemption, 3 month Euribor rate + 1.58%. Quarterly interest payment on 17 March, June, September and December.	With prior authorisation of the Bank of Portugal in the payment date of the coupons as from 17 December 2012.
Caixa Geral de Depósitos	Subordinated Cash Bonds CGD 2007/2017 (2nd issue)	EUR	81 595	81 450	81 511	12.11.2007	13.11.2017	1st year, 5.00%, 2nd year, 5.50%, 3rd year, 6.00%, 4th and 5th years 7.50% and 10%, if the price of underlying assets is over the initial value, otherwise, 0.00% will be paid. If there is no early redemption, 3 month Euribor rate + 0.7%.	With prior authorisation of the Bank of Portugal in the payment date of the coupons as from the 5th year.

Issuer	Bonds	Currency	Value of issue	Book value 31.12.2011	Book value 31.12.2010	Date of issue	Date of redemption	Interest rate / payment	Early redemption clause
Caixa Geral de Depósitos	Floating Rate Notes due December 2017	EUR	50 000	50 000	50 000	28.12.2007	28.12.2017	3 month Euribor rate + 1.08%. If there is no early redemption, 3 month Euribor rate + 1.58%. Quarterly interest payment on 28 March, June, September and December.	With prior authorisation of the Bank of Portugal in the payment date of the coupons as from 28 December 2012.
CGD (France Branch)	Floating Rate Notes	EUR	21 000	21 000	21 000	14.07.2005	28.06.2016	6 month Euribor rate + 0.22%. Half yearly interest payment on 28 June and December.	N.A.
Caixa Geral de Depósitos	Fixed to Floating Rate Notes due July 2017	EUR	20 000	20 000	20 000	30.07.2007	31.07.2017	1st coupon, 21.00%. If there is no early redemption, 3 month Euribor rate + 0.65%. Interest payment on 30 July 2008. Quarterly interest payment on 30 October, January, April and July (if there is no early redemption).	With prior authorisation of the Bank of Portugal in the payment date of the coupons as from 30 July 2012.
Caixa Geral de Depósitos	Fixed to Floating Rate Notes due July 2017	EUR	20 000	20 000	20 000	30.07.2007	31.07.2017	1st coupon 21.50%. If there is no early redemption, 3 month Euribor rate + 0.65%. Interest payment on 30 July 2009. Quarterly interest payment on 30 October, January, April and July (if there is no early redemption).	With prior authorisation of the Bank of Portugal in the payment date of the coupons as from 30 July 2012.
Caixa Geral de Depósitos	Fixed to Floating Rate Notes due July 2017	EUR	20 000	20 000	20 000	30.07.2007	31.07.2017	1st coupon 22.00%. If there is no early redemption, 3 month Euribor rate + 0.65%. Interest payment on 30 July 2009. Quarterly interest payment on 30 October, January, April and July (if there is no early redemption).	With prior authorisation of the Bank of Portugal in the payment date of the coupons as from 30 July 2012.
Caixa Geral de Depósitos	Fund to Floating Rate Notes due July 2017	EUR	20 000	20 000	20 000	30.07.2007	31.07.2017	1st coupon indexed to Fundo Caixagest Ações Portugal. If there is no early redemption, 3 month Euribor rate + 0.65%. Interest payment on 30 July 2009. Quarterly interest payment on 30 October, January, April and July (if there is no early redemption).	With prior authorisation of the Bank of Portugal in the payment date of the coupons as from 30 July 2012.
Caixa Geral de Depósitos	Fund to Floating Rate Notes due July 2017	EUR	20 000	20 000	20 000	30.07.2007	31.07.2017	1st coupon indexed to Fundo Caixagest Ações Portugal. If there is no early redemption, 3 month Euribor rate + 0.65%. Interest payment on 30 July 2012. Quarterly interest payment on 30 October, January, April and July (if there is no early redemption).	With prior authorisation of the Bank of Portugal in the payment date of the coupons as from 30 July 2012.
Caixa Geral de Depósitos	Fixed to Floating Rate Notes due December 2017	EUR	6 000	6 000	6 000	03.12.2007	04.12.2017	1st coupon 22.50%. If there is no early redemption, 3 month Euribor rate + 0.85%. Interest payment on 3 December 2008. Quarterly interest payment on 3 March, June, September and December (if there is no early redemption).	With prior authorisation of the Bank of Portugal in the payment date of the coupons as from 3 December 2012.

Issuer	Bonds	Currency	Value of issue	Book value 31.12.2011	Book value 31.12.2010	Date of issue	Date of redemption	Interest rate / payment	Early redemption clause
Caixa Geral de Depósitos	Fixed to Floating Rate Notes December 2017	EUR	6 000	6 000	6 000	03.12.2007	04.12.2017	1st coupon 23.00%. If there is no early redemption, 3 month Euribor rate + 0.85%. Interest payment on 3 December 2009. Quarterly interest payment on 3 March, June, September and December (if there is no early redemption).	With prior authorisation of the Bank of Portugal in the payment date of the coupons as from 3 December 2012.
Caixa Geral de Depósitos	Fixed to Floating Rate Notes December 2017	EUR	6 000	6 000	6 000	03.12.2007	04.12.2017	1st coupon 23.50%. If there is no early redemption, 3 month Euribor rate + 0.85%. Interest payment on 3 December 2010. Quarterly interest payment on 3 March, June, September and December (if there is no early redemption).	With prior authorisation of the Bank of Portugal in the payment date of the coupons as from 3 December 2012.
Caixa Geral de Depósitos	Fund to Floating Rate Notes December 2017	EUR	6 000	6 000	6 000	03.12.2007	04.12.2017	1st coupon indexed to Fundo Caixaigest Ações Oriente. If there is no early redemption, 3 month Euribor rate + 0.85%. Interest payment on 5 December 2011. Quarterly interest payment on 3 March, June, September and December (if there is no early redemption).	With prior authorisation of the Bank of Portugal in the payment date of the coupons as from 3 December 2012.
Caixa Geral de Depósitos	Fund to Floating Rate Notes December 2017	EUR	6 000	6 000	6 000	03.12.2007	04.12.2017	1st coupon indexed to Fundo Caixaigest Ações Oriente. If there is no early redemption, 3 month Euribor rate + 0.85%. Interest payment on 5 December 2012. Quarterly interest payment on 3 March, June, September and December (if there is no early redemption).	With prior authorisation of the Bank of Portugal in the payment date of the coupons as from 3 December 2012.
Caixa Geral Finance	Floating Rate Undated Subordinated Notes	EUR	110 000	1 157	75 198	18.12.2002	Perpetual	3 month Euribor rate + 1.30%. If there is no early redemption, 3 month Euribor rate + 2.80%. Quarterly interest payment on 18 March, June, September and December.	With prior authorisation of the Bank of Portugal in the payment date of the coupons as from 18 December 2012.
Caixa Geral Finance	Floating Rate Notes due December 2017	EUR	55 000	55 000	55 000	17.12.2007	17.12.2017	3 month Euribor rate + 1.08%. If there is no early redemption, 3 month Euribor rate + 1.58%. Quarterly interest payment on 17 March, June, September and December.	With prior authorisation of the Bank of Portugal in the payment date of the coupons as from 17 December 2012.
Caixa Geral Finance	Floating Rate Notes due 2016	USD	265 000	17 868	131 705	06.12.2006	20.12.2016	3 month Libor rate + 0.25%. If there is early redemption, 3 month Libor + 0.75%. Quarterly interest payment on 20 March, June, September and December.	With prior authorisation of the Bank of Portugal in the payment date of the coupons as from 20 December 2011.
Banco Comercial e de Investimentos	Subordinated Loans IFC	USD	8 500	6 754	6 445	20.03.2009	15.06.2015	3 month Libor + 3.00% + 0.5% where contractual conditions exist. Quarterly interest payment on 15 March, June, September and December.	The borrower (BCI) has an early redemption option, in full or part, at any interest payment date on 15 December 2009 or after this date, with prior notice to IFC, no less than 30 days in advance.

Issuer	Bonds	Currency	Value of issue	Book value 31.12.2011	Book value 31.12.2010	Date of issue	Date of redemption	Interest rate / payment	Early redemption clause
Banco Comercial e de Investimentos	Subordinated Cash Bonds BCI 2008-2018	MZN	216 000	5 819	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%. Quarterly interest payment on 16 January, April, July and October.	The issuer has an early redemption option, in full or part, at par, by reduction from nominal value at the date of the 2nd period of calculation of interest and subsequently, at each interest payment date.
Banco Comercial do Atlântico	Bonds BCA Crescente 2017	CVE	500 000	4 535	4 535	17.12.2010	17.-12.2017	1st and 2nd year 5.75%, 3rd and 4th year 5.85%, 5th and 6th year 6% and 7th year 6.25%. Quarterly interest payment on 17 June and December.	The issuer has an early redemption option at nominal value of the 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.
Banco Interatlântico	Bonds BI 2014	CVE	500 000	3 658	3 910	08.07.2008	08.07.2018	6 month Euribor 6 rate + 0.9% up until the 2nd coupon. 6.0% until July 2013. From this date on, the rate of the last 5 year Treasury Bonds issue + 0.5%. Quarterly interest payment on 8 de January and July.	The issuer has an early redemption option at nominal or partly value of the outstanding debt at the end of the 1st year, and after this date, every six months, with a 0.5% premium payment over the nominal value of the bonds that would be amortised in subsequent periods.
Banco Comercial e de Investimentos	Subordinated Loan BPI	USD	3 704	2 943	4 654	30.07.2008	30.07.2018	3 month Libor + 3.00%. Quarterly interest payment on 30 January, April, July and October.	Early redemption of principal, in full or part, may only occur at BCI's initiative and with prior authorisation of the Bank of Mozambique.
CGD (France Branch)	Fixed Rate Subordinated Notes due December 2036	JPY	15 000 000	-	138 058	15.12.2006	15.12.2036	2.88%. Half yearly interest payment on 15 June and December.	With prior authorisation of the Bank of Portugal in the payment date of the coupons as from 15 December 2016.
Caixa Geral Finance	Floating Rate Subordinated Notes due 2011	EUR	200 000	-	27 817	03.12.2001	03.12.2011	3 month Euribor + 0.65%. If there is no early redemption, 3 month Euribor rate + 1.15%. Quarterly interest payment every year on 3 March, June, September and December.	With prior authorisation of the Bank of Portugal in the payment date of the coupons as from 3 December 2006.
Caixa Geral de Depósitos	Subordinated Cash Bonds 2006/2016	EUR	99 987	-	96 537	28.12.2006	28.12.2016	12 month Euribor rate. In the case of early redemption, 12 month Euribor rate + 0.5%. Interest payment every year on 28 December.	With prior authorisation of the Bank of Portugal in the payment date of the coupons as from the 5th year.
CGD (France Branch)	Fixed to Floating Rate Subordinated Notes	EUR	40 000	-	40 000	12.06.2006	13.06.2016	1st coupon 15.50%. If there is no early redemption, 3 month Euribor rate + 0.65%. Interest payment on 12 June 2007. Quarterly interest payment on 12 March, June, September and December (if there is no early redemption).	With prior authorisation of the Bank of Portugal in the payment date of the coupons as from 12 June 2011.

Issuer	Bonds	Currency	Value of issue	Book value 31.12.2011	Book value 31.12.2010	Date of issue	Date of redemption	Interest rate / payment	Early redemption clause
CGD (France Branch)	Fixed to Floating Rate Subordinated Notes	EUR	40 000	-	40 000	12.06.2006	13.06.2016	1st coupon 16.50%. If there is no early redemption, 3 month Euribor + 0.65%. Interest payment on 12 June 2008. Quarterly interest payment on 12 March, June, September and December (if there is no early redemption).	With prior authorisation of the Bank of Portugal in the payment date of the coupons as from 12 June 2011.
CGD (France Branch)	Fixed to Floating Rate Subordinated Notes	EUR	40 000	-	40 000	12.06.2006	13.06.2016	1st coupon 18.00%. If there is no early redemption, 3 month Euribor + 0.65%. Interest payment on 12 June 2009. Quarterly interest payment on 12 March, June, September and December (if there is no early redemption).	With prior authorisation of the Bank of Portugal in the payment date of the coupons as from 12 June 2011.
CGD (France Branch)	Fund Linked to Floating Rate Subordinated Notes	EUR	40 000	-	40 000	12.06.2006	13.06.2016	1st coupon indexed to Fundos Caixagest Ações Europa and Caixagest Ações Portugal. If there is no early redemption, 3 month Euribor rate + 0.65%. Interest payment on 14 June 2010. Quarterly interest payment on 12 March, June, September and December. (if there is no early redemption).	With prior authorisation of the Bank of Portugal in the payment date of the coupons as from 12 June 2011.
CGD (France Branch)	Fund Linked to Floating Rate Subordinated Notes	EUR	40 000	-	40 000	12.06.2006	13.06.2016	1st coupon indexed to Fundos Caixagest Ações Europa and Caixagest Ações Portugal. If there is no early redemption, 3 month Euribor rate + 0.65%. Interest payment on 13 June 2011. Quarterly interest payment on 12 March, June, September and December.	With prior authorisation of the Bank of Portugal in the payment date of the coupons as from 12 June 2011.
CGD (France Branch)	Index Linked to Floating Rate Note due 7 August 2016	EUR	2 000	-	2 000	07.08.2006	08.08.2016	3 month Euribor rate + 0.62%. If there is no early redemption, remuneration is indexed to the performance of Caixagest funds. Quarterly interest payment on 8 February, May, August and November.	With prior authorisation of the Bank of Portugal in the payment date of the coupons as from 8 May 2016.
CGD (France Branch)	Index Linked to Floating Rate Note due 7 August 2016	EUR	2 000	-	2 000	07.08.2006	08.08.2016	3 month Euribor rate + 0.62%. If there is no early redemption, remuneration is indexed to the performance of Caixagest funds. Quarterly interest payment on 8 February, May, August and November.	With prior authorisation of the Bank of Portugal in the payment date of the coupons as from 8 May 2016.
CGD (France Branch)	Index Linked to Floating Rate Note due 7 August 2016	EUR	2 000	-	2 000	07.08.2006	08.08.2016	3 month Euribor rate + 0.62%. If there is no early redemption, remuneration is indexed to the performance of Caixagest funds. Quarterly interest payment on 8 February, May, August and November.	With prior authorisation of the Bank of Portugal in the payment date of the coupons as from 8 May 2016.

Issuer	Bonds	Currency	Value of issue	Book value 31.12.2011	Book value 31.12.2010	Date of issue	Date of redemption	Interest rate / payment	Early redemption clause
CGD (France Branch)	Index Linked to Floating Rate Note due 7 August 2016	EUR	2 000	-	2 000	07.08.2006	08.08.2016	3 month Euribor rate + 0.62%. If there is no early redemption, remuneration is indexed to the performance of Caixagest funds. Quarterly interest payment on 8 February, May, August and November.	With prior authorisation of the Bank of Portugal in the payment date of the coupons as from 8 May 2016.
CGD (France Branch)	Index Linked to Floating Rate Note due 7 August 2016	EUR	2 000	-	2 000	07.08.2006	08.08.2016	3 month Euribor rate + 0.62%. If there is no early redemption, remuneration is indexed to the performance of Caixagest funds. Quarterly interest payment on 8 February, May, August and November.	With prior authorisation of the Bank of Portugal in the payment date of the coupons as from 8 May 2016.

N.A. – Not available.

## 28. OTHER LIABILITIES

This heading comprises the following:

	31.12.2011	31.12.2010
<b>Creditors</b>		
Consigned resources	1 164 620	1 786 800
Suppliers of finance leasing assets	14 562	38 099
Other suppliers	96 887	101 372
Resources - collateral account	164 602	163 743
Resources - subscription account	3 863	1 006
Resources - secured account	11 919	1 799
<b>Other creditors:</b>		
Creditors for direct insurance and reinsurance	204 200	199 878
Creditors for factoring ceded	28 641	46 471
Caixa Geral de Aposentações	19 694	39 277
CGD's Pension Fund	47 837	3
Creditors for futures contracts	16 335	6 129
Creditors for operations on securities	185	695
Other	464 867	457 103
<b>Other liabilities:</b>		
Notes in circulation - Macau (Note 21.)	334 588	280 130
Withholding taxes	70 997	64 131
Social Security contributions	11 841	12 922
Other taxes payable	34 937	18 851
Collections on behalf of third parties	1 591	947
Other	22 331	20 012
<b>Accrued costs</b>	271 381	297 432
<b>Deferred income</b>	120 531	108 821
<b>Liabilities pending settlement</b>	361 776	585 623
<b>Stock exchange operations</b>	2 405	4 331
	<b>3 470 590</b>	<b>4 235 576</b>

At 31 December 2011 and 2010 the "Other resources" heading includes EUR 162 885 thousand and EUR 161 732 thousand relating to deposits in CGD from several financial institutions referring to interest rates swap contracts.

At 31 December 2011, the amount relative to CGD's Pension Fund includes EUR 46 886 thousand referring to contributions of CGD to be delivered to the Fund (Note 39.).

At 31 December 2011, the conditions of the consigned resources were as follows:

Operation	Counterparty	Balance at 31.12.2011	Starting date	Maturity
CGD Empréstimo Global XI	European Investment Bank	160 000	25.06.2003	15.06.2023
CGD/BNU Global Loan IX	European Investment Bank	150 000	27.10.2000	15.-09.2012
CGD Empréstimo Global X	European Investment Bank	146 667	21.11.2002	15.09.2022
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	81 250	19.11.2004	15.09.2024
CGD – Empréstimo Global XIII	European Investment Bank	70 313	12.10.2006	15.09.2026
Hospital Braga	European Investment Bank	65 000	28.07.2009	09.06.2020
Projeto Scut Açores	European Investment Bank	60 000	11.01.2008	15.09.2034
CGD Reabilitação Urbana	European Investment Bank	59 334	11.12.2003	15.12.2023
Projeto Tejo Energia CCGT	European Investment Bank	51 000	09.12.2009	15.09.2026
CGD – Empréstimo Global XII – A	European Investment Bank	50 000	15.12.2004	15.09.2014
CEB – Educação	CEB – Council of Europe Development Bank	40 000	21.11.2008	21.11.2023
CEB – PARES	CEB – Council of Europe Development Bank	25 000	23.12.2009	23.12.2024
Projeto Municipal Infra EG – III – B	European Investment Bank	2 277	14.11.1997	15.09.2012
CEB – Pré-Escolar	CEB – Council of Europe Development Bank	676	05.09.2001	25.10.2012
Operations carried out by BCI Moçambique		2 846		
Operations carried out by Banco Comercial Atlântico		23		
Other		235		
		<b>1 164 620</b>		

At 31 December 2011, CGD's consigned resources bore interest at an annual average rate of 1.430%.

## 29. CAPITAL

At 31 December 2011 and 2010, CGD's share capital is totally held by the Portuguese State and comprises the following:

	31.12.2011	31.12.2010
Number of shares	1 030 000 000	1 010 000 000
Unit value (Euro)	5	5
Share capital	5 150 000 000	5 050 000 000

## CAPITAL INCREASES

CGD's share capital reflects the deliberation of its sole shareholder at 31 December 2010, to increase 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.

The Shareholder's General Meeting held on 24 November 2011, decided a new share capital increase of EUR 100 000 thousand through the issue of 20 000 000 shares of EUR 5 each. This share capital increase was made through the incorporation of EUR 98 573 thousand of the tangible fixed assets legal revaluation reserves, and EUR 1427 thousand of other reserves available for this purpose.

## DIVIDEND DISTRIBUTION

The Shareholder's General Meeting held in April 2010 decided to distribute a total dividend of EUR 170 157 thousand of net income for 2009 to the State, corresponding to EUR 0.19 per share. The remainder was transferred to the legal reserve (EUR 48 214 thousand), a total of EUR 22 699 thousand having been transferred to cover the negative balance of retained earnings.

The Shareholder's General Meeting held in May 2011, decided total retention of net income for 2010 through the incorporation of EUR 9 451 thousand in legal reserve, EUR 13 423 thousand in free reserves and the remainder (EUR 24 382 thousand) having been transferred to cover negative retained earnings.



### 30. RESERVES, RETAINED EARNINGS AND NET INCOME FOR PERIOD

At 31 December 2011 and 2010, the reserves and retained earnings headings comprise the following:

	31.12.2011	31.12.2010
<b>Fair value reserve, net of deferred tax</b>		
Available-for-sale financial assets (Note 8.)	(2 066 908)	(494 339)
Assets with repurchase agreement	(11 314)	(13 021)
Held-to-maturity investments	364 788	-
	<b>(2 078 222)</b>	<b>(507 360)</b>
<b>Other reserves and retained earnings</b>		
Legal reserve - CGD	862 906	853 455
Other reserves	971 055	697 213
Retained earnings	(125 264)	(143 564)
	<b>1 708 697</b>	<b>1 407 104</b>
<b>Net income attributable to the shareholder of CGD</b>	(488 425)	254 873
	<b>(857 950)</b>	<b>1 154 617</b>

In accordance with CGD's Articles of Association a minimum of 20% of annual net income must be transferred to the legal reserve. This reserve can only be used to cover accumulated losses or for capital increases.

At 31 December 2011, the "Other reserves and retained earnings" heading includes the CGD's legal reserve amounting to EUR 862 906 thousand (EUR 853 455 thousand at 31 December 2010), and the 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 due to that reason are not deemed to be distributable, amounted to EUR 110 425 thousand and EUR 208 998 thousand at 31 December 2011 and 2010, and were recorded in compliance with the following legislation:

	31.12.2011	31.12.2010
<b>Tangible fixed assets:</b>		
Decree-Law n° 219/82, of 2 June	1 752	31 515
Decree-Law n° 399 - G/84, of 28 December	1 219	18 850
Decree-Law n° 118 - B/86, of 27 May	2 304	27 017
Decree-Law n° 111/88, of 2 April	8 974	11 082
Decree-Law n° 49/91, of 25 January	22 880	31 270
Decree-Law n° 264/92, of 24 November	24 228	34 861
Decree-Law n° 31/98, of 11 February	48 345	53 680
<b>Financial fixed assets</b>	723	723
	<b>110 425</b>	<b>208 998</b>

In 2011, CGD made a share capital increase through the incorporation of available reserves. EUR 98 573 thousand of fixed assets legal revaluation reserves and EUR 1427 thousand of other reserves (Note 29.) were used for this purpose.

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".

In 2011, the Group made changes to its accounting policy as to the recognition of actuarial gains and losses associated with liabilities with pots-employment benefits. As a result, the financial statements were restated taking into account the effects of the retrospective application of the new accounting criteria (Note 2.3.).

The net contribution of subsidiaries and branches to CGD's net income was determined as follows:

	31.12.2011	31.12.2010
<b>Caixa Geral de Depósitos, SA</b>		
Caixa Geral de Depósitos	(589 384)	68 574
Spain Branch	(70 449)	(36 971)
Madeira Offshore Financial Branch	43 697	12 920
France Branch	38 952	28 188
Cayman Branch	(13 466)	9 601
New York Branch	3 224	8 145
Luxembourg Branch	(1 052)	165
London Branch	855	12 174
East Timor Branch	807	552
Zhuhai Branch	7	(21)
	<b>(586 809)</b>	<b>103 326</b>
<b>Contribution of subsidiaries to net income:</b>		
Banco Nacional Ultramarino, SA (Macau)	27 788	25 647
CGD Finance	15 767	1 485
Banco Comercial e de Investimentos, SARL	12 013	10 290
Mercantile Bank Holdings, Ltd.	11 220	9 543
Partang, SGPS <sup>(a)</sup>	9 234	6 370
Parcaixa, SGPS, SA	9 454	3 045
Caixagest Private Equity FEI	8 084	6 319
Inmobiliaria Caixa Geral, SL	(6 459)	(3 619)
Wolfpart, SGPS	(6 263)	380
Caixa Leasing e Factoring – IFIC, SA	(5 845)	4 595
Fundo de Capital de Risco – Grupo CGD	(5 531)	3 488
Banco Caixa Geral Brasil, SA	5 504	4 784
Caixagest Imobiliário Internacional FEI	5 264	5 114
Caixa – Banco de Investimento, SA <sup>(a)</sup>	4 985	35 313
Caixa Seguros e Saúde, SGPS, SA <sup>(a)</sup>	4 951	34 087
Banco Comercial do Atlântico, SA	(4 386)	2 421
Fundimo – Sociedade Gestora de Fundos de Investimento Imobiliário, SA	4 376	3 408
BPD – Banco para a Promoção e Desenvolvimento – Angola	(4 218)	-
Caixa Geral Finance	3 052	1 338
Imocaixa	(2 841)	616
CGD Macau	2 174	2 866
Mesquita Etvia	1 947	(687)
Banco Nacional de Investimento (Mozambique)	(1 760)	-
Locarent	1 193	380
FCR Empreender +	(1 177)	(23)
Caixagest – Técnicas de Gestão de Fundos, SA	1 142	1 053
Fundo Especial de Investimento Aberto Estratégias Alternativas	(1 023)	(238)
Banco Caixa Geral, SA	(510)	529
Caixagest Renda Mensal – Fundo de Investimento Mobiliário Aberto de Obrigações de Taxa Variável	-	(11 913)
Other	2 116	(2 239)
	<b>90 249</b>	<b>144 350</b>
<b>Contribution of associates to net income:</b>		
SIBS – Sociedade Interbancária de Serviços, SA	3 559	2 764
Torre Ocidente	3 263	435
Banco Internacional de São Tomé e Príncipe, SA	301	291
Other	1 012	3 706
	<b>8 135</b>	<b>7 197</b>
<b>Consolidated net income attributable to the shareholder of CGD</b>	<b>(488 425)</b>	<b>254 873</b>

(a) Data taken from the consolidated financial statements.

(b) Includes the activity of Banco Caixa Geral Totta Angola.

## 31. NON CONTROLLING INTEREST

Third party investments in subsidiary companies, by entity, are made up as follows:

	31.12.2011	31.12.2010
Parcaixa, SGPS, SA	496 123	496 467
Partang, SGPS <sup>(a)</sup>	160 235	144 739
Caixa Geral Finance	96 465	557 749
Caixagest Imobiliário Internacional FEI	73 837	71 672
Banco Comercial e de Investimentos, SARL	56 090	36 467
Banco Nacional de Investimentos (Mozambique)	30 233	806
Caixagest Private Equity FEI	26 224	26 911
Caixagest Infra-Estruturas FEI	25 315	26 522
Caixagest Estratégia Dinâmica	22 554	27 807
Mercantile Bank Holdings, Ltd.	12 973	14 221
Caixagest Oportunidades FEI	12 766	370
Banco Comercial do Atlântico, SARL	11 813	11 839
Fundo Especial Investimento Aberto Caixagest Estratégias Alternativas	5 853	7 681
FCR Energias Renováveis – Caixa Capital	4 810	4 645
Caixa Seguros e Saúde, SGPS, SA	4 046	1 308
Banco Interatlântico, SARL	4 024	4 046
Credip – IFIC, SA	2 379	2 341
Garantia - Companhia de Seguros de Cabo Verde, SARL	1 635	1 378
Caixagest Renda Mensal – Fundo de Investimento Mobiliário Aberto de Obrigações de Taxa Variável	-	63 999
Caixagest Moeda	-	25 877
Other	(2 173)	3 506
	<b>1 045 203</b>	<b>1 530 350</b>

(a) Includes the activity of Banco Caixa Geral Totta de Angola.

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 the course of its business activity, the Group has been re-acquiring preference shares issued by Caixa Geral Finance which accumulated amount was EUR 503 766 thousand at 31 December 2011. In 2011 and, as a result of this situation, the Group recorded earnings of around EUR 126 186 thousand, net of the tax effect, which were recognised as a charge to "Other reserves".

The proportion of consolidated net income attributable to minority shareholders in 2011 and 2010 is as follows:

	31.12.2011	31.12.2010
Partang, SGPS <sup>(a)</sup>	27 594	21 291
Parcaixa, SGPS, SA	13 458	8 776
Banco Comercial e de Investimentos, SARL	11 541	9 886
Caixa Geral Finance	7 379	7 930
Caixa Leasing e Factoring – IFIC, SA	(5 616)	4 414
Banco Comercial do Atlântico, SA	3 506	1 660
Caixagest Private Equity FEI	3 277	2 715
Caixagest Imobiliário Internacional FEI	2 232	2 155
Banco Nacional de Investimento – Mozambique	(1 760)	-
Caixagest Renda Mensal – Fundo de Investimento Mobiliário Aberto de Obrigações de Taxa Variável	-	(11 761)
Other	(2 391)	1 739
	<b>59 221</b>	<b>48 806</b>

(a) Includes the activity of Banco Caixa Geral Totta de Angola..

## 32. INTEREST AND SIMILAR INCOME AND COSTS

These headings are made up as follows:

	31.12.2011	31.12.2010
<b>Interest and similar income</b>		
Interest on loans and advances to domestic credit institutions	66 920	73 761
Interest on loans and advances to foreign credit institutions	24 315	22 784
Interest on domestic credit	2 035 665	1 655 804
Interest on foreign credit	533 046	247 809
Interest on overdue credit	39 347	43 481
Interest on financial assets held for trade		
Derivatives	1 318 864	1 421 371
Securities	29 769	71 139
Interest on financial assets at fair value through profit or loss	5 856	5 254
Interest on available-for-sale financial assets	741 279	440 632
Interest on hedging derivatives	47 687	103 536
Interest on debtors and other applications	9 535	16 951
Interest on cash equivalents	23 544	24 070
Interest on other loans and other amounts receivable	182 456	104 847
Other interest and similar income	8 101	12 725
Commissions received relating to amortised cost	107 382	98 856
Other	194 427	45 070
	<b>5 368 195</b>	<b>4 388 089</b>
<b>Interest and similar costs</b>		
Interest on deposits of		
Central and local government	94 564	28 618
Other residents	718 715	449 490
Emigrants	49 731	35 304
Other non-residents	185 008	44 649
Fixed rate products - insurance	164 718	163 475
Other	765	806
Interest on resources of foreign credit institutions	94 366	130 217
Interest on resources of domestic credit institutions	138 949	13 367
Interest on swaps	1 272 096	1 252 724
Interest on other trading liabilities	3 273	4 259
Interest on unsubordinated debt securities	616 349	634 864
Interest on subordinated liabilities	22 535	29 650
Interest on hedging derivatives	71 835	64 704
Other interest and similar costs	54 957	47 638
Commissions paid relating to amortised cost	11 536	12 209
Other	183 533	60 856
	<b>3 682 929</b>	<b>2 972 831</b>

### 33. INCOME FROM EQUITY INSTRUMENTS

This heading comprises the following:

	31.12.2011	31.12.2010
Portugal Telecom, SGPS, SA	85 283	98 264
ZON Multimédia – Serviços de Telecomunicações e Multimédia, SGPS, SA	5 317	5 972
AdP – Águas de Portugal, SA	5 130	4 677
EDP – Energias de Portugal, SA	4 202	37 448
Brisa – Auto Estradas de Portugal, SA	2 803	2 804
Galp Energia, SGPS, SA	1 951	3 067
BCP – Valores Mobiliários Perpétuos	1 540	2 918
REN – Redes Energéticas Nacionais, SGPS, SA	986	1 302
Banco Espírito Santo, SA	631	2 313
Unicre – Cartão Internacional de Crédito, SA	-	2 024
Income received from investment funds	32 680	25 828
Other	6 201	10 859
	<b>146 724</b>	<b>197 477</b>

### 34. INCOME AND COSTS FROM SERVICES AND COMMISSIONS

These headings comprise the following:

	31.12.2011	31.12.2010
<b>Income from services rendered and commissions:</b>		
Means of payment	235 604	218 566
Operations carried out on behalf of third parties	101 721	107 071
Credit operations	146 089	122 423
Asset management	46 291	52 097
Guarantees given	63 390	60 735
Operations on financial instruments	12 939	29 461
Other	49 955	58 275
	<b>655 988</b>	<b>648 628</b>
<b>Cost of services and commissions:</b>		
Means of payment	104 878	92 994
Operations carried out on behalf of third parties	12 407	19 632
Credit operations	3 734	8 695
Asset management	7 544	9 348
Guarantees received	576	109
Operations on financial instruments	16 890	10 652
Other	<b>5 328</b>	<b>4 884</b>
	<b>151 356</b>	<b>146 313</b>

## 35. RESULTS FROM FINANCIAL OPERATIONS

These headings comprise the following:

	31.12.2011	31.12.2010
<b>Result from foreign exchange operations:</b>		
Revaluation of foreign exchange position	2 052	90 887
Results from currency derivatives	54 909	(37 714)
	<b>56 960</b>	<b>53 173</b>
<b>Result from financial assets and liabilities held for trading:</b>		
Securities:		
Debt instruments	(36 263)	20 946
Equity instruments	(32 123)	(47 154)
Other instruments	(2 411)	4 190
	<b>(70 797)</b>	<b>(22 018)</b>
Derivatives:		
Interest rate	(243 124)	(45 509)
Shares and indexes	15 749	100 161
Credit default	14 886	11 584
Other	2 720	7 125
	<b>(209 769)</b>	<b>73 361</b>
	<b>(280 566)</b>	<b>51 343</b>
<b>Result from other financial assets at fair value through profit or loss</b>		
Debt instruments	5 921	6 751
Equity instruments	34 245	(66 662)
Other securities	12 975	26 485
Loans and other amounts receivable	<b>(1 349)</b>	<b>(16)</b>
	<b>51 791</b>	<b>(33 441)</b>
<b>Result from the sale of loans and advances to customers</b>	<b>(27 543)</b>	<b>1 374</b>
<b>Result from available-for-sale financial assets:</b>		
Debt instruments	34 519	(6 392)
Equity instruments		
Portugal Telecom (Note 8.)	(24 371)	63 184
BCP Perpétuas (Note 8.)	(8 132)	-
Instituto da Habitação e da Reabilitação Urbana (Note 8.)	28 024	-
EDP – Energias de Portugal (Note 8.)	5 322	26 771
Zon Multimédia (Note 8.)	2	12 821
Unicre (Note 8.)	-	21 816
GALP Energia (Note 8.)	-	2 414
Other	(6 702)	2 579
	<b>(5 857)</b>	<b>129 585</b>
Other securities	7 515	(107 026)
	<b>36 178</b>	<b>16 167</b>
<b>Result of hedging operations:</b>		
Hedging derivatives	106 889	201 902
Value adjustments of hedged assets and liabilities	(102 569)	(168 290)
	<b>4 320</b>	<b>33 611</b>
<b>Other</b>		
Results in the repurchase of liabilities issued	120 564	1 334
Other	13 530	825
	<b>134 094</b>	<b>2 160</b>
	<b>(24 766)</b>	<b>124 388</b>

On 31 December 2010, the "Result of available-for-sale financial assets – Other securities" heading comprises EUR 91 537 thousand relative to accumulated capital losses in unit trust funds which became part of the Group consolidation perimeter during the year. Equity participation in these funds were recorded in the available-for-sale category and the difference between fair value at the date of

first consolidation and the respective acquisition cost, was recognised against "Fair value reserves", being reclassified at that date in income for the year.

During 2011, Caixa Group sold loans and advances to customers to the corporate and project finance portfolio in a total amount of approximately EUR 662 046 thousand. Losses of some EUR 27 543 thousand were recorded as a result of these operations.

## 36. OTHER NET OPERATING INCOME

These headings comprise the following:

	31.12.2011	31.12.2010
<b>Other operating income:</b>		
Rendering of services	255 713	240 700
Expense reimbursement	12 069	6 996
Gains on subsidiaries and associates	-	22 896
Operating lease instalments	5 332	4 493
Gains on non-financial assets:		
Non-current assets held for sale (Note 14.)	11 328	5 578
Other tangible assets	1 688	108 877
Investment property	16 632	16 697
Other	399	392
Secondment of employees to Caixa Geral de Aposentações	1 567	5 169
Sale of cheques	17 759	18 979
Other	56 478	65 970
	<b>378 965</b>	<b>496 746</b>
<b>Other operating costs:</b>		
Donations and subscriptions	9 509	10 199
Losses on non-financial assets:		
Non-current assets held for sale (Note 14.)	7 912	1 350
Other tangible assets	1 517	1 322
Other	8 013	4 856
Other taxes	29 758	32 191
Contribution to the Deposit Guarantee Fund	12 841	12 098
Fines and penalties	377	4 011
Other	94 150	79 757
	<b>164 077</b>	<b>145 783</b>
	<b>214 887</b>	<b>350 963</b>

In 31 December 2011 and 2010, the "Rendering of services" heading includes operating income from the Group's equity investments in the healthcare 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 16.).

## 37. TECHNICAL MARGIN ON INSURANCE OPERATIONS

### 37.1 Premiums net of reinsurance

This heading caption for the years 2011 and 2010, is made up as follows:

	31.12.2011	31.12.2010
<b>Caixa Seguros</b>		
Direct insurance and inwards reinsurance		
Gross premiums written		
Life insurance	267 726	310 728
Non-life insurance	1 133 143	1 182 387
Outwards reinsurance premiums	(168 509)	(183 083)
	<b>1 232 361</b>	<b>1 310 032</b>
Other	11 305	13 321
	<b>1 243 666</b>	<b>1 323 352</b>

Earned premiums, net of reinsurance, issued by Caixa Seguros, are made up as follows:

	31.12.2011			31.12.2010		
	Direct insurance and inwards reinsurance	Outwards reinsurance	Net	Direct insurance and inwards reinsurance	Outwards reinsurance	Net
<b>Life insurance:</b>						
Insurance contracts						
Without profit sharing	154 453	(20 656)	133 797	152 081	(19 593)	132 488
With profit sharing	52 461	(2 228)	50 233	54 145	(1 761)	52 385
Investment contracts with discretionary profit sharing	60 812	-	60 812	104 501	-	104 501
	<b>267 726</b>	<b>(22 884)</b>	<b>244 842</b>	<b>310 728</b>	<b>(21 354)</b>	<b>289 374</b>
<b>Non-life insurance:</b>						
Gross premiums written						
Workman's compensation	149 083	(1 106)	147 977	163 761	(889)	162 872
Personal and passenger accident	27 463	(4 387)	23 076	35 058	(10 052)	25 006
Health	178 881	(14)	178 867	175 128	250	175 378
Fire and other damage	243 218	(98 118)	145 100	244 006	(102 910)	141 096
Motor	420 783	(1 890)	418 894	438 819	(7 231)	431 588
Marine, air and transport	24 711	(18 407)	6 305	29 350	(23 356)	5 993
General third party liability	35 226	(11 560)	23 665	35 719	(11 406)	24 313
Credit and guarantees	1 025	(626)	400	1 122	(670)	452
Legal protection	6 582	(58)	6 524	5 690	1 635	7 326
Assistance	26 815	(4)	26 811	26 969	3 905	30 874
Miscellaneous	19 354	(9 455)	9 899	26 765	(11 004)	15 761
	1 133 143	(145 624)	987 519	1 182 387	(161 729)	1 020 658
<b>Total premiums, net of reinsurance</b>	<b>1 400 870</b>	<b>(168 509)</b>	<b>1 232 361</b>	<b>1 493 114</b>	<b>(183 083)</b>	<b>1 310 032</b>
<b>Change in provision for unearned premiums</b>						
Workman's compensation	628	202	830	567	-	567
Personal and passenger accident	3 830	(3 138)	692	(447)	842	395
Health	869	(1 264)	(395)	1 398	(1 770)	(372)
Fire and other damage	(3 958)	1 848	(2 110)	(3 607)	1 115	(2 492)
Motor	7 179	161	7 340	20 008	24	20 032
Marine, air and transport	1 297	(1 310)	(13)	1 291	(1 073)	218
General third party liability	348	111	459	(105)	165	59
Credit and guarantees	(38)	(29)	(67)	(12)	35	23
Legal protection	(86)	-	(86)	(1 961)	(2)	(1 964)
Assistance	344	-	344	(7 362)	(16)	(7 379)



	31.12.2011			31.12.2010		
	Direct insurance and inwards reinsurance	Outwards reinsurance	Net	Direct insurance and inwards reinsurance	Outwards reinsurance	Net
Miscellaneous	97	(442)	(346)	(5 467)	2 168	(3 299)
	<b>10 512</b>	<b>(3 829)</b>	<b>6 648</b>	<b>4 301</b>	<b>1 490</b>	<b>5 789</b>
<b>Premiums earned:</b>						
Workman's compensation	149 711	(904)	148 807	164 328	(889)	163 439
Personal and passenger accident	31 293	(7 525)	23 768	34 611	(9 210)	25 401
Health	179 750	(1 279)	178 471	176 525	(1 520)	175 005
Fire and other damage	239 260	(96 270)	142 990	240 399	(101 795)	138 603
Motor	427 963	(1 729)	426 234	458 827	(7 206)	451 620
Marine, air and transport	26 009	(19 717)	6 292	30 641	(24 429)	6 212
General third party liability	35 574	(11 449)	24 125	35 614	(11 242)	24 372
Credit and guarantees	987	(654)	333	1 109	(635)	475
Legal protection	6 496	(58)	6 438	3 729	1 633	5 362
Assistance	27 160	(4)	27 156	19 607	3 889	23 496
Miscellaneous	19 451	(9 897)	9 554	21 298	(8 836)	12 462
	<b>1 143 654</b>	<b>(149 487)</b>	<b>994 167</b>	<b>1 186 688</b>	<b>(160 241)</b>	<b>1 026 447</b>
<b>Total</b>	<b>1 411 381</b>	<b>(172 371)</b>	<b>1 239 009</b>	<b>1 497 415</b>	<b>(181 594)</b>	<b>1 315 821</b>

The changes in the provision for unearned premiums are recorded in the "Cost of claims – change in other technical provisions" heading (Note 37.3.).

## 37.2 Result of investments relating to insurance contracts

This heading caption for the years 2011 and 2010, is made up as follows:

	31.12.2011			31.12.2010		
	Life insurance	Non-life insurance	Total	Life insurance	Non-life insurance	Total
Interest	86 601	41 344	127 945	80 801	38 836	119 637
Dividends	13 626	5 993	19 619	13 950	6 177	20 127
Net realised capital gains and losses	(12 365)	5 944	(6 421)	33 593	(7 510)	26 085
Net unrealised capital gains and losses	(2 284)	(12 963)	(15 247)	8 216	11 606	19 822
Other	-	17 504	17 504	2 812	18 284	21 096
	<b>85 578</b>	<b>57 822</b>	<b>143 399</b>	<b>139 372</b>	<b>67 393</b>	<b>206 767</b>

## 37.3 Cost of claims, net of reinsurance

This heading caption for the years 2011 and 2010, is made up as follows:

	31.12.2011			31.12.2010		
	Life insurance	Non-life insurance	Total	Life insurance	Non-life insurance	Total
<b>Caixa Seguros</b>						
Direct insurance and inwards reinsurance						
Claims paid	1 182 986	751 253	1 934 239	908 425	772 470	1 680 895
Change in provision for claims	(25 536)	(104 392)	(129 928)	(1 765)	(53 182)	(54 947)
	<b>1 157 450</b>	<b>646 861</b>	<b>1 804 311</b>	<b>906 660</b>	<b>719 288</b>	<b>1 625 948</b>
Provision for profit sharing	(10 266)	(210)	(10 476)	1 842	173	2 015
Change in other technical provisions	(953 440)	(12 534)	(965 974)	(643 459)	12 295	(631 164)
	<b>193 744</b>	<b>634 117</b>	<b>827 861</b>	<b>265 043</b>	<b>731 756</b>	<b>996 799</b>

	31.12.2011			31.12.2010		
Balance of outwards reinsurance	(9 320)	(30 655)	(39 975)	(8 145)	(58 749)	(66 894)
Subtotal Caixa Seguros	184 424	603 462	787 887	256 898	673 007	929 905
Other	-	843	843	-	1 755	1 755
	<b>184 424</b>	<b>604 305</b>	<b>788 719</b>	<b>256 898</b>	<b>674 762</b>	<b>931 660</b>

The cost of claims relating to Caixa Seguros e Saúde non-life insurance operations, by type of insurance, is made up as follows:

	31.12.2011				
	Claims paid	Change in provision for claims	Subtotal	Change in other technical provisions	Profit sharing
<b>Direct insurance and inwards reinsurance:</b>					
Workman's compensation	109 020	3 806	112 826	(1 523)	(20)
Personal and passenger accident	7 586	631	8 217	(161)	40
Health	139 902	(11 353)	128 549	6 802	(204)
Fire and other damage	137 797	(14 199)	123 598	(1 948)	19
Motor	296 499	(32 039)	264 460	(12 618)	(3)
Marine, air and transport	8 355	(26 809)	(18 454)	(16)	-
General third party liability	11 113	(11 419)	(306)	(1 934)	(5)
Credit and guarantees	180	20	200	21	-
Legal protection	238	556	794	1	-
Assistance	27 217	(14 504)	12 713	12	(37)
Miscellaneous	13 346	918	14 264	(1 170)	-
	<b>751 253</b>	<b>(104 392)</b>	<b>646 861</b>	<b>(12 534)</b>	<b>(210)</b>
<b>Outwards reinsurance:</b>					
Workman's compensation	(83)	(1)	(84)	-	-
Personal and passenger accident	(486)	(3 409)	(3 895)	-	-
Health	7 569	(110)	7 459	-	-
Fire and other damage	(62 270)	14 218	(48 052)	-	-
Motor	(1 940)	2 365	425	-	-
Marine, air and transport	(5 935)	24 449	18 514	-	-
General third party liability	(1 063)	1 727	664	-	-
Credit and guarantees	-	26	26	-	-
Legal protection	-	-	-	-	-
Assistance	-	-	-	-	-
Miscellaneous	(5 542)	(170)	(5 712)	-	-
	<b>(69 750)</b>	<b>39 095</b>	<b>(30 655)</b>	<b>-</b>	<b>-</b>
<b>Net:</b>					
Workman's compensation	108 937	3 805	112 742	(1 523)	(20)
Personal and passenger accident	7 100	(2 778)	4 322	(161)	40
Health	147 471	(11 463)	136 008	6 802	(204)
Fire and other damage	75 527	19	75 546	(1 948)	19
Motor	294 559	(29 674)	264 885	(12 618)	(3)
Marine, air and transport	2 420	(2 360)	60	(16)	-
General third party liability	10 050	(9 692)	358	(1 934)	(5)
Credit and guarantees	180	46	226	21	-
Legal protection	238	556	794	1	-
Assistance	27 217	(14 504)	12 713	12	(37)
Miscellaneous	7 804	748	8 552	(1 170)	-
	<b>681 503</b>	<b>(65 297)</b>	<b>616 206</b>	<b>(12 534)</b>	<b>(210)</b>

31.12.2010						
	Claims paid	Change in provision for claims	Subtotal	Change in other technical provisions	Profit sharing	Total
<b>Direct insurance and inwards reinsurance:</b>						
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
	<b>772 470</b>	<b>(53 182)</b>	<b>719 288</b>	<b>12 295</b>	<b>173</b>	<b>731 756</b>
<b>Outwards reinsurance:</b>						
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)
	<b>(53 359)</b>	<b>(5 388)</b>	<b>(58 747)</b>	<b>-</b>	<b>-</b>	<b>(58 747)</b>
<b>Net:</b>						
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
	<b>719 111</b>	<b>(58 570)</b>	<b>660 541</b>	<b>12 295</b>	<b>173</b>	<b>673 009</b>

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 amounts											
Accounting year	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	Total
2002	130 420	-	-	-	-	-	-	-	-	-	130 420
2003	142 655	142 469	-	-	-	-	-	-	-	-	285 124
2004	153 668	143 255	197 014	-	-	-	-	-	-	-	493 938
2005	161 276	155 076	182 114	172 376	-	-	-	-	-	-	670 843
2006	162 666	160 052	195 728	193 813	171 468	-	-	-	-	-	883 726
2007	171 215	164 710	199 531	193 324	186 491	179 194	-	-	-	-	1 094 463
2008	175 897	169 027	199 475	195 119	189 104	179 630	189 765	-	-	-	1 298 018
2009	176 787	169 817	202 563	197 296	190 241	174 581	164 952	133 615	-	-	1 409 853
2010	174 602	164 638	201 362	195 148	194 371	178 990	165 772	124 755	109 463	-	1 509 101
2011	175 291	165 265	201 990	197 972	197 416	180 043	168 140	125 299	102 431	96 228	1 610 077
Cost of claims recorded in 2011:											
➤ Claims from 2002 to 2011											100 975
➤ Claims from previous years											11 557
➤ Costs with claims of inwards reinsurance											295
112 827											
Liabilities recognised in the balance sheet (Provision for direct insurance claims)											
2011	39 008	34 074	69 619	38 983	40 924	39 243	39 978	48 164	55 472	76 295	481 760
Provision for claims prior to 2002											278 968
Total direct insurance											760 727
Provision for claims of inwards reinsurance											380
Total											761 107

Type of insurance:	Fire and other damage										
Accumulated amounts											
Accounting year	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	Total
2002	80 450	-	-	-	-	-	-	-	-	-	80 450
2003	85 868	82 113	-	-	-	-	-	-	-	-	167 981
2004	87 491	82 036	111 921	-	-	-	-	-	-	-	281 447
2005	87 737	85 556	112 070	94 631	-	-	-	-	-	-	379 995
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	-	-	-	-	560 241
2008	90 467	80 934	110 548	102 110	83 467	87 970	132 779	-	-	-	688 276
2009	90 062	81 774	110 146	101 960	82 047	86 686	132 378	152 815	-	-	837 869
2010	88 833	82 584	110 107	100 150	82 853	87 190	129 696	157 357	122 129	-	960 898
2011	88 897	81 477	109 893	95 286	84 325	87 229	129 251	164 220	123 003	117 876	1 081 459
Cost of claims recorded in 2011:											
➤ Claims from 2002 to 2011											120 560
➤ Claims from previous years											116
➤ Costs with claims of inwards reinsurance											2 922
123 598											
Liabilities recognised in the balance sheet (Provision for direct insurance claims)											
2011	1 315	4 455	3 409	1 331	6 793	4 430	7 298	26 053	17 590	65 949	138 625
	Provision for claims prior to 2002										8 320
	Total direct insurance										146 945
	Provision for claims of inwards reinsurance										7 866
	Total										154 811

Type of insurance:	Motor										
Accumulated amounts											
Accounting year	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	Total
2002	576 632	-	-	-	-	-	-	-	-	-	576 632
2003	600 484	550 502	-	-	-	-	-	-	-	-	1 150 985
2004	630 630	564 933	554 251	-	-	-	-	-	-	-	1 749 815
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	-	-	-	-	3 078 908
2008	642 737	579 114	533 898	483 103	425 695	399 696	407 253	-	-	-	3 471 497
2009	616 258	560 755	514 830	477 279	438 158	415 152	401 460	358 477	-	-	3 782 369
2010	614 503	555 398	510 312	470 204	426 490	411 203	401 367	357 009	323 850	-	4 070 335
2011	608 960	552 093	504 457	466 870	428 999	407 554	398 815	358 541	322 514	298 943	4 347 746
Cost of claims recorded in 2011:											
➤ Claims from 2002 to 2011											277 411
➤ Claims from previous years											(12 956)
➤ Costs with claims of inwards reinsurance											5
264 461											
Liabilities recognised in the balance sheet (Provision for direct insurance claims)											
2011	20 131	25 384	31 959	30 053	45 517	61 424	67 947	86 358	85 531	154 414	608 720
	Provision for claims prior to 2002										47 471
	Total direct insurance										656 190
	Provision for claims of inwards reinsurance										3 880
	Total										660 070

Type of insurance:	Marine and transport										
Accumulated amounts											
Accounting year	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	Total
2002	4 371	-	-	-	-	-	-	-	-	-	4 371
2003	4 168	2 546	-	-	-	-	-	-	-	-	6 714
2004	3 290	2 439	2 514	-	-	-	-	-	-	-	8 242
2005	3 385	2 527	2 739	3 810	-	-	-	-	-	-	12 461
2006	3 347	2 307	2 408	3 878	2 329	-	-	-	-	-	14 270
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
2011	2 411	2 019	2 776	3 476	2 560	3 550	2 229	2 858	906	879	23 664
Cost of claims recorded in 2011:											
➤ Claims from 2002 to 2011											1 964
➤ Claims from previous years											(25)
➤ Costs with claims of inwards reinsurance											(36)
											1 903
Liabilities recognised in the balance sheet (Provision for direct insurance claims)											
2011	21	199	198	57	306	161	546	171	225	603	2 488
Provision for claims prior to 2002											204
Total direct insurance											2 692
Provision for claims of inwards reinsurance											630
Total											3 322

Type of insurance:	Air										
Accumulated amounts											
Accounting year	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	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	-	-	38 757
2010	563	4 330	29 006	1 817	560	799	949	2 005	305	-	40 335
2011	563	4 244	4 372	1 913	1 116	1 242	1 300	1 963	792	536	18 041
Cost of claims recorded in 2011:											
➤ Claims from 2002 to 2011											(22 294)
➤ Claims from previous years											(4)
➤ Costs with claims of inwards reinsurance											87
(22 211)											
Liabilities recognised in the balance sheet (Provision for direct insurance claims)											
2011	0	0	1 049	313	139	105	135	409	203	385	2 737
	Provision for claims prior to 2002										1 693
	Total direct insurance										4 431
	Provision for claims of inwards reinsurance										1 197
	Total										5 627

Type of insurance:	Transport of goods										
Accumulated amounts											
Accounting year	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	Total
2002	6 685	-	-	-	-	-	-	-	-	-	6 685
2003	8 118	4 893	-	-	-	-	-	-	-	-	13 011
2004	7 030	4 320	4 796	-	-	-	-	-	-	-	16 145
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	-	-	-	-	29 866
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
2011	6 451	4 322	4 824	4 203	4 465	5 502	4 428	4 772	3 355	2 813	45 136
Cost of claims recorded in 2011:											
➤ Claims from 2002 to 2011											2 460
➤ Claims from previous years											(618)
➤ Costs with claims of inwards reinsurance											13
											1 855
Liabilities recognised in the balance sheet (Provision for direct insurance claims)											
2011	80	149	140	68	305	371	416	284	1 289	1 575	4 678
Provision for claims prior to 2002											190
Total direct insurance											4 868
Provision for claims of inwards reinsurance											130
Total											4 998

Type of insurance:	General third party liability										
Accumulated amounts											
Accounting year	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	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	-	-	-	-	-	-	81 855
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	-	-	-	-	98 609
2008	18 602	21 721	18 092	13 507	17 811	14 104	10 805	-	-	-	114 642
2009	19 347	22 687	18 802	14 877	18 875	15 713	13 563	14 793	-	-	138 658
2010	20 262	24 405	19 774	14 642	24 742	16 060	13 684	19 847	16 988	-	170 403
2011	20 116	23 968	18 438	13 894	21 719	19 519	14 601	19 463	17 850	14 747	184 314
Cost of claims recorded in 2011:											
➤ Claims from 2002 to 2011											13 911
➤ Claims from previous years											(2 573)
➤ Costs with claims of inwards reinsurance											(11 644)
											(306)
Liabilities recognised in the balance sheet (Provision for direct insurance claims)											
2011	4 925	6 903	4 367	5 708	6 971	9 006	5 962	11 924	12 517	12 615	80 898
	Provision for claims prior to 2002										13 499
	Total direct insurance										94 397
	Provision for claims of inwards reinsurance										22 730
	Total										117 127

Type of insurance:	Miscellaneous financial losses										
Accumulated amounts											
Accounting year	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	Total
2002	2 207	-	-	-	-	-	-	-	-	-	2 207
2003	2 294	4 783	-	-	-	-	-	-	-	-	7 076
2004	2 385	4 340	7 095	-	-	-	-	-	-	-	13 819
2005	2 470	4 593	7 533	2 926	-	-	-	-	-	-	17 523
2006	2 438	4 424	7 328	4 189	5 079	-	-	-	-	-	23 457
2007	2 450	4 346	7 796	4 173	6 005	8 953	-	-	-	-	33 724
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	-	96 853
2011	2 451	4 365	7 750	4 190	5 468	9 683	34 426	14 606	16 119	11 119	110 177
Cost of claims recorded in 2011:											
➤ Claims from 2002 to 2011											13 324
➤ Claims from previous years											0
➤ Costs with claims of inwards reinsurance											1 186
14 510											
Liabilities recognised in the balance sheet (Provision for direct insurance claims)											
2011	3	1	1	31	66	165	2 499	3 960	3 468	6 057	16 250
	Provision for claims prior to 2002										1
	Total direct insurance										16 252
	Provision for claims of inwards reinsurance										242
	Total										16 494

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 coincide.

The cost of life insurance claims of Caixa Seguros e Saúde for 2011 and 2010, by type of insurance, is made up as follows:

31.12.2011						
	Claims paid	Change in provision for claims	Subtotal	Change in other technical provisions	Profit sharing	Total
<b>Direct insurance and inwards reinsurance:</b>						
Insurance contracts						
Without profit sharing	68 697	6 121	74 818	3 077	-	77 895
With profit sharing	26 382	(5 358)	21 024	(9 931)	6 718	17 811
Investment contracts with discretionary profit sharing	1 087 907	(26 299)	1 061 608	(946 586)	(16 984)	98 038
	<b>1 182 986</b>	<b>(25 536)</b>	<b>1 157 450</b>	<b>(953 440)</b>	<b>(10 266)</b>	<b>193 744</b>
<b>Outwards reinsurance:</b>						
Insurance contracts						
Without profit sharing	(7 117)	1 024	(6 093)	(2 456)	-	(8 549)
With profit sharing	(1 609)	762	(847)	72	4	(771)
Investment contracts with discretionary profit sharing	-	-	-	-	-	-
	<b>(8 726)</b>	<b>1 786</b>	<b>(6 940)</b>	<b>(2 384)</b>	<b>4</b>	<b>(9 320)</b>
<b>Net:</b>						
Insurance contracts						
Without profit sharing	61 580	7 145	68 725	621	-	69 346
With profit sharing	24 773	(4 596)	20 177	(9 859)	6 722	17 040
Investment contracts with discretionary profit sharing	1 087 907	(26 299)	1 061 608	(946 586)	(16 984)	98 038
	<b>1 174 260</b>	<b>(23 750)</b>	<b>1 150 510</b>	<b>(955 824)</b>	<b>(10 262)</b>	<b>184 424</b>

31.12.2010						
	Claims paid	Change in provision for claims	Subtotal	Change in other technical provisions	Profit sharing	Total
<b>Direct insurance and inwards reinsurance:</b>						
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
	<b>908 425</b>	<b>(1 765)</b>	<b>906 660</b>	<b>(643 459)</b>	<b>1 842</b>	<b>265 043</b>
<b>Outwards reinsurance:</b>						
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	-	-	-	-	-	-
	<b>(10 227)</b>	<b>1 868</b>	<b>(8 359)</b>	<b>245</b>	<b>(31)</b>	<b>(8 145)</b>
<b>Net:</b>						
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
	<b>898 198</b>	<b>103</b>	<b>898 301</b>	<b>(643 214)</b>	<b>1 811</b>	<b>256 898</b>



## 37.4 Commissions and other income and costs relating to insurance

This heading for the years 2011 and 2010 is made up as follows:

	31.12.2011			31.12.2010		
	Life insurance	Non-life insurance	Total	Life insurance	Non-life insurance	Total
<b>Technical income:</b>						
<b>Commissions:</b>						
Outwards reinsurance	5 520	24 386	29 906	6 495	21 775	28 270
Co-insurance management charges	14	915	929	146	1 200	1 346
Pensions Funds management charges	225	-	225	120	-	120
<b>Other technical income</b>						
Other technical income	5	580	585	6	3 600	3 606
	<b>5 764</b>	<b>25 881</b>	<b>31 645</b>	<b>6 767</b>	<b>26 575</b>	<b>33 342</b>
<b>Technical costs:</b>						
<b>Commissions:</b>						
Direct insurance operations:						
Mediation and brokerage charge	(9 180)	(88 623)	(97 803)	(1 410)	(91 903)	(93 313)
Collection charges	(106)	(7 279)	(7 385)	(95)	(8 192)	(8 287)
Other	-	(16 283)	(16 283)	(8)	(11 746)	(11 754)
Inwards reinsurance operations	-	(1 525)	(1 525)	-	35	35
Co-insurance management charges	(31)	(249)	(280)	(5)	(175)	(180)
<b>Other technical costs</b>						
Provision for premiums receivable	(1 595)	6 475	4 880	(437)	(1 456)	(1 893)
Taxes specific to the insurance business	(1 341)	(6 180)	(7 521)	(2 171)	(6 668)	(8 839)
Other	(2)	(1)	(3)	(230)	(1)	(231)
	<b>(12 255)</b>	<b>(113 665)</b>	<b>(125 920)</b>	<b>(4 356)</b>	<b>(120 106)</b>	<b>(124 462)</b>
<b>Other</b>	-	949	949	-	1 659	1 659
	<b>(6 491)</b>	<b>(86 835)</b>	<b>(93 326)</b>	<b>2 411</b>	<b>(91 872)</b>	<b>(89 461)</b>

## 38. STAFF COSTS

This heading is made up as follows:

	31.12.2011	31.12.2010
Remuneration of management and supervisory bodies	14 401	17 397
Remuneration of staff	720 394	747 364
Provision for suspension of labour agreements (Note 39.)	90	816
	<b>734 885</b>	<b>765 577</b>
Other charges relating to remuneration	79 795	77 033
Healthcare - CGD		
Normal cost (Note 39.)	32 434	33 979
Contributions relating to current staff	29 422	30 813
Pension liability - CGD (Note 39.)		
Normal cost	51 630	71 931
Early retirements	968	(1 117)
Other pension costs		
Caixa Seguros e Saúde	3 032	1 969
Other	4 671	6 681
Other mandatory social charges	25 573	26 248
	<b>227 525</b>	<b>247 537</b>
Other staff costs	<b>33 296</b>	<b>27 996</b>
	<b>995 705</b>	<b>1 041 110</b>

As referred to in further detail in Note 2.3., in 2011 the Group changed its accounting policy in what concerns actuarial gains and losses related to post employment benefits which started being recognised in full as a charge to "Other reserves". Financial statements relative to the earlier comparative period were restated in order to reflect in that date, the impacts of the adoption of the new principles. The effects calculated for staff costs were as follows:

	31.12.2010
Staff costs before the change to the accounting policy	1 047 134
Reversal of recognised actuarial (gains) / losses as a charge to net income for the year (amortisation of deviations exceeding the corridor)	
Pension fund	(2 587)
Medical plan	(3 437)
	<b>(6 024)</b>
Staff costs before the change to the accounting policy	<b>1 041 110</b>

The average number of employees of Caixa and subsidiaries in 2011 and 2010, by function, was as follows:

	31.12.2011			31.12.2010		
	Banking	Insurance	Group	Banking	Insurance	Group
Senior management	451	231	682	409	249	657
Management	2 803	563	3 366	2 778	550	3 328
Technical staff	5 047	2 192	7 239	4 490	2 202	6 691
Administrative staff	7 786	2 090	9 876	8 177	2 154	10 331
Auxiliary	1 485	682	2 167	1 364	754	2 118
	<b>17 572</b>	<b>5 758</b>	<b>23 329</b>	<b>17 217</b>	<b>5 908</b>	<b>23 124</b>
Number of employees at the end of the year	<b>17 432</b>	<b>5 703</b>	<b>23 135</b>	<b>17 053</b>	<b>5 958</b>	<b>23 011</b>

These numbers at 31 December 2011 and 2010 do not include staff employed by the Support Department of Caixa Geral de Aposentações (257 in 2011 and 274 in 2010), those assigned to CGD's Social Services (70 in 2011 and 72 in 2010) and to other situations (95 and 99 respectively), namely those on secondment abroad.

## 39. RETIREMENT PENSIONS AND OTHER LONG TERM BENEFITS

### 39.1 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 161/92 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 November, 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 2510 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 2011 and 2010 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 2011 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

The insurance area has several defined benefit pensions plans. Therefore, Fidelidade - Mundial and Império Bonança assumed the commitment to pay their employees retirement, disability and survivors pensions. Other Group companies also have defined benefit pensions plans.

In addition, Império Bonança assumed the commitment to grant employees who are retired or in early retirement after May 1998, post-retirement healthcare benefits.

Liability recorded in the balance sheet relating to defined benefits plans corresponds to the difference between the current value of liabilities and the assets fair value of the pensions fund. The total amount of liabilities is determined on an annual basis, by specialised actuaries, using the unit credit projected method and actuarial assumptions considered adequate. The discount rate used in updating the liabilities reflects the market interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity similar to the average terms of the related pension liability.

The gains and losses resulting from the differences between actuarial and financial assumptions used and the amounts effectively verified as to the liabilities and expected return of the pensions fund, as well as the gains and losses resulting from changes in the actuarial assumptions, are directly recognised in an equity heading.

Cost with retirement and survivors pensions, including current services and interest cost deducted from the expected return, is reflected by the net value in the heading "Staff costs".

The impact of retirement of employees before the regular retirement age defined in the actuarial study is directly reflected in "Staff costs".

On 23 December 2011, a new labour collective (CCT) agreement for the insurance sector was signed, which was published in *Boletim do Trabalho* no. 2 of 15 January 2012. Under the terms of this labour collective agreement, Caixa Seguros e Saúde recorded in the "Other staff costs" heading an

estimate of supplementary remuneration to be paid to employees as a relinquishment of rights from the previous CCT along with an estimate of charges already incurred with bonuses for continuing years of service to employees of the Group.

In accordance with the terms of the new labour agreement for the insurance sector, the present defined benefit pensions plan will be replaced for the current employees as at 1 January 2012, for a defined contribution plan, the current amount of the liabilities for past services being transferred at 31 December 2011, to the individual account of each participant. This change is not applicable to pension liabilities being paid to employees who, at 31 December 2011 are retired or in early-retirement situation.

## 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 2011 and 2010.

The assumptions and technical bases used in respect of CGD and the Group insurance companies were as follows:

	31.12.2011		31.12.2010	
	CGD	Caixa Seguros e Saúde	CGD	Caixa Seguros e Saúde
<b>Actuarial method</b>	Projected Unit Credit		Projected Unit Credit	
<b>Mortality table</b>				
Men	TV 73/77 (-1 year)	TV 73/77 (-2 year)	TV 73/77 (-1 year)	TV 73/77 (-1 year)
Women	TV 88/90 (-1 year)	TV 88/90 (-2 year)	TV 88/90 (-1 year)	TV 88/90 (-1 year)
<b>Disability table</b>	EKV 80		EKV 80	
<b>Discount rate</b>	5.50%	5.50%	5.50%	5.25%
<b>Rate of return of plan assets</b>	5.25%	3.55%	5.25%	5.25%
<b>Salary growth rate</b>	2.25%	2.00%	2.50%	2.00%
<b>Pension growth rate</b>	1.25%	0.75%	1.75%	0.75%
<b>Turnover rate:</b>				
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 2011 and 2010, 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 2011 and 2010 and the amounts effectively considered:

	31.12.2011		31.12.2010	
	Assumption	Real	Assumption	Real
Rate of return of plan assets	5.25%	(2.83%)	5.25%	1.93%
Salary growth rate	2.25%	1.28%	2.50%	3.13%
Pension growth rate	1.25%	0.00%	1.75%	1.10%

At the end of December 2011, CGD updated the salary growth rate decreasing from 2.50% to 2.25% as well as the pension growth rate, from 1.75% to 1.25%, considering the impacts of the global costs cut proposal, namely the salaries of the Atte-owned corporate sector included in Budget Law for 2012. These changes to the assumptions are based on the favourable evolution of deviation associated with the referred to assumptions in 2011, notwithstanding the adjustments made by CGD as regards last year's deviations.

The Group's past service liability in accordance with the actuarial calculations and the funds and provisions available to cover them at 31 December 2011 and 2010, are as follows:

	31.12.2011				31.12.2010			
	CGD	Caixa Seguros e Saúde	Other	Total	CGD	Caixa Seguros e Saúde	Other	Total
Past service liability:								
➤ Current employees	842 685	23 710	32 867	899 262	875 138	24 015	30 690	929 843
➤ Retired and early retired employees	465 214	178 329	20 160	663 703	433 075	181 369	19 495	633 939
	<b>1 307 899</b>	<b>202 038</b>	<b>53 027</b>	<b>1 562 965</b>	<b>1 308 213</b>	<b>205 383</b>	<b>50 186</b>	<b>1 563 782</b>
Autonomous pension funds	1 423 271	139 936	768	1 563 975	1 424 864	144 748	789	1 570 402
Mathematical provisions	-	63 784	-	63 784	-	67 126	-	67 126
Provision for pensions and similar charges	-	-	52 688	52 688	-	-	52 867	52 867
	<b>1 423 271</b>	<b>203 720</b>	<b>53 455</b>	<b>1 680 447</b>	<b>1 424 864</b>	<b>211 874</b>	<b>53 657</b>	<b>1 690 395</b>
➤ Difference	<b>115 372</b>	<b>1 682</b>	<b>428</b>	<b>117 482</b>	<b>116 651</b>	<b>6 491</b>	<b>3 471</b>	<b>126 613</b>
➤ Funding level	<b>108.82%</b>	<b>100.83%</b>	<b>100.81%</b>	<b>107.52%</b>	<b>108.92%</b>	<b>103.16%</b>	<b>106.92%</b>	<b>108.10%</b>

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 2011 and 2010 was funded at 108.8% and 108.9%, respectively.

The value of the pensions fund reflects the market value of its assets and contributions to be paid on 31 December 2011.

The future service liability for CGD's current employees at 31 December 2011 and 2010 totalled EUR 800 717 thousand and EUR 930 172 thousand, respectively.

At 31 December 2011 and 2010, 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 2011 and 2010, was as follows:

	31.12.2011		31.12.2010	
	CGD	Caixa Seguros e Saúde	CGD	Caixa Seguros e Saúde
Current employees	9 374	1 988	9 892	2 422
Retired and early retired employees	4 899	3 098	4 401	2 791
	<b>14 273</b>	<b>5 086</b>	<b>14 293</b>	<b>5 213</b>

The changes in the pension funds, mathematical provisions and provision for pensions and similar costs in 2011 and 2010, were as follows:

	CGD	Caixa Seguros e Saúde	Other	Total
<b>Balances at 31 December 2009</b>	<b>1 332 368</b>	<b>223 225</b>	<b>55 161</b>	<b>1 610 753</b>
Contributions paid				
Regular contributions				
By employees	26 364	840	175	27 379
By the entity	69 525	7 795	429	77 749
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)
<b>Balances at 31 December 2010</b>	<b>1 424 864</b>	<b>211 874</b>	<b>53 657</b>	<b>1 690 395</b>
Contributions paid				
Regular contributions				
By employees	25 566	-	180	25 746
By the entity	46 886	12 430	341	59 657
Change in provisions for pensions and similar charges	-	-	174	174
Change in mathematical provisions	-	(3 342)	-	(3 342)
Pensions paid	(34 159)	(15 002)	(1 267)	(50 428)
Net income of the pension fund	(39 886)	(2 726)	(29)	(42 641)
Other changes	-	486	400	886
<b>Balances at 31 December 2011</b>	<b>1 423 271</b>	<b>203 720</b>	<b>53 455</b>	<b>1 680 447</b>

The assets of both CGD and Caixa Seguros e Saúde pension funds at 31 December 2011 and 2010 can be analysed as follows:

Pension Fund – CGD	31.12.2011	31.12.2010
Shares	69 287	100 690
Participating units in trust and property investment funds	301 180	356 004
Debt securities	346 456	412 691
Property	478 730	529 904
Deposits at credit institutions	247 364	133 433
Other (net liability)	(19 746)	(107 857)
<b>Total</b>	<b>1 423 271</b>	<b>1 424 864</b>

At 31 December 2011 and 2010 CGD's and Caixa Seguros e Saúde's pension funds were managed by CGD Pensões – Sociedade Gestora de Fundos de Pensões, SA.

At 31 December 2011 and 2010 the heading "Other" includes EUR 97 865 thousand and EUR 110 885 thousand, respectively, relative to sale operations with repurchase agreement on several financial instruments signed up with Caixa Geral de Depósitos.

At 31 December 2011, to the value of CGD's pension fund calculated by CGD Pensões were added EUR 46 886 thousand relative to contributions for 2011 not yet paid to the Fund by Caixa Geral de Depósitos and recorded in the "Other liabilities" heading (Note 28.).

In addition, EUR 59 285 thousand relative to the adjustment of the fair value measurement of public debt securities recorded in the Fund's asset at amortised cost, was deducted from the value of CGD's pension plan.

At 31 December 2011 and 2010, CGD's pension fund had property leased to Group companies in the amount of EUR 409 008 thousand and EUR 458 129 thousand, respectively. In addition, CGD's pension fund had securities and trust funds units managed by Group companies in the amount of EUR 194 842 thousand and EUR 202 648 thousand, respectively.

Pension Funds – Caixa Seguros e Saúde		31.12.2011	31.12.2010
Shares		12 518	9 568
Other variable income securities		4 913	23 317
Debt securities		89 486	86 927
Property		14 073	14 073
Deposits at credit institutions		14 210	8 776
Other		4 736	2 086
<b>Total</b>		<b>139 936</b>	<b>144 748</b>

The evolution of both liabilities and CGD's pension fund balances, as well as actuarial gains and losses of the present and last four years is as follows:

	31.12.2011		31.12.2010		31.12.2009		31.12.2008		31.12.2007	
	Retirement pensions	Medical plan	Retirement pensions	Medical plan	Retirement pensions	Medical plan	Retirement pensions	Medical plan	Retirement pensions	Medical plan
Liabilities	1 307 899	415 857	1 308 213	436 698	1 332 368	460 025	1 137 181	427 832	1 106 429	443 888
Value of the fund	1 423 271	-	1 424 864	-	1 332 368	-	1 137 181	-	1 106 441	-
Provisions	-	415 857	-	436 698	-	460 025	-	427 832	-	443 888
Over (under) financed liabilities	<b>(115 372)</b>	<b>-</b>	<b>(116 651)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(12)</b>	<b>-</b>
Gains / (Losses) resulting from liabilities	120 947	30 850	163 567	36 095	(64 890)	(19 720)	102 449	27 526	(33 422)	(14 543)
Gains / (Losses) resulting from the fund's assets	(116 514)	-	(45 628)	-	21 735	-	(140 187)	-	(4 222)	-
	<b>4 433</b>	<b>30 850</b>	<b>117 939</b>	<b>36 095</b>	<b>(43 155)</b>	<b>(19 720)</b>	<b>(37 738)</b>	<b>27 526</b>	<b>(37 644)</b>	<b>(14 543)</b>

As referred to in further detail in Note 2.3., in 2011 the Group changed its accounting policy in what concerns actuarial gains and losses related to post employment benefits which started being recognised in full as a charge to "Other reserves". Financial statements relative to the first comparative period were restated in order to reflect the new principles in the preparation of these financial statements (1 January 2010).

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 2011 and 2010 are as follows:

	CGD	Caixa Seguros e Saúde	Other	Total
<b>Situation at 31 December 2009</b>	-	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 38.)	(71 931)	(1 907)	(4 590)	(78 428)
Increase in liabilities due to early retirements (Note 38.)	1 117	(5 364)	-	(4 247)
Other	-	1 265	(24)	1 241
<b>Changes with impact on profit or loss</b>	<b>(70 814)</b>	<b>(6 006)</b>	<b>(4 614)</b>	<b>(81 434)</b>
Liability	163 568	12 890	78	176 536
Income	(45 628)	(10 448)	1 666	(54 410)
<b>Actuarial gains and losses</b>	<b>117 940</b>	<b>2 442</b>	<b>1 744</b>	<b>122 126</b>
Contributions made	69 525	7 795	429	77 749
Other	-	840	3	843
<b>Situation at 31 December 2010</b>	<b>116 651</b>	<b>6 491</b>	<b>3 471</b>	<b>126 613</b>
Current service cost	(57 340)	(851)	(1 306)	(59 496)
Interest cost	(70 918)	(6 865)	(2 757)	(80 540)
Expected return on plan assets	76 628	4 737	31	81 396
Normal cost for the year (Note 38.)	(51 630)	(2 978)	(4 032)	(58 641)
Increase in liabilities due to early retirements (Note 38.)	(968)	(8 691)	-	(9 659)
Other	-	4 750	105	4 855
<b>Changes with impact on profit or loss</b>	<b>(52 598)</b>	<b>(6 919)</b>	<b>(3 928)</b>	<b>(63 445)</b>
Liability	120 947	(2 858)	194	118 283
Income	(116 514)	(7 462)	351	(123 626)
<b>Actuarial gains and losses</b>	<b>4 433</b>	<b>(10 321)</b>	<b>545</b>	<b>(5 343)</b>
Contributions made	46 886	12 430	341	59 657
<b>Situation at 31 December 2011</b>	<b>115 372</b>	<b>1 682</b>	<b>428</b>	<b>117 482</b>

Actuarial gains and losses relating to CGD's liability in 2011 and 2010 were as follows:

	31.12.2011	31.12.2010
Change in the salary growth rate (from 3.5% to 2.50% in 2010 and from 2.50% to 2.25% in 2011)	20 774	85 506
Change in pension growth rate (from 2.25% to 1.75% in 2010 and from 1.75% to 1.25% in 2011)	70 025	69 785
Other actuarial gains and losses	30 148	8 277
	<b>120 947</b>	<b>163 568</b>

## 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 2011 and 2010, in the amount of EUR 415 857 thousand and EUR 436 698 thousand respectively, is recognised in the heading "Provisions".

Império Bonança also assumed the commitment to provide lifelong healthcare benefits to its retired and pre-retired employees after May 1998. This liability is covered by provisions of EUR 12075 thousand and EUR 23504 thousand respectively, at 31 December 2011 and 2010.



## 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 2011 and 2010 amounted to EUR 40 042 thousand and EUR 42 394 thousand, respectively, and was recognised in the heading "Other liabilities" (Note 28.).

Caixa also calculates the amount of its liability relating to death grants prior to normal retirement age. At 31 December 2011 and 2010, the corresponding liability amounted to EUR 1750 thousand and EUR 1847 thousand, respectively and is recorded in the "Provisions" heading.

The France branch also pays long term benefits to its employees. The corresponding liability at 31 December 2011 and 2010 amounted to EUR 1500 thousand.

## PROVISIONS

The provisions for employee benefits at 31 December 2011 and 2010 are made up as follows:

	31.12.2011	31.12.2010
<b>CGD</b>		
Provision for post-employment healthcare	415 857	436 698
Provision for labour suspension agreements	4 425	4 515
Provision for death grant liability	1 750	1 847
France branch liability	1 500	1 500
	<b>423 532</b>	<b>444 560</b>
<b>Provision for pension and other liabilities</b>		
Banco Comercial do Atlântico, SA	48 674	49 705
Other	1 894	1 578
	<b>50 568</b>	<b>51 283</b>
<b>Provision for post-employment healthcare</b>		
Caixa Seguros e Saúde (Império Bonança)	11 635	23 504
Other	2 643	3 343
	<b>14 278</b>	<b>26 846</b>
<b>Other</b>	<b>9 115</b>	<b>7 503</b>
	<b>497 493</b>	<b>530 192</b>

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 2011 and 2010 are as follows (Note 25.):

	31.12.2011	31.12.2010
<b>Balance at the beginning of the year</b>	<b>530 192</b>	<b>556 971</b>
Provisions recognised as staff costs:		
Healthcare – CGD (Note 38.)	32 434	33 979
Labour suspension agreements (Note 38.)	(90)	816
Actuarial gain and loss on post-employment healthcare liability:	(30 850)	(36 095)
<b>Other</b>	<b>(5 301)</b>	<b>(2 987)</b>
	<b>(3 807)</b>	<b>(4 287)</b>
Net increase recorded by corresponding entry to "Provisions"	(1 527)	942
Utilisation:		
Payments to SAMS and CGD's Social Services	(22 425)	(21 211)
Other	(4 531)	(3 072)
Other	(410)	849
<b>Balance at the end of the year</b>	<b>497 493</b>	<b>530 192</b>

## 40. OTHER ADMINISTRATIVE COSTS

This heading comprises the following:

	31.12.2011	31.12.2010
Specialised services		
IT services	97 004	110 726
Cleaning	11 342	12 276
Studies and consultancy	9 964	8 585
Contracts and service fees	7 331	8 094
Safety and security	10 048	8 954
Information services	7 674	7 856
Other	222 642	233 748
Leases	94 374	81 282
Advertising and publications	44 659	47 981
Communications and postage	52 027	53 976
Maintenance and repairs	46 263	51 475
Water, energy and fuel	28 079	24 839
Transport of cash and other values	11 048	13 208
Travel, lodging and representation expenses	19 992	24 430
Standard forms and office supplies	10 203	10 472
Other	22 325	23 296
	<b>694 974</b>	<b>721 197</b>

The total future payments of the main operating leasing contracts in force at 31 December 2011 and 2010 were as follows:

	31.12.2011	31.12.2010
Up to one year	22 378	20 609
One to five years	94 559	71 746
Over five years	309 077	241 384

In 2011, the amounts invoiced by Sociedade de Revisores Oficiais de Contas relative to the statutory audit of annual accounts and other services, are as follows:

	31.12.2011 <sup>(a)</sup>	31.12.2010 <sup>(a)</sup>
Statutory audit of annual accounts	265	259
Other services	80	84
	<b>344</b>	<b>343</b>

(a) Balances include VAT.

## 41. ASSET IMPAIRMENT

The changes in impairment in 2011 and 2010 were as follows:

2011								
	Balance at 31.12.2010	Addition	Reversals	Write-offs	Exchange differences	Transfers and other	Balance at 31.12.2011	Credit recovery, interest and expenses
Impairment of loans and advances to customers (Note 13.)	2 609 824	2 115 814	(1 253 413)	(130 410)	7 768	33 662	3 383 246	(36 474)
Impairment of loans and advances to credit institutions (Note 6.)	88 933	41 005	(39 568)	(77 191)	(190)	(676)	12 312	
Impairment of available-for-sale financial assets (Note 8.)								
Equity instruments	332 398	460 957	-	(68 688)	61	(516)	724 212	
Debt instruments	59 982	16 364	(121)	(24 413)	301	516	52 629	
Other instruments	100 867	15 823	-	(12 643)	249	(656)	103 641	
Impairment of held-to-maturity investments (Note 12.)	-	120 035	-	-	-	-	120 035	
Impairment of other tangible assets (Note 16.)	15 741	4 897	(8 993)	(272)	-	(305)	11 068	
Impairment of intangible assets (Note 17.)	958	12 502	(1 433)	-	-	-	12 027	
Impairment of non-current assets held for sale								
Property and equipment (Note 14.)	72 128	66 144	(32 673)	(2 463)	-	239	103 374	
Impairment of other assets (Note 21.)	155 804	53 706	(7 505)	(10 191)	38	(428)	191 424	
Impairment in associates	-	344	(344)	-	-	-	-	
	826 811	791 777	(90 638)	(195 862)	459	(1 826)	1 330 720	-
	3 436 635	2 907 591	(1 344 051)	(326 272)	8 227	31 837	4 713 966	(36 474)

31.12.2010								
	Balance at 31.12.2009	Acquisition / (sale) of subsidiaries	Addition	Reversals	Write-offs	Exchange differences	Transfers and other	Balance at 31.12.2010
Impairment of loans and advances to customers (Note 13.)	2 405 224	7 067	1 674 681	(1 270 596)	(201 392)	8 524	(13 684)	2 609 824
Impairment of loans and advances to credit institutions (Note 6)	159 563	-	73 015	(81 168)	(67 128)	5 428	(777)	88 933
Impairment of available-for-sale financial assets (Note 8.)								
Equity instruments	318 040	11 431	261 130	-	(244 442)	139	(13 900)	332 398
Debt instruments	62 064	-	7 723	(5 247)	(5 552)	994	-	59 981
Other instruments	54 929	-	75 521	-	(48 570)	-	18 988	100 867
Impairment of other tangible assets (Note 16.)	18 760	152	8 948	(9 038)	(3 081)	-	-	15 741
Impairment of intangible assets (Note 17.)	957	-	-	-	-	-	1	958
Impairment of non-current assets held for sale								
Property and equipment (Note 14.)	59 825	-	45 586	(28 572)	(2 006)	-	(2 704)	72 128
Impairment of other assets (Note 21.)	144 429	2 359	21 364	(14 600)	(1 029)	516	2 766	155 804
Impairment in associates	161	-	-	-	(161)	-	-	-
	818 728	13 942	493 286	(138 625)	(371 970)	7 077	4 374	826 810
	3 223 952	21 009	2 167 967	(1 409 221)	(573 362)	15 601	(9 311)	3 436 635
								(34 984)

## 42. 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 business: 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 public 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 in 2011 and 2010, distributed by business segment and geographic market, are as follows:

## BUSINESS SEGMENT

	31.12.2011								Total
	Trading and sales	Retail banking	Commercial banking	Asset management	Corporate Finance	Insurance (life)	Non-life insurance	Other	
Net interest income	79 650	1 377 672	(56 462)	8 651	193 267	45 252	3 667	33 568	1 685 265
Income from equity instruments	12 417	4	109 747	20 513	109	1 087	256	2 592	146 724
Income from services rendered and commissions	24 317	164 711	103 343	35 237	75 469	4 481	-	248 431	655 988
Cost of services and commissions	(15 626)	(25 050)	(7 016)	(6 695)	(3 474)	(115)	(84)	(93 297)	(151 356)
Results from financial operations	(78 972)	42 791	(10 743)	13 332	1 270	(9 876)	1 279	16 153	(24 766)
Other net operating income	769	(5 893)	141	(2 658)	(3 870)	(111)	8 955	217 555	214 887
Premiums net of reinsurance	-	-	-	-	-	244 945	998 721	-	1 243 666
Results of investments relating to insurance contracts	-	-	-	-	-	85 578	57 821	-	143 399
Claims costs net of reinsurance	-	-	-	-	-	(184 466)	(604 265)	11	(788 719)
Commissions and other income and costs relating to insurance contracts	-	-	-	-	-	(6 391)	(86 893)	(42)	(93 326)
Net operating income from banking and insurance operations	<b>22 554</b>	<b>1 554 235</b>	<b>139 010</b>	<b>68 380</b>	<b>262 771</b>	<b>180 383</b>	<b>379 457</b>	<b>424 971</b>	<b>3 031 762</b>
Other costs and income									(3 520 187)
Net income attributable to the shareholder of CGD									<b>(488 425)</b>
Cash balances and loans and advances to credit institutions (net)	6 723 009	1 421 313	291 153	553	695	6 857	34 490	168 727	8 646 797
Investments in securities and derivatives (net)	14 461 461	500 937	490 260	565 987	-	7 478 388	1 474 133	312 528	25 283 693
Loans and advances to customers (net)	1 424 184	38 548 317	37 925 728	43 011	82 621	1 882	2 648	219 234	78 247 625
Technical provision for outwards reinsurance	-	-	-	-	-	23 001	203 201	-	226 202
Total net assets	23 488 557	41 636 128	38 057 673	731 142	399 798	7 096 974	2 826 034	6 328 976	120 565 281
Resources of central banks and credit institutions	14 760 944	314 321	738 116	11 657	-	-	-	35 916	15 860 954
Customer resources	830 972	52 199 966	10 897 726	25 129	-	6 269 921	-	363 776	70 587 491
Debt securities	14 496 754	403 195	23 359	-	-	-	-	-	14 923 309
Technical provision for insurance contracts	-	-	-	-	-	2 478 538	2 129 076	-	4 607 615
Liability to subscribers of unit-linked products	-	-	-	-	-	584 879	-	-	584 879

	31.12.2010								
	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									(2 844 525)
Net income attributable to the shareholder of CGD									254 873
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	4 838 850	125 756 946
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

## GEOGRAPHIC MARKETS

	31.12.2011								
	Portugal	Rest of European Union	Rest of Europe	North America	Latin America	Asia	Africa	Other	Total
Net interest income	1 167 678	231 673	26 716	6 681	26 941	42 747	143 169	39 661	1 685 266
Income from equity instruments	275 489	4 002	-	-	-	65	10 745	(143 577)	146 724
Income from services rendered and commissions	554 508	52 830	267	1 587	8 627	32 542	74 412	(68 785)	655 988
Cost of services and commissions	(144 038)	(14 749)	(1 475)	(52)	(316)	(16 884)	(18 633)	44 791	(151 356)
Results from financial operations	(38 494)	73 555	(554)	(4 061)	(622)	5 816	65 730	(126 136)	(24 766)
Other net operating income	516 837	(92 631)	(49)	(564)	(1 627)	3 298	4 331	(214 708)	214 887
Premiums net of reinsurance	1 238 995	-	-	-	-	-	4 671	-	1 243 666
Results of investments relating to insurance contracts	161 648	-	-	-	-	-	-	(18 249)	143 399
Claims cost net of reinsurance	(787 887)	11	-	-	-	-	(843)	-	(788 719)
Commissions and other income and cost relating to insurance contracts	(119 085)	-	-	-	-	-	949	24 810	(93 326)
Net income from banking and insurance operations	2 825 651	254 691	24 905	3 591	33 003	67 584	284 531	(462 193)	3 031 763
Other costs and income									(3 520 187)
Net income attributable to the shareholder of CGD									(488 425)
Cash balances and loans and advances to credit institutions (net)	18 387 012	3 063 722	318 620	1 977 309	437	2 564 047	982 358	(18 646 708)	8 646 797
Investments in securities and derivatives (net)	31 683 530	2 728 761	19 312	59 885	222 898	58 959	553 919	(10 821 525)	24 505 739
Assets with repurchase agreement	777 954	-	-	-	-	-	-	-	777 954
Loans and advances to customers (net)	65 610 445	9 483 607	-	697 915	84 646	1 353 106	2 115 659	(1 097 753)	78 247 625
Technical provision for outwards reinsurance	220 024	-	-	-	-	-	6 178	-	226 202
Total net assets	130 082 323	15 598 752	339 036	2 739 429	326 837	4 329 432	4 361 623	(37 212 151)	120 565 281
Resources of central banks and credit institutions	22 454 093	8 130 631	64 638	2 097 836	54 065	142 427	154 162	(17 236 898)	15 860 954
Customer resources	61 372 026	4 660 424	126 721	671 596	77 298	3 554 905	2 897 658	(2 773 137)	70 587 491
Liability to subscribers of unit-linked products	584 879	-	-	-	-	-	-	-	584 879
Debt securities	16 778 497	1 139 486	-	23 359	-	-	26 668	(3 044 701)	14 923 309
Technical provision for insurance contracts	4 596 540	-	-	-	-	-	11 075	-	4 607 615

	31.12.2010								
	Portugal	Rest of European Union	Rest of Europe	North America	Latin America	Asia	Africa	Other	Total
Net interest income	963 827	197 087	19 383	17 763	28 333	48 981	123 599	16 285	1 415 258
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									(2 844 525)
Net income attributable to the shareholder of CGD									254 873
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
Assets with repurchase agreement	892 978	-	-	-	-	-	-	-	892 978
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	136 286 808	20 958 925	2 321 970	1 757 534	321 923	4 779 221	3 591 675	(44 261 110)	125 756 946
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

The column "Other" includes the balances between Group companies reversed in consolidation.

In 2011 and 2010, the Group's contribution for results by business sector, according to the internal management criteria is broken-down as follows:

	31.12.2011					
	Banking business in Portugal	International business	Investment banking	Insurance and healthcare business	Other	Total
Interest and similar income	5 540 173	1 256 384	340 246	355 265	(2 123 873)	5 368 195
Interest and similar costs	(4 560 436)	(805 173)	(307 382)	(255 710)	2 245 771	(3 682 929)
Income from equity instruments	108 994	4 466	2 648	1 343	29 274	146 724
<b>Net interest income including income from equity investments</b>	<b>1 088 731</b>	<b>455 676</b>	<b>35 513</b>	<b>100 898</b>	<b>151 172</b>	<b>1 831 990</b>
Income from services rendered and commissions	442 680	169 998	64 855	4 481	(26 026)	655 988
Cost of services and commissions	(97 002)	(50 634)	(13 571)	(6 390)	16 241	(151 356)
Results from financial operations	(51 433)	140 000	(26 522)	(3 703)	(83 109)	(24 766)
Other net operating income	56 586	(87 194)	(552)	143 848	102 199	214 887
<b>Non-interest income</b>	<b>350 831</b>	<b>172 171</b>	<b>24 210</b>	<b>138 236</b>	<b>9 305</b>	<b>694 752</b>
Premiums net of reinsurance	-	4 671	-	1 238 995	-	1 243 666
Results of investments relating to insurance contracts	-	-	-	161 648	(18 249)	143 399
Claims cost net of reinsurance	-	(832)	-	(787 887)	-	(788 719)
Commissions and other income and cost relating to insurance contracts	-	949	-	(119 085)	24 810	(93 326)
<b>Technical margin on insurance operations</b>	<b>-</b>	<b>4 787</b>	<b>-</b>	<b>493 671</b>	<b>6 561</b>	<b>505 020</b>
<b>NET INCOME FROM BANKING AND INSURANCE OPERATIONS</b>	<b>1 439 562</b>	<b>632 635</b>	<b>59 723</b>	<b>732 805</b>	<b>167 038</b>	<b>3 031 762</b>
Other costs and income	(1 985 248)	(622 628)	(59 743)	(727 854)	(124 713)	(3 520 187)
<b>Net income attributable to the shareholder of CGD</b>	<b>(545 687)</b>	<b>10 007</b>	<b>(21)</b>	<b>4 951</b>	<b>42 325</b>	<b>(488 425)</b>

	31.12.2010					
	Banking business in Portugal	International business	Investment banking	Insurance and healthcare business	Other	Total
Interest and similar income	4 434 361	882 954	274 508	300 257	(1 503 992)	4 388 089
Interest and similar costs	(3 645 150)	(467 200)	(240 161)	(212 590)	1 592 269	(2 972 831)
Income from equity instruments	146 241	20 900	1 095	6 393	22 848	197 477
<b>Net interest income including income from equity investments</b>	<b>935 452</b>	<b>436 654</b>	<b>35 442</b>	<b>94 060</b>	<b>111 126</b>	<b>1 612 735</b>
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)	(18 998)	(6 117)	13 664	(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	16 320	350 963
<b>Non-interest income</b>	<b>730 726</b>	<b>144 463</b>	<b>47 639</b>	<b>102 563</b>	<b>(47 726)</b>	<b>977 666</b>
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)
<b>Technical margin on insurance operations</b>	<b>-</b>	<b>3 936</b>	<b>-</b>	<b>474 267</b>	<b>30 795</b>	<b>508 998</b>
<b>NET INCOME FROM BANKING AND INSURANCE OPERATIONS</b>	<b>1 666 178</b>	<b>585 054</b>	<b>83 080</b>	<b>670 890</b>	<b>94 195</b>	<b>3 099 398</b>
Other costs and income	(1 584 684)	(504 267)	(48 829)	(636 803)	(69 942)	(2 844 525)
<b>Net income attributable to the shareholder of CGD</b>	<b>81 494</b>	<b>80 787</b>	<b>34 252</b>	<b>34 087</b>	<b>24 254</b>	<b>254 873</b>

The column "Other" includes the balances between Group companies reversed in consolidation.

### 43. 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 2011 and 2010 include the following balances and transactions with related parties, excluding management boards:

	31.12.2011			31.12.2010		
	The Portuguese State (Treasury)	Other Portuguese State entities	Associates	The Portuguese State (Treasury)	Other Portuguese State entities	Associates
<b>Assets:</b>						
Loans and advances to credit institutions	-	434 249	-	-	1 145 852	-
Bonds and trading derivatives	6 895 167	1 899 039	65 665	4 747 008	3 207 007	3 315
Loans and advances to customers	-	4 134 783	641 243	61 626	2 870 266	711 195
Loans impairment	-	(18 097)	(57 388)	-	(34)	(60 922)
Other assets	274 652	521 280	2 986	23 278	463 455	33 805
<b>Liabilities:</b>						
Customer resources	1 580 213	529 886	19 961	922	840 058	20 205
Financial liabilities at fair value through profit or loss	-	-	-	-	6 289	-
Other liabilities	16 275	769	61 080	2 950	1 405	5 712
Guarantees given	-	564 375	11 460	-	2 305	21 184
<b>Income:</b>						
Interest and similar income	166 212	174 507	6 958	52 755	84 229	25 882
Gains from financial operations	58 057	122 134	819	83 994	22 270	8 954
Income from services rendered and commissions	78	6 216	6	2 659	1 896	840
Other operating income	-	10 221	840	-	11 340	953
<b>Costs:</b>						
Interest and similar costs	33 989	4 629	499	-	14 748	2 099
Losses from financial operations	58 755	105 328	133	83 767	29 244	3 485
Commissions	-	33	1 323	-	10	917
Other operating costs	-	238	1 312	3	398	4 455
General administrative costs	-	-	-	-	16 964	-

Transactions with related parties are generally made based on market values on the respective dates.

At 31 December 2011 and 2010, the column "Other Portuguese State entities" does not include balances with Local Government.

In 2011, Caixa sold to Direção Geral do Tesouro (Treasury) securities of Instituto de Habitação e Reabilitação Urbana and, as a result of this operation, recognised capital gains of EUR 28 024 thousand. In 2011, the amount of impairment losses incurred was EUR 32 621 thousand (Note 8.).

In 2010, Caixa sold its head office to Fundo de Pensões do Pessoal da Caixa Geral de Depósitos, as described in detail in Note 16., recording a capital gain of EUR 103 865 thousand.

As specified in detail in Note 8., during 2010 CGD sold to Parpública equity participations held in EDP. As a result of this operation, a capital gain of EUR 26 741 thousand was recognised.

## MANAGEMENT BOARDS

In 2011 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 20 234 thousand (EUR 21 321 thousand in 2010). The referred to costs in 2011 were as follows:

	31.12.2011	31.12.2010
Short-term employee benefits	19 831	20 876
Post-employment benefits	163	351
Other long-term benefits	240	94
	<b>20 234</b>	<b>21 321</b>

In addition, on 31 December 2011 and 2010, the amount of credit granted to the members of the Boards of Directors was EUR 6 978 thousand and EUR 1 887 thousand, respectively.

## 44. 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, level of exposure in the financial system, business sector 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, whenever a credit proposal is presented by the commercial area, 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 according to the risk exposure defined for CGD's 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 considers 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.

Risk hedging operations are decided by portfolio managers or business unit managers, based on risk limits and authorised instruments. The risk management area assesses the impact of the hedging in the total risk incurred or changes the authorised market risk levels, whenever 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 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 are also 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 internal 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 transversed 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. For this purpose, the structural liquidity concept is used which, according to the studies and models developed internal 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, according to the seasonality studies and minimum balance observed. On the other hand, term and savings deposits are distributed by the different buckets in accordance with a model that estimates their expected average life and temporal distribution of withdrawal.

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.

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 particularly attractive interest rates.

Liquidity stress tests were also made in accordance with internally developed methodologies, articulated with a contingency plan in order to determine the funding perspectives at any moment, the strengthening 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 assessment of the mismatch between average time cash inflows generation and the cash outflows requirement.

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 curve.

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. This enables the monitoring and follow up of the interest rate risk on the banking portfolio which is not subject to any capital requirement.

The assessment and measurement of this type of risk is based on the assessment of the impact on own funds and interest margin, that results from a parallel movement of +/- 200 b.p. on the yield curve (as in Bank of Portugal Instruction 19/05). Under the terms of an ALCO resolution, the impact on own funds and on net interest margin 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 2011 and 2010, the Group's maximum exposure to credit risk is broken down as follows:

	31.12.2011	31.12.2010
Trading securities		
Public debt	483 747	581 735
Corporate debt	114 197	225 178
	<b>597 944</b>	<b>806 913</b>
Financial assets at fair value through profit and loss		
Public debt	27 122	175 937
Corporate debt	146 100	232 718
	<b>173 222</b>	<b>408 655</b>
Available-for-sale financial assets		
Public debt	5 857 476	6 928 440
Corporate debt	8 783 027	14 222 794
	<b>14 640 502</b>	<b>21 151 235</b>
Investments held to maturity		
Public debt	2 160 346	-
Corporate debt	677 033	3
	<b>2 837 379</b>	<b>3</b>
Assets with repurchase agreement		
Public debt	527 127	875 087
Corporate debt	250 827	541 810
	<b>777 954</b>	<b>1 416 896</b>
	<b>19 027 001</b>	<b>23 783 701</b>
Derivatives	2 084 059	2 000 967
Loans and advances to credit institutions	4 956 118	3 424 242
Loans and advances to customers	78 256 740	81 927 912
Other debtors	3 229 887	2 347 153
Other operations pending settlement	336 282	684 105
	<b>88 863 087</b>	<b>90 384 380</b>
Other commitments		
Personal/institutional guarantees given		
Guarantees and sureties	5 120 509	4 861 323
Stand-by letters of credit	123 534	110 804
Open documentary credits	382 499	378 078
Other personal guarantees and other contingent liabilities	11 349	6 604
Forward deposits agreements	-	2 634
Irrevocable lines of credit	2 457 880	2 891 116
Other irrevocable commitments	840 000	1 664 250
Credit Default Swaps	400 943	800 970
	<b>9 336 714</b>	<b>10 715 780</b>
<b>Maximum exposure to credit risk</b>	<b>117 226 802</b>	<b>124 883 861</b>

## Credit quality of loans and advances to credit institutions

The following table presents the distribution of the carrying amount of loans and advances to credit institutions at 31 December 2011 and 2010 considering the rating fixed in accordance with the internal assessment model developed by Caixa for financial institutions, and by country of the counterparty:

	31.12.2011					
	Portugal	Rest of European Union	North America	Asia	Other	Total
AA- to AA+	-	78 235	-	84 411	76 923	239 569
A- to A+	-	42 315	41 991	58 777	-	143 083
Lower than A-	4 140 880	35 079	395	28 610	34 524	4 239 488
No Rating	3 908	411	-	-	98 908	103 227
Central and Supranational banks	-	-	-	203 104	27 648	230 752
	<b>4 144 788</b>	<b>156 040</b>	<b>42 385</b>	<b>374 902</b>	<b>238 003</b>	<b>4 956 118</b>

	31.12.2010					
	Portugal	Rest of Euro- pean Union	North America	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	133 814	141 061	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	278 653	222 218	3 424 242

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 carrying amount of debt securities net of impairment (except past due securities) at 31 December 2011 and 2010 broken down by Standard & Poor's rating or similar, by guarantee or issuer and by their respective geographical region:

	31.12.2011				
	Portugal	Rest of Euro- pean Union	North America	Other	Total
<b>Financial assets at fair value through profit or loss</b>					
AAA	-	226 297	-	-	226 297
AA- to AA+	-	64	-	2 944	3 008
A- to A+	8 060	130 212	2 914	-	141 186
Lower than A-	317 476	27 932	-	19 102	364 510
No Rating	11 795	5 188	-	19 182	36 165
	<b>337 331</b>	<b>389 693</b>	<b>2 914</b>	<b>41 228</b>	<b>771 166</b>
Issued by:					
Corporates	81 968	8 553	-	979	91 500
Governments and local authorities	208 390	285 908	-	16 571	510 869
Financial institutions	38 035	39 701	2 914	5 761	86 411
Other issuers	8 938	55 531	-	17 917	82 386
	<b>337 331</b>	<b>389 693</b>	<b>2 914</b>	<b>41 228</b>	<b>771 166</b>
<b>Financial assets at fair value through revaluation reserves</b>					
AAA	-	900 159	59	57 400	957 618
AA- to AA+	-	1 026 379	132 667	167 331	1 326 377
A- to A+	256 939	2 757 776	243 721	277 678	3 536 114
Lower than A-	7 509 731	1 137 621	51 343	580 243	9 278 938
No Rating	269 493	2 078	-	47 838	319 409
	<b>8 036 163</b>	<b>5 824 013</b>	<b>427 790</b>	<b>1 130 490</b>	<b>15 418 456</b>
Issued by:					
Corporates	232 102	636 933	60 095	17 809	946 939
Governments and local authorities	5 100 442	655 769	59 686	610 865	6 426 762
Financial institutions	2 693 046	4 251 157	306 432	461 715	7 712 350
Other issuers	10 573	280 154	1 577	40 101	332 405
	<b>8 036 163</b>	<b>5 824 013</b>	<b>427 790</b>	<b>1 130 490</b>	<b>15 418 456</b>

31.12.2010					
	Portugal	Rest of European Union	North America	Other	Total
<b>Financial assets at fair value through profit or loss</b>					
AAA	1 251	570 356	-	-	571 607
AA- to AA+	101 636	89 810	726	-	192 172
A- to A+	358 581	147 811	17 822	5 926	530 140
Lower than A-	110 965	61 105	1 079	244 418	417 567
No Rating	15 820	4 894	5 263	2 023	28 000
	<b>588 253</b>	<b>873 976</b>	<b>24 890</b>	<b>252 367</b>	<b>1 739 486</b>
Issued by:					
Corporates	97 432	35 184	235	11 359	144 210
Governments and local authorities	338 602	660 299	-	195 303	1 194 204
Financial institutions	56 657	119 986	24 655	20 999	222 297
Other issuers	95 562	58 507	-	24 706	178 775
	<b>588 253</b>	<b>873 976</b>	<b>24 890</b>	<b>252 367</b>	<b>1 739 486</b>
<b>Financial assets at fair value through revaluation reserves</b>					
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
	<b>10 313 725</b>	<b>9 979 240</b>	<b>625 203</b>	<b>1 126 046</b>	<b>22 044 214</b>
Issued by:					
Corporates	446 936	1 050 564	77 250	43 506	1 618 256
Governments 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
	<b>10 313 725</b>	<b>9 979 240</b>	<b>625 203</b>	<b>1 126 046</b>	<b>22 044 214</b>

## Exposure of the sovereign debt of Eurozone peripheral countries

In 2011 and 2010, the credit markets of the Eurozone sovereign debt, particularly peripheral countries characterised by significant budget imbalances, have been affected by a growing volatility. This situation, portrayed in the continuous broadening of risk spreads associated with these issues, culminated in the need for intervention of the European Central Bank, the International Monetary Fund and the European Union into the governments of Greece and Ireland (still in 2010) and, in 2011, Portugal.

The principal characteristics of these issues in the scope of CGD Group at 31 December 2011 and 2010 are as follows:

	Book value net of impairment at 31.12.2011						Fair value	Accumulated impairment	Fair value reserve	Rating
	Residual maturities									
	2012	2013	2014	After 2014	No maturity	Total				
Financial assets at fair value through profit or loss										
Portugal	160 461	874	36 228	10 827	-	208 390	208 390	-	-	
Greece	-	-	-	-	-	-	-	-	-	
Ireland	-	-	-	-	-	-	-	-	-	
Spain	-	-	-	50	-	50	50	-	-	
Italy	-	-	-	37	-	37	37	-	-	
	160 461	874	36 228	10 915	-	208 477	208 477	-	-	
Financial assets at fair value through revaluation reserves										
Portugal	3 790 842	175 418	239 918	892 742	1 522	5 100 443	5 100 443	-	(574 333)	
Greece	10 033	-	-	1 217	-	11 250	11 250	(14 629)	-	
Ireland	-	100	24 139	14 667	-	38 907	38 907	-	(8 233)	
Spain	24 050	65 067	19 766	23 728	-	132 610	132 610	-	(3 068)	
Italy	9 782	13 968	15 540	103 646	-	142 936	142 936	-	(18 319)	
	3 834 707	254 553	299 363	1 036 000	1 522	5 426 145	5 426 145	(14 629)	(603 952)	
Investments held to maturity										
Portugal	17 682	232 773	181 080	1 386 860	-	1 818 396	1 476 727	-	(269 410)	
Greece	18 331	19 758	18 570	47 788	-	104 448	56 785	(120 035)	-	
Ireland	-	489	-	-	-	489	500	-	(33)	
Spain	-	-	-	-	-	-	-	-	-	
Italy	73 359	-	22 041	21 578	-	116 978	152 351	-	1 466	
	109 372	253 020	221 692	1 456 227	-	2 040 312	1 686 362	(120 035)	(267 977)	
Total										
Portugal	3 968 985	409 065	457 227	2 290 429	1 522	7 127 228	6 785 559	-	(843 743)	BB+
Greece	28 365	19 758	18 570	49 005	-	115 698	68 035	(134 663)	-	CCC
Ireland	-	589	24 139	14 667	-	39 396	39 406	-	(8 265)	BBB+
Spain	24 050	65 067	19 766	23 779	-	132 661	132 661	-	(3 068)	AA-
Italy	83 141	13 968	37 581	125 261	-	259 951	295 324	-	(16 853)	A+
	4 104 541	508 447	557 283	2 503 142	1 522	7 674 934	7 320 985	(134 663)	(871 929)	

	Book value net of impairment at 31.12.2010							Fair value	Fair value reserve	
	Residual maturities									
	2011	2012	2013	2014	After 2014	No maturity	Total			
Financial assets at fair value through profit or loss										
Portugal	218 321	35 869	29 216	103 341	47 309	-	434 056	434 056	-	-
Greece	-	-	-	-	-	-	-	-	-	-
Ireland	-	-	-	-	-	-	-	-	-	-
Spain	-	-	-	-	25	-	25	25	-	-
Italy	-	-	-	-	26	-	26	26	-	-
	218 321	35 869	29 216	103 341	47 360	-	434 108	434 108	-	-
Financial assets at fair value through revaluation reserves										
Portugal	2 004 617	112 929	349 233	491 887	1 839 254	2 551	4 800 470	4 800 470	-	(203 135)
Greece	73 669	52 506	31 821	30 120	71 450	-	259 566	259 566	-	(72 354)
Ireland	-	-	603	23 739	16 043	-	40 386	40 386	-	(7 477)
Spain	139 023	68 645	97 469	20 873	25 915	-	351 926	351 926	-	(7 869)
Italy	205 713	104 012	139 530	69 861	131 870	-	650 986	650 986	-	(2 366)
	2 423 021	338 092	618 656	636 481	2 084 533	2 551	6 103 334	6 103 334	-	(293 201)
Investments held to maturity										
Portugal	-	-	-	-	-	-	-	-	-	-
Greece	-	-	-	-	-	-	-	-	-	-
Ireland	-	-	-	-	-	-	-	-	-	-
Spain	-	-	-	-	-	-	-	-	-	-
Italy	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-
Total										
Portugal	2 222 937	148 798	378 449	595 229	1 886 563	2 551	5 234 527	5 234 527	-	(203 135)
Greece	73 669	52 506	31 821	30 120	71 450	-	259 566	259 566	-	(72 354)
Ireland	-	-	603	23 739	16 043	-	40 386	40 386	-	(7 477)
Spain	139 023	68 645	97 469	20 873	25 940	-	351 951	351 951	-	(7 869)
Italy	205 713	104 012	139 530	69 861	131 897	-	651 012	651 012	-	(2 366)
	2 641 342	373 960	647 872	739 822	2 131 893	2 551	6 537 441	6 537 441	-	(293 201)

2011 was characterised by a fall in liquidity of these markets, namely debt instruments of the beneficiary countries. This situation was particularly relevant in the case of Greece, reflecting the several phases of the restructuring plan and budget rebalancing process in course.

The second bailout plan negotiated between the European Commission, the International Monetary Fund, the European Central Bank and Greece in July 2011, and further rectified in October 2011 (forecasting a global rescue of EUR 130 billion) had also the involvement of the Institute of International Finance, Inc ("IIF") representing its associated financial institutions (CGD is not part). This plan forecasted a voluntary debt relief of 50%.

The prominent difficulties in ensuring the funding of Greece public deficit along with uncertainties resulting from the bailout process and respective impacts on creditors, a scenario encouraged by the successive downgrades its issues were subject to by the principal rating agencies, led to a decision by the Group to recognise impairment relative to the exposure to this sovereign state.

In addition to this deliberation, the accumulated balance of negative revaluation reserves associated with the issues classified as available-for-sale financial assets in the amount of EUR 14 629 thousand, was reclassified as income for the year. As to the exposure of the Group's insurance companies classified as investments held to maturity, a forecast loss of 50% of the issue's nominal value was

considered as a reference for the recognition of impairment. The reference value calculated between this amount (or its book value when lower than the said reference value) and the respective adjusted acquisition cost of EUR 120 035 thousand, was recognised as income for the year.

At the beginning of March 2012 and as a result of the transactions held in the scope of the bailout plan to Greece, the Group was notified of the conditions inherent to the involvement of the private sector in this process (Private Sector Involvement – PSI), aiming to achieve a reduction of the public debt of this sovereign to 120.5% of GDP in 2020. The terms of the PSI involvement anticipated several exchange offers of the positions held by a pool of bonds with different maturities, return and nominal value (in comparison with the initial amount of the original issue). The Group accepted the exchange offer programme.

The unrealised results on sovereign debt instruments of peripheral countries presented in column "Fair value reserve" do not include unrealised gains and losses not recorded as a charge to equity, arising from securities of Caixa Seguros e Saúde portfolio, which were reclassified during 2011 from available-for-sale to held to maturity investments portfolio, that were observed after reclassification (Note 12.) and amounted to EUR 411 125 thousand.

### Measurement criteria

The sovereign debt issues of the Eurozone peripheral countries referred to in the table above were measured based on market prices, when applicable or, in the absence of active markets, based on prices provided by external counterparties or internally developed. At 31 December 2011, these portfolios were divided into levels 1 and 2 of the fair value hierarchy. The distinguishing features of these categories along with the main assumptions used are further detailed in the "Fair value" item.

### Exposure to credit risk affected by the financial turmoil

On 31 December 2011 and 2010, 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, and comprise the following:



				31.12.2011			31.12.2010		
Type	Rating	Seniority level of the tranche held	Geographical area of the issuer	Book value (net of impairment)	Accumulated impairment	Fair value reserve	Book value (net of impairment)	Accumulated impairment	Fair value reserve
Available-for-sale financial assets									
Commercial mortgage-backed securities									
	AAA	Senior	European Union	-	-	-	2 726	-	(186)
	AA- to AA+	Senior	European Union	-	-	-	827	-	(89)
	A- to A+	Senior	European Union	17 372	-	(2 091)	27 996	-	(3 839)
	Lower than A-	Mezzanine	European Union	-	-	-	3 256	-	(1 331)
	C	Senior	European Union	2 697	-	(448)	3 045	-	(521)
				20 069	-	(2 538)	37 850	-	(5 965)
Residential mortgage-backed securities									
	AAA	Senior	European Union	21 099	-	1 538	23 617	-	1 383
	AA- to AA+	Senior	European Union	12 761	-	212	16 001	-	342
		Mezzanine	European Union	200	-	(1)	196	-	(6)
	A- to A+	Senior	European Union	19 221	-	(6 786)	26 363	-	(2 671)
		Mezzanine	European Union	60	-	(142)	6 896	-	(3 928)
	Lower than A-	Senior	European Union	19 135	-	(11 815)	28 833	-	(5 489)
		Mezzanine	European Union	3 172	-	(8 856)	18 014	-	(17 787)
	CCC	Mezzanine	North America	199	(9 503)	41	415	(9 202)	262
				75 849	(9 503)	(25 810)	120 336	(9 202)	(27 894)
Asset-backed securities									
	AAA	Senior	European Union	-	-	-	41	-	-
	AA- to AA+	Mezzanine	European Union	-	-	-	1 413	-	(162)
				-	-	-	1 454	-	(162)
Collateralised loan obligations									
	AAA	Senior	European Union	6 642	-	(678)	6 565	-	(739)
			Other	36 702	-	(1 017)	34 555	-	(1 841)
	AA- to AA+	Senior	European Union	87	-	(10)	86	-	(11)
	A- to A+	Mezzanine	European Union	202	-	(101)	5 160	-	(1 029)
	Lower than A-	Mezzanine	European Union	7 064	-	(7 682)	53 952	-	2 488
	CCC	Mezzanine	European Union	434	-	(385)	847	-	44
				51 131	-	(9 872)	101 165	-	(1 087)
Collateralised debt obligations									
	Lower than A-	Other	European Union	-	-	-	680	-	(6 109)
				-	-	-	680	-	(6 109)
Other financial instruments									
	No rating	Senior	European Union	6 703	(26 886)	-	8 922	(33 376)	-
		Other	European Union	-	-	-	12 815	-	(7 115)
	n.a.	Funds	European Union	-	-	-	90 681	(10 537)	(3 270)
				6 703	(26 886)	-	112 417	(43 913)	(10 385)
				153 752	(36 389)	(38 221)	373 903	(53 115)	(51 603)
Financial assets at fair value through profit or loss									
Residential mortgage-backed securities									
	AA- to AA+	Senior	European Union	-	-	-	1 167	-	-
	Lower than A-	Mezzanine	European Union	-	-	-	1 560	-	-
				-	-	-	2 727	-	-
Asset-backed securities									
	AA- to AA+	Senior	European Union	-	-	-	412	-	-
		Mezzanine	European Union	-	-	-	925	-	-
				-	-	-	1 338	-	-
Other financial instruments									
	AA- to AA+	Senior	European Union	-	-	-	9	-	-
	A- to A+	Senior	European Union	39 258	-	-	47 058	-	-
				39 258	-	-	47 067	-	-
				39 258	-	-	51 131	-	-
				193 010	(36 389)	(38 221)	425 034	(53 115)	(51 603)

The change in these securities in 2011 and 2010 was as follows:

				2011							
Type	Rating <sup>(a)</sup>	Seniority level of the tranche held	Geographical area of the issuer	Net book value at 31.12.2010	Amortisations	Acquisitions	Impact on results for the year		Change in the fair value reserve	Changes in consolidation perimeter	Net book value at 31.12.2011
							Capital gains / (losses) recognised against results	Impairment			
Available-for-sale financial assets											
Commercial mortgage-backed securities											
	AAA	Senior	European Union	2 726	(645)	-	9	-	186	(2 276)	-
	AA- to AA+	Senior	European Union	827	-	-	-	-	89	(916)	-
	A- to A+	Senior	European Union	27 996	(12 399)	-	28	-	1 748	-	17 372
	Lower than A-	Mezzanine	European Union	3 256	(3 800)	-	(787)	-	1 331	-	-
	C	Senior	European Union	3 045	(370)	-	(51)	-	73	-	2 697
Residential mortgage-backed securities											
	AAA	Senior	European Union	23 617	(2 252)	-	(139)	-	155	(283)	21 099
	AA- to AA+	Senior	European Union	16 001	(3 036)	-	(75)	-	(130)	-	12 761
		Mezzanine	European Union	196	-	-	(0)	-	4	-	200
	A- to A+	Senior	European Union	26 363	(3 070)	-	43	-	(4 115)	-	19 221
		Mezzanine	European Union	6 896	(5 782)	-	(1 839)	-	3 786	(3 001)	60
	Lower than A-	Senior	European Union	28 833	(3 430)	-	58	-	(6 326)	-	19 135
		Mezzanine	European Union	18 014	(6 159)	-	(2 669)	-	8 930	(14 944)	3 172
	CCC	Mezzanine	North America	415	-	-	5	-	(221)	-	199
Asset-backed securities											
	AAA	Senior	European Union	41	-	-	-	-	-	(41)	-
	AA- to AA+	Mezzanine	European Union	1 413	-	-	-	-	162	(1 576)	-
Collateralised loan obligations											
	AAA	Senior	European Union	6 565	-	-	16	-	61	-	6 642
		Other		34 555	-	-	1 324	-	824	-	36 702
	AA- to AA+	Senior	European Union	86	-	-	-	-	1	-	87
	A- to A+	Mezzanine	European Union	5 160	(5 736)	-	(150)	-	928	-	202
	Lower than A-	Mezzanine	European Union	53 952	(34 738)	-	(1 980)	-	(10 170)	-	7 064
	CCC	Mezzanine	European Union	847	-	-	16	-	(429)	-	434
Collateralised debt obligations	Lower than A-	Other	European Union	680	-	-	-	-	6 109	(6 790)	-
Other financial instruments											
	No rating	Senior	European Union	8 922	-	-	(699)	(1 400)	-	(120)	6 703
		Other	European Union	12 815	(19 456)	-	(475)	-	7 115	-	-
	n.a.	Fundos	European Union	90 681	(93 798)	-	(152)	-	3 270	-	-
				373 903	(194 669)	-	(7 519)	(1 400)	13 381	(29 945)	153 751
Financial assets at fair value through profit or loss											
Residential mortgage-backed securities											
	AA- to AA+	Senior	European Union	1 167	-	-	-	-	-	(1 167)	-
	Lower than A-	Mezzanine	European Union	1 560	-	-	-	-	-	(1 560)	-
Asset-backed securities											
	AA- to AA+	Senior	European Union	412	-	-	-	-	-	(412)	-
		Mezzanine	European Union	925	-	-	-	-	-	(925)	-
Other financial instruments											
	AA- to AA+	Senior	European Union	9	-	-	-	-	-	(9)	-
	AA- to AA+	Senior	European Union	47 058	(6 411)	-	(1 389)	-	-	-	39 258
				51 131	(6 411)	-	(1 389)	-	-	(4 074)	39 258
				425 034	(201 080)	-	(8 908)	(1 400)	13 381	(34 019)	193 010

(a) Securities presentation in accordance with rating available on 31.12.2011.

				2010							
Type	Rating (a)	Seniority level of the tranche held	Geographical area of the issuer	Net book value at 31.12.2009	Amortisations	Acquisitions	Impact on results for the year		Change in the fair value reserve	Changes in consolidation perimeter	Net book value at 31.12.2010
							Capital gains / (losses) recognised against results	Impairment			
Available-for-sale financial assets											
Commercial mortgage-backed securities											
	AAA	Senior	European Union	15 427	(2 610)	-	(654)	-	2 287	-	14 451
	AA- to AA+	Senior	European Union	20 543	(7 787)	-	315	-	4 026	-	17 098
	Lower than A-	Senior	European Union	3 451	(563)	-	(39)	-	197	-	3 045
		Mezzanine	European Union	18 590	(18 209)	-	1 708	-	1 167	-	3 256
Residential mortgage-backed securities											
	AAA	Senior	European Union	140 307	(47 129)	-	1 314	-	235	-	94 726
		Senior	North America	3 280	(3 550)	-	269	-	1	-	-
		Other		2 964	(3 494)	-	614	-	(84)	-	-
	AA- to AA+	Senior	European Union	107	(10)	-	(0)	-	(8)	-	89
		Mezzanine	European Union	33 517	(35 989)	-	117	-	2 552	-	196
	A- to A+	Mezzanine	European Union	15 681	(12 411)	-	(61)	-	3 687	-	6 896
	Lower than A-	Mezzanine	European Union	34 247	(25 129)	-	107	-	8 789	-	18 014
	CCC	Mezzanine	North America	151	-	-	12	(9)	262	-	415
Asset-backed securities											
	AAA	Senior	European Union	2 733	(2 704)	-	4	-	9	-	42
	AA- to AA+	Senior	North America	3 475	(3 749)	-	276	-	(3)	-	-
		Mezzanine	European Union	1 568	(288)	-	-	-	133	-	1 413
	Lower than A-	Mezzanine	European Union	285	(400)	-	(13)	-	128	-	-
Collateralised loan obligations											
	AAA	Senior	European Union	21 126	(16 214)	-	302	-	1 351	-	6 565
		Other		11 684	-	-	1 100	-	642	-	13 426
	AA- to AA+	Senior	Other	18 556	-	-	1 637	-	935	-	21 128
			European Union	5 318	(5 919)	-	(12)	-	700	-	86
		Mezzanine	European Union	3 611	(6 000)	-	(11)	-	2 400	-	-
	AA- to AA+	Mezzanine	European Union	11 434	(17 039)	-	2 824	-	7 955	-	5 175
	Lower than A-	Mezzanine	European Union	40 906	(18 797)	-	730	-	25 709	-	48 548
	CCC	Mezzanine	European Union	2 333	-	-	138	-	3 766	-	6 236
Collateralised debt obligations											
	Lower than A-	Other	European Union	2 676	-	-	1	-	(1 996)	-	680
	C	Other	North America	-	-	-	-	-	-	-	-
	CCC	Other	North America	198	-	-	(198)	-	-	-	-
Other financial instruments											
	A- to A+	Other	European Union	9 320	-	-	239	-	3 256	-	12 815
	No rating	Senior	European Union	11 820	-	-	0	(2 850)	-	-	8 922
		Mezzanine	North America	1 045	(2 541)	-	1 496	-	-	-	-
	n.a	Funds	European Union	79 583	(6 358)	6 358	2 810	-	8 289	-	90 681
				515 936	(236 891)	6 358	15 026	(2 859)	76 382	-	373 903
Financial assets at fair value through profit or loss											
Residential mortgage-backed securities											
	AA- to AA+	Senior	European Union	-	-	-	-	-	-	1 167	1 167
	Lower than A-	Mezzanine	European Union	-	-	-	-	-	-	1 560	1 560
Asset-backed securities											
	AA- to AA+	Senior	European Union	-	-	-	-	-	-	412	412
		Mezzanine	European Union	-	-	-	-	-	-	925	925
Other financial assets	AA- to AA+	Senior	European Union	42 893	(5 842)	-	10 007	-	-	9	47 067
				42 893	(5 842)	-	10 007	-	-	4 074	51 131
				558 829	(242 733)	6 358	25 034	(2 859)	76 382	4 074	425 034

(a) Securities presentation in accordance with rating available on 31.12.2010.

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 2011 and 2010 comprises the following:

	31.12.2011						
	Loans with collective analysis			Loans with specific impairment analysis	Other balances	Total	Fair value of collateral of default operations or with individual impairment
	Performing loans	Non-performing loans	Default loans				
Corporate loans							
Collective analysis							
Due for payment	7 005 538	625 686	348 203	-	1 310 439	9 289 866	
Past due	16 900	47 621	790 060	-	70 630	925 211	
Individual analysis							
Due for payment	23 613 388	465 263	196 751	4 877 343	749 126	29 901 870	
Past due	58 967	12 813	84 538	1 027 879	20 208	1 204 406	
	30 694 794	1 151 383	1 419 552	5 905 222	2 150 403	41 321 354	3 704 948
Mortgage loans							
Due for payment	33 624 755	919 170	1 252 001	5 122	870 331	36 671 381	
Past due	4 210	6 803	924 153	425	12 281	947 872	
	33 628 965	925 973	2 176 155	5 548	882 612	37 619 253	2 528 118
Consumer loans							
Due for payment	1 313 169	84 614	37 224	-	164 383	1 599 390	
Past due	562	4 843	71 222	-	4 675	81 303	
	1 313 732	89 457	108 446	-	169 058	1 680 693	39 441
Other loans							
Due for payment	368 795	19 364	12 549	173	128 774	529 655	
Past due	2 274	3 507	47 404	38	10 209	63 432	
	371 069	22 871	59 954	211	138 983	593 087	7 238
Total loans due for payment	65 925 645	2 114 097	1 846 729	4 882 638	3 223 053	77 992 162	
Total past due loans	82 914	75 588	1 917 378	1 028 342	118 003	3 222 225	
Total loans	66 008 560	2 189 685	3 764 107	5 910 980	3 341 056	81 214 387	

	31.12.2010						
	Loans with collective analysis			Loans with specific impairment analysis	Other balances	Total	Fair value of collateral of default operations or with individual impairment
	Performing loans	Non-performing loans	Default loans				
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	

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. This segment also comprises the balances of "Mortgage loans" operations up to 30 days past due, whereas past due instalments (over 90 days) have been presented in a prior date ("default");
- "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 was 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 2011 and 2010 comprise the following:

31.12.2011				
Performing loans	Overdue loans	Total	Attributed impairment - collective analysis -	Fair value of collateral
403 717	54 862	458 580	(19 376)	603 855

31.12.2010				
Performing loans	Overdue loans	Total	Attributed impairment - collective analysis -	Fair value of collateral
228 181	9 239	237 420	(6 490)	128 786

Book value at 31 December 2011 and 2010, net of impairment pertaining to:

- loans granted to customers whose maturity was postponed in 2011 for a period over 6 months (loans granted to customers that in the course of the year presented instalments over 90 days overdue during 2010) 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, accounts for EUR 1 093 187 thousand and EUR 889 754 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 2011 and 2010 are as follows:

	31.12.2011									
	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	3 to 5 years	5 to 10 years	More than 10 years	Unspecified	Total
Assets										
Cash and cash equivalents at central banks	2 704 820	-	-	-	-	-	-	-	-	2 704 820
Cash balances at other credit institutions	814 899	-	-	-	-	-	-	-	167 391	982 290
Loans and advances to credit institutions	2 515 176	842 368	1 438 536	74 620	24 939	7 909	908	3 537	86 564	4 994 557
Securities										
Trading	112 297	7 438	73 091	11 510	191 839	83 699	220 107	1 749	2 031 937	2 733 666
Other	1 139 577	3 159 072	2 763 229	2 216 919	4 904 470	2 441 592	1 439 562	986 994	910 087	19 961 502
Investments associated to unit-linked products	-	-	-	-	-	-	-	-	642 467	642 467
Loans and advances to customers (gross)	4 497 813	5 263 568	6 137 821	5 913 561	15 830 559	12 992 490	19 742 769	24 421 092	18 834	94 818 507
Held to maturity investments	155 143	101 548	103 269	123 701	1 104 950	1 535 206	478 934	70 460	(176 370)	3 496 842
Assets with repurchase agreement	204	128 613	155 765	49 414	181 511	21 145	289 260	32 784	(20 975)	837 720
Hedging derivatives	-	-	-	-	-	-	-	-	108 129	108 129
	11 939 930	9 502 607	10 671 710	8 389 724	22 238 268	17 082 041	22 171 541	25 516 615	3 768 063	131 280 500
Liabilities										
Resources of central banks and credit institutions	(6 866 541)	(3 280 045)	(357 573)	(1 245 592)	(579 108)	(3 096 746)	(789 863)	(1 455)	(7 692)	(16 224 616)
Customer resources	(26 413 464)	(9 532 864)	(11 385 796)	(6 661 232)	(12 284 403)	(4 774 833)	(1 399 891)	(2 899 451)	(27 289)	(75 379 224)
Liabilities associated with unit-linked products	-	-	-	-	-	-	-	-	(642 467)	(642 467)
Debt securities	(1 079 246)	(849 506)	(2 606 963)	(404 389)	(5 519 927)	(3 498 330)	(1 759 780)	(501 914)	(169 179)	(16 389 235)
Financial liabilities at fair value through profit or loss	(2 056)	(1 630)	(85)	(2 534)	(549)	(1 879)	-	(1 677)	(1 908 078)	(1 918 488)
Hedging derivatives	-	-	-	-	-	-	-	-	(93 072)	(93 072)
Subordinated liabilities	(112 065)	(17 147)	(19 622)	(984 780)	(965 064)	(38 269)	(34 242)	(142 475)	3 726	(2 309 937)
Consigned resources	(3)	(4 575)	(4 623)	(211 549)	(129 891)	(27 487)	(131 925)	(830 923)	(3 103)	(1 344 079)
	(34 473 375)	(13 685 767)	(14 374 662)	(9 510 076)	(19 478 942)	(11 437 544)	(4 115 700)	(4 377 895)	(2 847 155)	(114 301 117)
Derivatives	1 024	(11 886)	8 278	49 566	21 232	(11 015)	(23 826)	(52 406)	-	(19 034)
Difference	(22 532 422)	(4 195 046)	(3 694 675)	(1 070 786)	2 780 557	5 633 482	18 032 014	21 086 315	920 909	16 960 349

	31.12.2010									
	Residual periods to maturity									Total
	Up to 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 3 years	3 to 5 years	5 to 10 years	More than 10 years	Unspecified	
Assets										
Cash and cash equivalents at central banks	1 468 701	-	-	-	-	-	-	-	-	1 468 701
Cash balances at other credit institutions	1 259 142	-	2 570	-	-	-	-	-	6	1 261 718
Loans and advances to credit institutions	1 611 228	623 747	306 062	420 062	485 984	11 021	15 854	9 282	(3 364)	3 479 877
Securities										
Trading	16 042	25 728	146 762	13 569	130 862	359 450	121 754	12 493	2 201 932	3 028 592
Other	1 269 081	1 063 908	744 816	2 787 724	6 133 324	4 869 705	3 742 591	3 352 633	4 007 045	27 970 826
Investments associated to unit-linked products	-	-	-	-	-	-	-	-	732 512	732 512
Loans and advances to customers (gross)	4 822 817	5 157 964	7 640 411	6 527 968	18 159 739	13 208 898	21 126 081	24 404 462	(268 976)	100 779 363
Held to maturity investments	-	-	-	-	-	-	-	-	3	3
Assets with repurchase agreement	248	252 098	3 294	27 215	294 485	54 101	872 165	66 028	98 536	1 668 170
Hedging derivatives	-	-	-	-	-	-	-	-	114 867	114 867
	10 447 258	7 123 445	8 843 914	9 776 538	25 204 395	18 503 175	25 878 445	27 844 898	6 882 561	140 504 629
Liabilities										
Resources of central banks and credit institutions	(8 088 784)	(6 648 062)	(120 148)	(55 338)	(1 046)	(58)	-	(1 617)	271 893	(14 643 160)
Customer resources	(30 084 468)	(8 389 927)	(7 829 640)	(5 406 504)	(9 102 797)	(6 199 496)	(2 754 769)	(1 786 465)	(55 185)	(71 609 251)
Liabilities associated with unit-linked products	-	-	-	-	-	-	-	-	(732 512)	(732 512)
Debt securities	(472 897)	(1 410 522)	(372 670)	(3 102 499)	(7 175 459)	(5 140 453)	(3 183 528)	(687 197)	19 718	(21 525 507)
Financial liabilities at fair value through profit or loss	(3 173)	(890)	-	-	(336)	-	-	-	(1 707 719)	(1 712 117)
Hedging derivatives	-	-	-	-	-	-	-	-	(166 048)	(166 048)
Subordinated liabilities	(12 827)	(16 035)	(11 451)	(390 379)	(1 555 159)	(159 164)	(890 853)	(286 596)	37 550	(3 284 913)
Consigned resources	(1 136)	(28 998)	(28 295)	(59 638)	(660 709)	(518 174)	(365 931)	(216 262)	(1 804)	(1 880 945)
	(38 663 284)	(16 494 433)	(8 362 205)	(9 014 358)	(18 495 504)	(12 017 344)	(7 195 082)	(2 978 137)	(2 334 106)	(115 554 453)
Derivatives	5 858	45 829	31 305	66 400	162 442	8 869	15 054	5 559	-	341 316
Difference	(28 210 169)	(9 325 159)	513 014	828 580	6 871 333	6 494 700	18 698 417	24 872 321	4 548 455	25 291 492

The tables above comprises the estimated cash flows relative to principal and interest. Therefore, they cannot be compared with the accounting balances at 31 December 2011 and 2010.

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.

The following tables show the information relative to structural liquidity risk of CGD at 31 December 2011 and 2010. These tables differ from the previous ones in using the following assumptions:

- 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".

In addition, the amounts presented correspond to the capital balances not due and do not include estimated interest or accrued interest.

31.12.2011										
Remaining maturity										
	Up to 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 3 years	3 to 5 years	5 to 10 years	More than 10 years	Unspecified	Total
<b>Assets</b>										
Cash and cash equivalents at central banks	2 703 874	-	-	-	-	-	-	-	-	2 703 874
Cash balances at other credit institutions	815 579	-	-	-	-	-	-	-	166 696	982 276
Loans and advances to credit institutions	2 505 088	774 336	1 472 124	73 559	24 474	7 730	469	2 841	86 564	4 947 186
Securities										
Trading	586 521	1 164	10 780	272	25 916	10 343	31 053	274	1 986 085	2 652 407
Other (net of impairment)	4 080 011	495 700	425 268	332 347	689 136	342 581	190 163	133 051	11 628 238	18 316 495
Investments associated to unit-linked products	-	-	-	-	-	-	-	-	584 879	584 879
Loans and advances to customers (gross)	4 310 840	4 717 217	5 274 772	4 843 259	12 630 456	10 486 904	15 743 971	19 966 180	18 564	77 992 162
Assets with repurchase agreement	-	-	-	-	-	-	-	-	777 954	777 954
Investments to be held up to maturity	148 544	68 054	76 604	66 325	896 130	1 408 744	426 786	42 598	(176 370)	2 957 414
	<b>15 150 458</b>	<b>6 056 471</b>	<b>7 259 548</b>	<b>5 315 762</b>	<b>14 266 111</b>	<b>12 256 301</b>	<b>16 392 442</b>	<b>20 144 943</b>	<b>15 072 610</b>	<b>111 914 646</b>
<b>Liabilities</b>										
Resources of central banks and credit institutions	(6 853 127)	(3 243 532)	(349 380)	(1 205 764)	(445 664)	(2 996 140)	(751 455)	-	14 718	(15 830 346)
Customer resources	(7 542 373)	(7 008 772)	(8 193 791)	(8 120 857)	(16 605 026)	(6 818 922)	(3 609 536)	(12 317 787)	136 534	(70 080 531)
Liabilities associated with unit-linked products	-	-	-	-	-	-	-	-	(584 879)	(584 879)
Debt securities	(1 026 668)	(767 381)	(2 451 250)	(178 848)	(4 836 562)	(3 154 200)	(1 503 382)	(486 271)	(213 895)	(14 618 458)
Financial liabilities at fair value through profit or loss	(2 056)	(1 630)	(85)	(2 534)	(549)	(1 879)	-	(1 677)	(1 908 078)	(1 918 488)
Subordinated liabilities	(110 710)	(9 697)	-	(952 245)	(906 308)	(25 535)	(3 910)	(100 000)	3 726	(2 104 678)
Consigned resources	-	-	-	(202 953)	(100 000)	-	(65 000)	(793 563)	(3 103)	(1 164 620)
	<b>(15 534 935)</b>	<b>(11 031 012)</b>	<b>(10 994 507)</b>	<b>(10 663 201)</b>	<b>(22 894 110)</b>	<b>(12 996 675)</b>	<b>(5 933 283)</b>	<b>(13 699 298)</b>	<b>(2 554 979)</b>	<b>(106 302 000)</b>
<b>Difference</b>	<b>(384 477)</b>	<b>(4 974 541)</b>	<b>(3 734 959)</b>	<b>(5 347 439)</b>	<b>(8 627 999)</b>	<b>(740 374)</b>	<b>10 459 159</b>	<b>6 445 645</b>	<b>12 517 631</b>	<b>5 612 647</b>

31.12.2010										
Maturidade remanescente										
	Up to 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 3 years	3 to 5 years	5 to 10 years	More than 10 years	Unspecified	Total
<b>Assets</b>										
Cash and cash equivalents at central banks	1 468 092	-	-	-	-	-	-	-	-	1 468 092
Cash balances at other credit institutions	1 261 711	-	-	-	-	-	-	-	6	1 261 717
Loans and advances to credit institutions	1 604 647	594 979	294 484	407 317	465 591	10 404	15 295	9 005	(3 364)	3 398 358
Securities										
Trading	564 366	4 470	35 529	3 637	14 344	50 599	91 605	1 809	2 150 629	2 916 987
Other (net of impairment)	10 799 429	170 001	92 466	420 538	1 003 266	723 568	922 436	328 063	11 016 955	25 476 723
Investments associated to unit-linked products	-	-	-	-	-	-	-	-	732 512	732 512
Loans and advances to customers (gross)	4 624 242	4 500 853	6 783 514	5 298 923	14 436 138	10 246 180	16 165 112	20 120 072	(443 593)	81 731 441
Assets with repurchase agreement	-	-	-	-	-	-	-	-	1 416 896	1 416 896
Investments to be held up to maturity	-	-	-	-	-	-	-	-	3	3
	<b>20 322 487</b>	<b>5 270 303</b>	<b>7 205 993</b>	<b>6 130 415</b>	<b>15 919 338</b>	<b>11 030 751</b>	<b>17 194 447</b>	<b>20 458 949</b>	<b>14 870 044</b>	<b>118 402 730</b>
<b>Liabilities</b>										
Resources of central banks and credit institutions	(8 034 885)	(6 654 151)	(114 312)	(54 695)	(1 024)	(58)	-	(1 617)	271 893	(14 588 850)
Customer resources	(7 158 089)	(5 208 219)	(5 401 176)	(7 296 776)	(16 237 742)	(8 871 028)	(4 620 977)	(12 924 189)	268 846	(67 449 349)
Liabilities associated with unit-linked products	-	-	-	-	-	-	-	-	(732 512)	(732 512)
Debt securities	(417 812)	(1 300 002)	(203 336)	(2 830 988)	(6 250 743)	(4 626 674)	(2 789 487)	(663 574)	19 718	(19 062 899)
Financial liabilities at fair value through profit or loss	(3 173)	(890)	-	-	(336)	-	-	-	(1 707 719)	(1 712 117)
Subordinated liabilities	(11 372)	(6 445)	-	(315 396)	(1 431 334)	(109 425)	(769 552)	(238 058)	37 550	(2 844 031)
Consigned resources	(1 134)	(22 591)	(25 183)	(50 254)	(627 425)	(502 913)	(345 529)	(209 967)	(1 804)	(1 786 800)
	<b>(15 626 466)</b>	<b>(13 192 297)</b>	<b>(5 744 007)</b>	<b>(10 548 109)</b>	<b>(24 548 604)</b>	<b>(14 110 098)</b>	<b>(8 525 545)</b>	<b>(14 037 405)</b>	<b>(1 844 027)</b>	<b>(108 176 558)</b>
<b>Difference</b>	<b>4 696 021</b>	<b>(7 921 994)</b>	<b>1 461 986</b>	<b>(4 417 693)</b>	<b>(8 629 266)</b>	<b>(3 079 347)</b>	<b>8 668 902</b>	<b>6 421 544</b>	<b>13 026 018</b>	<b>10 226 171</b>



## 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 2011 and 2010 is summarised in the following table:

	31.12.2011								
	Repricing dates / Maturity dates								
	<= 7 days	>7 days <= 1 month	> 1 month <= 3 months	> 3 months <= 6 months	> 6 months <= 12 months	> 12 months <= 3 years	> 3 years	Unspecified	Total
Assets									
Cash and cash equivalents at central banks	1 733 971	969 903	-	-	-	-	-	-	2 703 874
Cash balances at other credit institutions	815 580	-	-	-	-	-	-	166 696	982 276
Loans and advances to credit institutions	1 485 631	1 029 488	848 252	1 477 830	5 634	9 722	4 034	86 596	4 947 186
Securities									
Trading	-	110 177	6 447	68 692	-	165 287	262 588	2 039 215	2 652 407
Other (net of impairment)	287 872	2 273 699	4 971 074	2 813 847	2 788 350	1 919 587	2 373 408	888 657	18 316 495
Investments associated to unit-linked products	-	-	-	-	-	-	-	584 879	584 879
Loans and advances to customers (gross)	3 037 327	19 096 186	27 854 556	21 206 975	2 234 066	1 323 876	3 145 659	93 517	77 992 162
Assets with repurchase agreement	12 366	38 747	437 816	150 000	40 000	100 000	20 000	(20 975)	777 954
Investments to be held up to maturity	-	148 544	253 054	125 077	83 935	720 869	1 802 304	(176 370)	2 957 414
	7 372 747	23 666 743	34 371 199	25 842 422	5 151 986	4 239 342	7 607 992	3 662 215	111 914 646
Liabilities									
Resources of central banks and credit institutions	(4 308 136)	(2 590 698)	(4 560 582)	(349 403)	(1 038 719)	(4 139)	(2 993 456)	14 787	(15 830 346)
Financial liabilities at fair value through profit or loss	(1 331)	(725)	(1 630)	(85)	(2 534)	(549)	(3 555)	(1 908 078)	(1 918 488)
Liabilities associated with unit-linked products	-	-	-	-	-	-	-	(584 879)	(584 879)
Customer resources	(16 851 043)	(11 121 407)	(12 216 010)	(13 369 005)	(9 948 772)	(3 577 292)	(2 955 179)	(41 823)	(70 080 531)
Debt securities	(526 668)	(705 648)	(1 390 481)	(2 522 973)	(308 067)	(4 326 872)	(4 627 853)	(169 179)	(14 577 742)
Subordinated liabilities	(104 891)	(105 819)	(231 963)	(558 513)	(998 774)	-	(108 444)	3 726	(2 104 678)
Consigned resources	-	(676)	(1 160 841)	-	-	-	-	(3 103)	(1 164 620)
	(21 792 068)	(14 524 973)	(19 561 506)	(16 799 979)	(12 296 867)	(7 908 853)	(10 688 488)	(2 688 550)	(106 261 284)
Derivatives									
Interest rate swaps (IRSs)	2 621 979	(1 088 966)	(2 513 811)	(685 376)	168 000	1 094 105	519 931	-	115 862
Interest rate futures	-	-	(1 132 589)	(299 547)	(260 535)	(10 323)	-	(4 355)	(1 707 349)
Forward rate agreements (FRAs)	-	-	-	-	-	-	(5 000)	-	(5 000)
Interest rate options	-	-	-	-	-	-	-	(23 864)	(23 864)
	2 621 979	(1 088 966)	(3 646 400)	(984 923)	(92 535)	1 083 783	514 931	(28 218)	(1 620 350)
Net exposure	(11 797 343)	8 052 804	11 163 292	8 057 520	(7 237 416)	(2 585 729)	(2 565 564)	945 447	4 033 012

	31.12.2010								
	Repricing dates / Maturity dates								
	<= 7 days	>7 days <= 1 month	> 1 month <= 3 months	> 3 months <= 6 months	> 6 months <= 12 months	> 12 months <= 3 years	> 3 years	Unspecified	Total
Assets									
Cash and cash equivalents at central banks	1 086 439	91 733	-	-	-	-	-	289 921	1 468 092
Cash balances at other credit institutions	572 779	33 444	-	-	-	-	-	655 494	1 261 717
Loans and advances to credit institutions	1 589 356	257 465	987 865	523 066	36 580	259	9 014	(5 247)	3 398 358
Securities									
Trading	2 000	12 497	25 260	134 269	-	81 867	427 909	2 233 186	2 916 987
Other (net of impairment)	433 898	2 331 657	4 765 068	1 057 520	4 970 087	2 832 997	5 719 055	3 366 440	25 476 723
Investments associated to unit-linked products	-	-	-	-	-	-	-	732 512	732 512
Loans and advances to customers (gross)	3 035 627	19 555 071	25 961 230	21 169 785	2 774 858	1 770 835	7 660 226	(196 190)	81 731 441
Assets with repurchase agreement	11 974	87 520	603 865	-	-	95 000	520 000	98 536	1 416 896
Investments to be held up to maturity	-	-	-	-	-	-	-	3	3
	6 732 072	22 369 388	32 343 288	22 884 640	7 781 525	4 780 958	14 336 204	7 174 655	118 402 730
Liabilities									
Resources of central banks and credit institutions	(1 823 501)	(5 653 545)	(6 718 750)	(535 376)	(51 858)	(1 841)	(1 675)	197 696	(14 588 850)
Financial liabilities at fair value through profit or loss	(3 173)	(104)	(244)	(542)	-	(336)	-	(1 707 719)	(1 712 117)
Liabilities associated with unit-linked products	-	-	-	-	-	-	-	(732 512)	(732 512)
Customer resources	(19 223 011)	(9 014 872)	(10 217 333)	(10 015 301)	(4 807 592)	(8 167 099)	(5 241 060)	(763 081)	(67 449 349)
Debt securities	(105 000)	(673 596)	(5 964 216)	(959 542)	(1 841 723)	(4 222 780)	(5 362 850)	66 807	(19 062 899)
Subordinated liabilities	(108 800)	(27 463)	(707 948)	(61 000)	(129 969)	(1 055 258)	(787 651)	34 056	(2 844 031)
Consigned resources	(23)	(84)	(22 591)	(22 675)	(50 254)	(627 425)	(1 058 409)	(5 338)	(1 786 800)
	(21 263 508)	(15 369 663)	(23 631 080)	(11 594 437)	(6 881 395)	(14 074 738)	(12 451 644)	(2 910 091)	(108 176 558)
Derivatives									
Interest rate swaps (IRSs)	399 588	(1 188 910)	(3 776 391)	597 750	198 440	2 730 735	1 233 155	(49 623)	144 745
Interest rate futures	-	-	(1 043 940)	(1 925 544)	-	-	-	-	(2 969 484)
Forward rate agreements (FRAs)	-	-	-	20 000	-	-	-	-	20 000
Interest rate options	-	-	-	(80 000)	(4 084)	10 000	(16 712)	47 470	(43 326)
	399 588	(1 188 910)	(4 820 332)	(1 387 793)	194 356	2 740 735	1 216 443	(2 153)	(2 848 065)
Net exposure	(14 131 849)	5 810 814	3 891 877	9 902 409	1 094 486	(6 553 045)	3 101 003	4 262 411	7 378 107

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 2011 and 2010:

	31.12.2011				
	Balances analysed			Balances not analysed	Total book value
	Book value	Fair value	Difference	Book value	
Assets					
Cash and cash equivalents at central banks	2 704 482	2 704 352	(130)	-	2 704 482
Cash balances at other credit institutions	818 805	818 805	-	167 391	986 197
Loans and advances to credit institutions	4 700 508	4 724 150	23 642	255 611	4 956 118
Held to maturity investments	2 837 379	2 426 254	(411 126)	-	2 837 379
Loans and advances to customers	75 539 082	71 696 202	(3 842 879)	2 708 544	78 247 625
	86 600 255	82 369 763	(4 230 492)	3 131 546	89 731 801
Liabilities					
Resources of central banks and other credit institutions	15 721 766	15 859 005	(137 239)	139 189	15 860 954
Customer resources	68 944 733	68 660 453	284 281	1 642 758	70 587 491
Debt securities	14 604 151	12 380 773	2 223 378	319 157	14 923 309
Subordinated liabilities	2 055 516	1 820 433	235 083	19 900	2 075 416
Consigned resources	1 161 516	1 187 708	(26 191)	3 103	1 164 620
	102 487 683	99 908 372	2 579 311	2 124 107	104 611 790

	31.12.2010				
	Balances analysed			Balances not analysed	Total book value
	Book value	Fair value	Difference	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	18 574 399	733 996	(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	105 665 593	(989 871)	1 501 703	106 177 425

Fair value was determined using the following assumptions:

- The book value of balances payable / receivable on demand corresponds to their fair value;
- For listed Caixa's issues whose prices were considered to have a liquid amount, the fair value corresponds to the respective market price;
- Caixa determined the fair value of the remaining instruments using discounted cash flow models, for both fixed and variable interest rate instruments. For this purpose, the discounted cash flow models take into account the contractual terms of the operations and the appropriate interest rates given the type of instrument, including:
  - Market interest rates for applications and resources of other credit;
  - Market interest rates incorporating average spreads on Caixa's loan operations occurred in December 2011 and 2010, for comparable credit types;
- The "Balances not analysed" column includes essentially:
  - Overdue credit, net of impairment;
  - Balances of entities not included in Caixa's calculations.

The fair value valuation of financial instruments reflected in the financial statements at 31 December 2011 and 2010 can be summarised as follows:

31.12.2011			
	Measurement techniques		
	Level 1 Market prices	Level 2 Market inputs	Level 3 Other measurement techniques
			Total
Financial assets held for trading	542 755	133 721	-
Other financial assets at fair value through profit or loss (*)	1 125 278	185 623	167 065
Available-for-sale financial assets	7 880 738	8 434 746	341 933
Assets with repurchase agreement	455 253	322 701	-
Trading derivatives	19	57 423	-
Hedging derivatives	-	15 057	-
	<b>10 004 043</b>	<b>9 149 271</b>	<b>508 997</b>
			<b>19 662 312</b>

(\*) The amounts presented exclude loans and other receivables.

31.12.2010			
	Measurement techniques		
	Level 1 Market prices	Level 2 Market inputs	Level 3 Other measurement techniques
			Total
Financial assets held for trading	672 632	358 255	-
Other financial assets at fair value through profit or loss (*)	1 056 131	402 214	164 470
Available-for-sale financial assets	7 018 011	16 338 519	311 238
Assets with repurchase agreement	1 140 995	275 901	-
Trading derivatives	553	173 430	-
Hedging derivatives	-	(51 181)	-
	<b>9 888 323</b>	<b>17 497 138</b>	<b>475 708</b>
			<b>27 861 169</b>

(\*) The amounts presented exclude loans and other receivables.

In producing the table above, the following assumptions were used:

- **Level 1** – Market quotations – this column comprises financial instruments measured on the basis of active market quotation;
- **Level 2** – Measurement techniques – market inputs – this column comprises financial instruments measured on the basis of internally developed models using market inputs (interest rates, foreign exchange rates, risk ratings awarded by external entities, other) and reference bid prices obtained from external counterparties;
- **Level 3** – Other measurement techniques – this column comprises financial instruments measured on the basis of internally developed models on non-observable market parameters.

In 2011 and 2010, the changes in the financial instruments classified in column "Other measurement techniques" are as follows:

	2011						
	Securities at fair value through profit or loss			Available-for-sale financial assets			Total
	Equity instruments	Debt instruments	Subtotal	Equity instruments	Debt instruments	Subtotal	
		Corporate bonds			Corporate bonds		
Book value (net) at 31.12.2010	152 461	12 009	164 470	254 387	56 850	311 237	475 706
Acquisitions	4 590		4 590	100 596	8 044	108 640	113 230
Sales	(5 113)	(2 000)	(7 113)	(83 190)	(55)	(83 244)	(90 358)
Gains / (losses) recognised as a charge to results – sold instruments	753	17	770	(4 755)	-	(4 755)	(3 984)
Gains / (losses) recognised as a charge to results – portfolio instruments	4 352	(5)	4 347	(503)	58	(445)	3 902
Impairment for the period	-	-	-	(11 706)	-	(11 706)	(11 706)
Gains / (losses) recognised as a charge to fair value reserves	-	-	-	29 156	(1 331)	27 825	27 825
Transfers from / (to) other levels (Levels 1 and 2)	-	-	-	-	(2 720)	(2 720)	(2 720)
Transfers from / (to) other classes of financial instruments	-	-	-	-	-	-	-
Other	-	-	-	642	(3 544)	(2 902)	(2 902)
Book value (net) at 31.12.2011	157 044	10 021	167 064	284 628	57 302	341 932	508 997

	2010						
	Securities at fair value through profit or loss			Available-for-sale financial assets			Total
	Equity instruments	Debt instruments	Subtotal	Equity instruments	Debt instruments	Subtotal	
		Corporate bonds			Corporate bonds		
Book value (net) at 31.12.2009	129 340	28 760	158 100	283 859	128 716	412 575	570 675
Acquisitions	27 263		27 263	771	607	1 378	28 641
Sales	(8 940)	(14 250)	(23 190)	(2 308)	(382)	(2 690)	(25 880)
Gains / (losses) recognised as a charge to results – sold instruments	-	-	-	(1 168)	(678)	(1 846)	(1 846)
Gains / (losses) recognised as a charge to results – portfolio instruments	4 298	(8)	4 290	52	(53)	(2)	4 288
Impairment for the period	-	-	-	(136)	-	(136)	(136)
Gains / (losses) recognised as a charge to fair value reserves	-	-	-	(16 442)	200	(16 241)	(16 241)
Transfers from / (to) other levels (Levels 1 and 2)	-	(2 493)	(2 493) [a]	(4 801) [c]	28 758 [b]	23 957	21 464
Transfers from / (to) other classes of financial instruments	-	-		-	(99 979) [d]	(99 979)	(99 979)
Other	500	-	500	(19 290)	(339)	(19 629)	(19 129)
Book value (net) at 31.12.2010	152 461	12 009	164 470	254 387	56 850	311 238	475 708

Changes in the fair value financial instruments hierarchy are as follows:

- [a] Transfer between levels 3 and 2 in the fair value hierarchy as a result of the provision by external 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 3 to level 2 in the fair value hierarchy relating to equity participations held in funds for which valuation has been provided by the respective management entity;
- [d] Those transfers refer to the reclassification of securitised credit issues, carried out by financial institutions and subscribed by Caixa, during first half 2010, between the categories of available-for-sale financial assets and loans and advances to customers, as referred to in Note 8.

At 31 December 2011 and 2010, a positive shift of 100 bp 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 351 thousand and EUR 29 thousand in their fair value and revaluation reserves respectively.

### 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 (collateralised 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 curves. In the case of EUR, GBP and USD interest rates curves, an adjustment is made using the market price of interest rate futures.

At 30 December 2011 and 2010, the values of the curves referring to currencies with major exposure were as follows:

	31.12.2011			31.12.2010		
	EUR	USD	GBP	EUR	USD	GBP
Overnight	0.3000	0.3000	0.5550	0.3300	0.4500	0.5800
1 month	0.9800	1.5600	0.7631	0.7500	0.6500	0.9250
2 months	1.1500	1.5600	0.9166	0.8700	0.7000	0.9750
3 months	1.2229	1.6698	1.0605	0.9216	0.6722	0.9865
6 months	1.2423	1.1609	1.0841	0.9978	0.5185	0.8965
9 months	1.1631	1.0138	1.0846	1.0573	0.5068	0.9130
1 year	1.1110	0.9403	1.0756	1.1189	0.5376	0.9706
2 years	1.0396	0.8690	1.1716	1.5830	0.8595	1.5440
3 years	1.3900	0.8655	1.3662	1.9160	1.3455	2.0060
5 years	1.7470	1.2800	1.5427	2.5010	2.2555	2.7150
7 years	2.0840	1.6810	1.8428	2.9110	2.9000	3.1880
10 years	2.3880	2.0600	2.2713	3.3070	3.4530	3.6280
15 years	2.6630	2.4070	2.6392	3.6580	3.8980	3.9630
20 years	2.6830	2.5240	2.8203	3.7200	4.0630	4.0330
25 years	2.6160	2.5840	2.9311	3.6390	4.1270	4.0330
30 years	2.5480	2.6180	2.9805	3.5190	4.1860	3.9980

The values of credit curves are obtained through the Bloomberg system and are assessed based on a set prices of securities that complies with the currency / sector / rating trinomial. At 31 December 2011 and 2010 the values of the credit curve of the Portuguese and German governments were as follows:

	31.12.2011		31.12.2010	
	Portuguese Government	German Government	Portuguese Government	German Government
3 months	4.3065	0.0141	3.5434	0.3257
6 months	5.4932	0.0010	3.8314	0.4621
9 months	7.2145	0.0035	4.0495	0.5377
1 year	9.1332	0.0060	4.2699	0.6141
2 years	14.3100	0.1374	4.5771	0.8553
3 years	15.4263	0.3742	4.9188	1.1244
5 years	15.0227	0.8644	5.7591	1.9765
7 years	15.2723	1.3822	6.2389	2.5746
10 years	13.5735	1.8504	6.6015	2.9605
15 years	13.1005	2.5092	6.9621	3.4396
20 years	12.0148	2.6113	6.7315	3.5616
25 years	10.8056	2.5015	6.6549	3.5246
30 years	10.5070	2.4056	6.5735	3.4110

The values of the European Central Bank fixing are used in foreign exchange rates. The following table presents the foreign exchange rates of some of the relevant currencies at 31 December 2011 and 2010:

	31.12.2011	31.12.2010
EUR/USD	1.2939	1.3362
EUR/GBP	0.8353	0.8608
EUR/CHF	1.2156	1.2504
EUR/AUD	1.2723	1.3136
EUR/JPY	100.20	108.65
EUR/BRL	2.4159	2.2177

## 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 companies deemed comparable in terms of business sector, size and profitability;
- iii) Discounted cash flows;
- iv) Settlement 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;
  - Own portfolio – comprises securities purchased for investment but currently with deleveraging purposes;

- 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.

During 2011, the instruments included in the securities own portfolio split up into two independent portfolios: the so-called investment portfolio and own portfolio. In this sense, VaR figures presented for own portfolio at the end of 2010 are not comparable with the figures of end 2011.

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 45.

- 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:
  - Caixa – Banco de Investimento;
  - BCG Spain;
  - BNU Macau;
- Sensitivity analysis to all financial instruments with optionality;
- Stress Tests.

### 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.

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 2011 and 2010, VaR can be broken down as follows (amounts in thousand of Euro):

#### ACTIVITY OF CAIXA GERAL DE DEPÓSITOS (HEAD OFFICE AND BRANCHES):

Trading portfolio (VaR 95%, 1 day)	31.12.2011			
	Dec. 11	Maximum	Minimum	Dec. 10
<b>VaR by type of risk</b>				
Interest rate	4 576	7 333	1 623	1 788
Foreign exchange rate	28	1 841	5	25
Price	186	3 295	125	55
Volatility	-	3	-	-
Diversification effect	(232)			(102)
	<b>4 559</b>			<b>1 767</b>

Treasury management (VaR 95%, 1 day)	31.12.2011			
	Dec. 11	Maximum	Minimum	Dec. 10
<b>VaR by type of risk</b>				
Interest rate	5 779	5 812	121	195
Foreign exchange rate	6 230	6 230	897	1 069
Price	-	-	-	-



Treasury management (VaR 95%, 1 day)		31.12.2011		
		Dec. 11	Maximum	Minimum
Volatility	-	-	-	-
Diversification effect	(4 932)	-	-	(125)
		<b>7 076</b>	<b>7 076</b>	<b>952</b>
				<b>1 139</b>

## Own and investment portfolios – 2011:

Investment portfolio (VaR 99%, 10 days)		31.12.2011		
		Dec. 11	Maximum	Minimum
<b>VaR by type of risk</b>				
Interest rate		326	354	221
Foreign exchange rate		502	9 533	168
Price		3 606	3 606	2 825
Volatility		-	-	-
Diversification effect		(917)	-	-
		<b>3 517</b>	<b>11 432</b>	<b>2 425</b>

Investment portfolio (VaR 99%, 10 days)		31.12.2011		
		Dec. 11	Maximum	Minimum
<b>VaR by type of risk</b>				
Interest rate		22 517	28 610	20 199
Foreign exchange rate		798	1 845	33
Price		-	-	-
Volatility		-	-	-
Diversification effect		(527)	-	-
		<b>22 788</b>	<b>28 781</b>	<b>19 913</b>

## Own portfolio – 2010

Investment portfolio (VaR 99%, 10 days)		31.12.2010		
		Dec. 10	Maximum	Minimum
<b>VaR by type of risk</b>				
Interest rate		18 128	49 759	18 128
Foreign exchange rate		2 118	5 926	1 312
Price		25 590	39 694	25 000
Volatility		-	-	-
Diversification effect		(20 125)	-	-
		<b>25 712</b>	<b>49 404</b>	<b>25 045</b>

## INVESTMENT BANKING ACTIVITY:

CaixaBI (VaR 99%, 10 days)		31.12.2011		
		Dec. 11	Maximum	Minimum
<b>VaR by type of risk</b>				
Interest rate		21 022	22 321	12 459
Foreign exchange rate		257	7 697	72
Price		94	1 480	88
Volatility		62	79	51
Diversification effect		(282)	-	-
		<b>21 153</b>	<b>23 662</b>	<b>12 466</b>
				<b>17 672</b>

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 2011 and 2010, the impact in fair value of financial instruments sensitive to the interest rate risk (excluding derivatives), resulting from parallel shifts in the interest rates curve from 50, 100 and 200 bps, respectively, can be verified in the following tables:

31.12.2011						
	-200 bp	-100 bp	-50 bp	+50 bp	+100 bp	+200 bp
Cash and cash equivalents at central banks	318	318	226	(225)	(451)	(901)
Cash balances at other credit institutions	12 755	9 555	4 831	(4 809)	(9 590)	(19 074)
Securities						
Trading	41 891	22 867	11 276	(10 960)	(21 615)	(42 048)
Other	305 164	174 816	86 396	(84 261)	(166 502)	(325 332)
Held to maturity investments (gross)	137 270	66 930	33 058	(32 277)	(63 807)	(124 738)
Assets with repurchase agreement	9 104	7 051	3 518	(3 486)	(6 940)	(13 755)
Loans and advances to customers (gross)	395 583	261 894	130 761	(128 083)	(253 711)	(498 077)
<b>Total sensitive assets</b>	<b>902 085</b>	<b>543 430</b>	<b>270 066</b>	<b>(264 101)</b>	<b>(522 615)</b>	<b>(1 023 925)</b>
Resources of other credit institutions	(150 502)	(110 102)	(54 852)	54 152	107 588	212 357
Customer resources	(476 040)	(309 349)	(154 817)	152 634	302 983	597 194
Debt securities	(481 450)	(242 556)	(120 654)	117 666	231 992	451 346
Subordinated liabilities	(27 744)	(13 659)	(6 779)	6 684	13 277	26 210
<b>Total sensitive liabilities</b>	<b>(1 135 736)</b>	<b>(675 666)</b>	<b>(337 101)</b>	<b>331 135</b>	<b>655 840</b>	<b>1 287 107</b>
<b>Total Profit / Loss</b>	<b>(233 651)</b>	<b>(132 236)</b>	<b>(67 035)</b>	<b>67 034</b>	<b>133 225</b>	<b>263 182</b>

31.12.2010						
	-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	56 424	28 596	14 185	(13 935)	(27 627)	(54 306)
Other	780 134	402 896	199 122	(193 655)	(382 089)	(744 206)
Assets with repurchase agreement	94 070	46 255	22 755	(21 883)	(42 932)	(82 663)
Loans and advances to customers (gross)	415 631	277 612	143 758	(140 579)	(278 150)	(544 503)
<b>Total sensitive assets</b>	<b>1 349 453</b>	<b>758 276</b>	<b>381 518</b>	<b>(371 748)</b>	<b>(734 187)</b>	<b>(1 432 440)</b>
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
<b>Total sensitive liabilities</b>	<b>(1 754 183)</b>	<b>(965 454)</b>	<b>(484 271)</b>	<b>469 325</b>	<b>920 338</b>	<b>1 789 232</b>
<b>Total Profit / Loss</b>	<b>(404 730)</b>	<b>(207 178)</b>	<b>(102 753)</b>	<b>97 577</b>	<b>186 151</b>	<b>356 792</b>

Reference should also be made to the fact that, at 31 December 2011 and 2010, the analysis presented in the table above excludes the effect on fair value of the parallel shifts in the interest rates curves for operations of Caixa Leasing e Factoring, IFIC, Banco Caixa Geral – Brasil SA, Banco Nacional Ultramarino, Mercantile Bank, Banco Nacional de Investimento, 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 shifts 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 2012 and 2011, respectively, of the parallel displacement of the interest rates curve of 50, 100 and 200 bps:

31.12.2012						
	-200 bp	-100 bp	-50 bp	+50 bp	+100 bp	+200 bp
Interest income	(737 546)	(624 192)	(331 407)	347 971	688 997	1 375 003
Interest expense	516 129	362 816	183 743	(195 838)	(386 398)	(763 611)
<b>Net interest income</b>	<b>(221 416)</b>	<b>(261 375)</b>	<b>(147 664)</b>	<b>152 133</b>	<b>302 600</b>	<b>611 392</b>

31.12.2011						
	-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 expense	569 620	424 196	230 898	(257 683)	(493 926)	(971 033)
<b>Net interest income</b>	<b>(265 103)</b>	<b>(247 190)</b>	<b>(106 592)</b>	<b>80 368</b>	<b>182 032</b>	<b>377 435</b>

In the calculation of the impacts presented in the table above, it was considered that the assets and liabilities sensitive to interest rate at the reference dates of the calculation would evolve in accordance with the anticipated macroeconomic framework for 2012 and 2011, respectively. The referred to assets 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 2011 and 2010.

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 2011 and 2010 the financial instruments are broken down by currency as follows:

	31.12.2011											
	Currency											
	Euros	US Dollars	Pounds Sterling	Yen	Macau Patacas	Hong Kong Dollar	Mozam-bican Meticais	South African Rand	Cape Ver-de Escudo	Other	Book value of derivatives	Total
Assets												
Cash and cash equivalents at central banks	1 709 483	227 525	2 286	543	7 122	252 768	130 127	17 229	102 707	254 692	-	2 704 482
Cash balances at other credit institutions	668 374	15 761	8 438	14 947	58 034	126 655	1 426	5 755	3 611	83 196	-	986 197
Loans and advances to credit institutions	4 139 347	124 143	8 782	1 868	191 171	287 735	22 308	66 809	6 029	120 240	-	4 968 430
Financial assets at fair value though profit or loss	1 994 214	123 625	588	-	-	-	-	16 571	-	20 781	1 975 930	4 131 709
Available-for-sale financial assets	16 650 590	330 995	12 334		13 079	-	168 978	7 885	64 220	476 041	-	17 724 124
Investments associated with unit-linked products	584 879	-	-	-	-	-	-	-	-	-	-	584 879
Held to maturity investments	2 953 352	4 062	-	-	-	-	-	-	-	-	-	2 957 414
Loans and advances to customers (gross)	77 156 737	1 095 168	232 586	10 838	296 485	908 432	597 429	446 243	561 405	325 549	-	81 630 871
Assets with repurchase agreement	731 363	46 590	-	-	-	-	-	-	-	-	-	777 954
Other assets	1 094 420	1 726 451	(186 480)	482 478	327 710	28 712	25 781	10 879	27 935	273 539	-	3 811 424
Accumulated impairment	(4 345 830)	(107 843)	(3 904)	(120)	(32 963)	(41)	(23 532)	(7 316)	(36 179)	(29 769)	-	(4 587 497)
	103 336 928	3 586 478	74 629	510 555	860 638	1 604 260	922 516	564 056	729 728	1 524 269	1 975 930	115 689 987
Liabilities												
Resources of central banks and other credit institutions	(14 034 194)	(1 705 360)	(13 455)	(700)	(11 906)	(24 171)	(7 844)	(9 663)	(3 689)	(49 971)	-	(15 860 954)
Customer resources	(63 913 123)	(1 623 757)	(41 452)	(79 570)	(1 248 523)	(928 677)	(792 384)	(415 700)	(617 196)	(927 110)	-	(70 587 491)
Liabilities associated with unit-linked products	(584 879)	-	-	-	-	-	-	-	-	-	-	(584 879)
Debt securities	(14 429 118)	(28 383)	-	(429 013)	-	-	(26 668)	-	-	(10 127)	-	(14 923 309)
Financial liabilities at fair value through profit or loss	-	-	-	-	-	-	-	-	-	-	(1 918 488)	(1 918 488)
Subordinated liabilities	(2 051 126)	(15 738)	-	-	-	-	-	-	(8 553)	-	-	(2 075 416)
Other liabilities												-
Consigned resources	(1 161 751)	-	-	-	-	-	(2 846)	-	(23)	-	-	(1 164 620)
Other	(1 304 094)	(11 104)	9 856	(1 897)	(452 251)	(18 714)	(55 915)	(135 015)	(40 613)	(296 223)	-	(2 305 970)
	(97 478 284)	(3 384 342)	(45 051)	(511 180)	(1 712 681)	(971 562)	(885 657)	(560 379)	(670 073)	(1 283 431)	(1 918 488)	(109 421 127)
Derivatives (Notional)												
Currency swaps	(1 457 164)	1 188 463	(158 701)	(12 475)	-	425 377	-	2 671	-	45 360	-	33 531
Interest rate swaps	(149 152)	(188 834)	-	447 145	-	-	-	-	-	6 705	-	115 863
Futures	(1 811 635)	68 116	(795)	-	-	215	-	15	-	521	-	(1 743 565)
Forward Rate Agreements	(5 000)	-	-	-	-	-	-	-	-	-	-	(5 000)
Options and Caps & Floors	(23 864)	-	-	-	-	-	-	-	-	-	-	(23 864)
Forward foreign exchange transactions	(55 490)	(7 486)	(525)	16 723	-	(101)	-	39 450	-	(3 227)	-	(10 656)
	(3 502 306)	1 060 259	(160 022)	451 393	-	425 491	-	42 136	-	49 358	-	(1 633 690)
Net exposure	2 356 339	1 262 395	(130 443)	450 769	(852 043)	1 058 189	36 859	45 813	59 655	290 195	57 442	4 635 170

	31.12.2010											
	Currency											
	Euros	US Dollars	Pounds Sterling	Yen	Macau Patacas	Hong Kong Dollar	Mozam-bican Meticaís	South African Rand	Cape Ver-de Escudo	Other	Book value of derivatives	Total
Assets												
Cash and cash equivalents at central banks	901 968	58 413	2 069	531	5 186	157 109	81 645	16 575	76 082	169 173	-	1 468 752
Cash balances at other credit institutions	643 663	17 906	3 511	15 610	352 579	109 423	1 709	34 483	778	85 311	-	1 264 973
Loans and advances to credit institutions	2 293 611	787 911	12 006	4 281	18 463	227 736	301	29 122	51 119	88 624	-	3 513 175
Financial assets at fair value though profit or loss	2 327 064	146 860	-	-	-	-	-	24 345	-	158 119	1 886 101	4 542 489
Available-for-sale financial assets	23 513 420	358 254	26 023		253	-	45 547	6 797	71 123	312 862	-	24 334 279
Investments associated with unit-linked products	732 093	65	187	7	-	-	-	-	-	160	-	732 512
Held to maturity investments	3	-	-	-	-	-	-	-	-	-	-	3
Loans and advances to customers (gross)	80 102 536	1 472 025	338 944	10 660	231 755	733 746	410 141	435 422	525 115	256 686	-	84 517 028
Assets with repurchase agreement	1 371 910	44 987	-	-	-	-	-	-	-	-	-	1 416 896
Other assets	1 534 071	642 360	(259 904)	747 250	278 861	32 150	18 229	10 071	17 171	261 368	-	3 281 628
Accumulated impairment	(3 143 945)	(87 154)	(1 913)	()	(32 164)	(42)	(16 201)	(7 634)	(30 459)	(13 755)	-	(3 333 267)
	110 276 393	3 441 626	120 923	778 341	854 933	1 260 121	541 371	549 181	710 929	1 318 548	1 886 101	121 738 467
Liabilities												
Resources of central banks and other credit institutions	(12 696 308)	(1 737 040)	(37 657)	(706)	(32 899)	(3 878)	(24 412)	(26 332)	(298)	(44 139)	-	(14 603 669)
Customer resources	(61 815 681)	(1 637 456)	(48 106)	(146 007)	(1 091 392)	(657 211)	(463 556)	(478 532)	(622 485)	(719 617)	-	(67 680 045)
Liabilities associated with unit-linked products	(732 512)	-	-	-	-	-	-	-	-	-	-	(732 512)
Debt securities	(18 705 736)	(73 656)	(6 971)	(487 794)	-	(22 545)	-	-	-	(10 045)	-	(19 306 748)
Financial liabilities at fair value through profit or loss	-	-	-	-	-	-	-	-	-	-	(1 712 117)	(1 712 117)
Subordinated liabilities	(2 639 318)	(9 279)	-	(138 235)	-	-	(4 793)	-	(8 539)	-	-	(2 800 164)
Other liabilities												
Consigned resources	(1 781 751)	-	-	-	-	-	(5 026)	-	(23)	-	-	(1 786 800)
Other	(1 558 474)	62 385	(430)	(1 172)	(375 303)	(35 883)	(13 969)	(124 698)	(36 385)	(364 846)	-	(2 448 776)
	(99 929 780)	(3 395 047)	(93 164)	(773 914)	(1 499 594)	(719 518)	(511 758)	(629 562)	(667 729)	(1 138 648)	(1 712 117)	(111 070 830)
Derivatives (Notional)												
Currency swaps	(126 615)	92 912	(178 896)	(15 647)	-	197 387	-	-	-	28 711	-	(2 147)
Interest rate swaps	(894 030)	238 363	6 971	764 381	-	29 849	-	-	-	(788)	-	144 745
Futures	(2 921 778)	(1 871)	-	-	-	-	-	-	-	-	-	(2 923 649)
Forward Rate Agreements	20 000	-	-	-	-	-	-	-	-	-	-	20 000
Options and Caps & Floors	(43 326)	-	-	-	-	-	-	-	-	-	-	(43 326)
Forward foreign exchange transactions	(35 000)	111 542	5 201	64 479	-	63 416	-	145	-	(52 027)	-	157 756
	(4 000 750)	440 945	(166 724)	813 213	-	290 652	-	145	-	(24 104)	-	(2 646 622)
Net exposure	6 493 314	487 525	(138 964)	817 641	(644 661)	831 255	29 613	(80 236)	43 200	155 795	173 983	8 168 465

## 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 2011 and 2010, VaR (at 10days with 99% confidence gap) by currency of CGD may be described in the following table:

	VaR			
	Banking		Insurance	
	31.12.2011	31.12.2010	31.12.2011	31.12.2010
Hong Kong Dollar	46 590	40 346	-	-
Macau Pataca	46 815	37 280	34	38
South African Rand	16 731	13 418	-	-
US Dollar	178	2 381	120	61
Mozambican Meticaís	72 751	33 085	-	-
Pound Sterling	373	8	543	932
Japanese Yen	93	69	-	-
Other currencies	18 735	15 421	379	513
Diversification effect	(271 484)	(115 180)	(433)	(613)
<b>Total</b>	<b>67 963</b>	<b>27 507</b>	<b>1 142</b>	<b>1 300</b>

The diversification effect is calculated implicitly.

Information relative to the insurance activity presented in the previous tables refers to Fidelidade Mundial.

## 45. 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).

### 45.1 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 second 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.

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.

The technical 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.

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 and will meet whenever needed to assess risks with these particular features.

### 45.2. 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, namely the follow up of income evolution, number of insured contracts, risk, claims and technical margin characteristics.

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.

### 45.3. 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 also mainly by products under management.

#### 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 policyholder 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.

### 45.4 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 accidents and multirisk home products) and other specific insurance areas such as

property insurance, 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 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, is protected by adequate Excess of Loss treaties for each situation.

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 the retention being determined by the Group's financial capacity.

The selection criteria for reinsurers is 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-.

## 45.5. 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 to any type of profit sharing. These products are covered by investments with maturity and payment dates similar to the respective liabilities 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 <sup>(*)</sup>	70.00%
Government	70.00%
Corporate	50.00%
Fixed income – short rates <sup>(**)</sup>	100.00%
Alternative <sup>(***)</sup>	2.00%
Variable income	30.00%
Gross variable income	6.00%
(Private equity and other)	(20% of investment in variable income)
Property	15.00%

(\*) 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 that 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 by issuer
Up to 1.5 years	BBB-	BBB-	Min [0.5% ; € 250 M]
From 1.5 to 5.5 years	A-	A-	Min [3% ; € 250 M]
From 5.5 to 10.5 years	AA-	A+	
From 10.5 to 30.5 years	Non authorised	A+	Min [6% ; € 250 M]
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.

## 45.6. 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, income percentage and management costs, 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

Year	Risk		Annuities		Capitalisation with PS	
	Inflow	OutFlow	Inflow	OutFlow	Inflow	OutFlow
2012	157 346	87 246	-	6 651	16 546	358 825
2013	138 930	76 763	-	6 396	14 407	191 327
2014	130 509	72 004	-	6 213	12 455	189 199

### Império Bonança

Year	Annuities		Capitalisation with PS	
	Inflow	OutFlow	Inflow	OutFlow
2012	-	10 571	16 202	67 702
2013	-	10 062	14 394	64 765
2014	-	9 569	12 834	65 696

The following tables show the change in these cash inflows and outflows resulting from a 5% increase in expected early redemptions.

### Fidelidade Mundial

Year	Risk		Annuities		Capitalisation with PS	
	Inflow	OutFlow	Inflow	OutFlow	Inflow	OutFlow
2012	153 425	85 239	-	6 651	16 106	411 495
2013	128 375	71 117	-	6 396	13 301	226 771
2014	114 287	63 212	-	6 213	10 909	208 936

### Império Bonança

Year	Annuities		Capitalisation with PS	
	Inflow	OutFlow	Inflow	OutFlow
2012	-	10 571	15 770	84 938
2013	-	10 062	13 261	77 055
2014	-	9 569	11 194	73 211

The following tables show the estimated change in liabilities recorded in the balance sheet at 31 December 2011 as a result of changes in some of the assumptions used.

### Fidelidade Mundial

Assumption	Change in assumption	Change in liability
Mortality rate	+ 25% <sup>(*)</sup>	-
Asset yield rate	+ 0.5%	-
Inflation rate	1%	341
Redemption rate	5%	4

(\*) In terms of annuities, the change of the mortality rate was negative.

### Império Bonança

Assumption	Change in assumption	Change in liability
Mortality rate	+ 25% <sup>(*)</sup>	-
Asset yield rate	+ 0.5%	-
Inflation rate	1%	-
Redemption rate	5%	-

(\*) In terms of annuities, the change of the mortality rate was negative.

## 45.7. 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.

The following table shows that the exposure level to longer periods in quantitative terms is not significant:

Maturity risk	Amount	%	Mod Dur
<b>Fixed income</b>	9 474 728	100%	
Fixed rate bonds	5 558 555	58.7%	3.28
Maturity 1 to 3	3 207 042	57.7%	2.39
Maturity 4 to 5	1 624 837	29.2%	3.70
Maturity 6 to 7	488 937	8.8%	5.50
Maturity 8 to 10	173 865	3.1%	6.65
Maturity 11 to 19	13 493	0.2%	11.72
Maturity 20 to 35	50 380	0.9%	11.15
Variable rate bonds	2 980 280	31.5%	0.30
Inflation-linked bonds	100 440	1.1%	4.75
Perpetual (fixed rate)	100	0.0%	
Non-performing	3	0.0%	
Bonds with maturity < 1 year	835 350	15.0%	0.38

Companies also monitor the risk through the services of CGD's risk control unit that discloses its indicators to the appropriate bodies.

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 2011, 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:

Notional Value (Eur)	Currency	Linked products	Maturity	Rate granted	Rate taken
20 000	Eur	Postal 4%	2012	Euribor_3M_360	Euribor_3M_360 + 0.180%
45 000	Eur	Postal 4%	2012	Euribor_3M_360	Euribor_3M_360 + 0.230%
11 000	Eur	K hveste	2013	4.000%	4.300%
125 000	Eur	Caixa Seguro 2 x 4,15	2013	Euribor_3M_360	Euribor_3M_360 + 0.318%
76 500	Eur	Caixa Seguro Euro Campeão	2013	Euribor_3M_360 - 0.250%	Euribor_1A_360
50 000	Eur	Levexpert PPR Série B	2013	Euribor_3M_360	Euribor_1A_360_0.140%
15 000	Eur	Pst Top Rend CS Invest Mais	2013	3.710%	3.923%
50 000	Eur	Pst Top Rend CS Invest Mais	2013	4.500%	4.781%
16 000	Eur	Pst Top Rend CS Invest Mais	2013	4.730%	5.010%
125 000	Eur	Caixa Seguro Duplo h vest	2013	Euribor_3M_360	Euribor_3M_360 + 0.040%
40 000	Eur	Levexpert PPR Série L	2021	4.750%	Euribor_6M_360 + 1.134%
5 200	Eur	VANTAGEM DUPLA 2003	2013	Euribor_6M_360 + 0.45%	4.670%
4 000	Eur	VANTAGEM DUPLA 2003	2013	Euribor_6M_360 + 0.45%	4.710%
100	Eur	VANTAGEM DUPLA 2003	2013	Euribor_6M_360 + 0.45%	4.250%
14 373	Eur	REFORMA PPR/EMAIS	2012	5.238%	5.207%
12 000	Eur	Garantido 4%	2013	4.000%	4.300%
4 000	Eur	PPR 4,28	2012	Euribor_3M_360	Euribor_1A_360_0.230%
9 500	Eur	Garantido 4,14%	2013	4.140%	4.382%

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	%
<b>TOTAL</b>	<b>9 474 728</b>	<b>100%</b>
Public debt – European Union	<b>2 975 297</b>	<b>31.40%</b>
Portugal	2 197 367	23.19%
Italy	262 022	2.77%
France	132 522	1.40%
Belgium	124 715	1.32%
Grece	105 292	1.11%
Spain	72 778	0.77%
Germany	48 815	0.52%
Netherlands	23 739	0.25%
Austria	7 318	0.08%
Ireland	728	0.01%
Caixa Geral de Depósitos, SA	1 619 346	17.09%
Espirito Santo Financial Group	163 069	1.72%
Banco Santander, SA	162 314	1.71%
General Electric Co	140 757	1.49%
EDP – Energias de Portugal, SA	135 024	1.43%
Barclays PLC	127 527	1.35%
ING Groep NV	123 154	1.30%
Lloyds Banking Group PLC	120 759	1.27%
Banco BPI SA	108 964	1.15%
Royal Bank of Scotland Group PLC	107 963	1.14%
Banco Comercial Português, SA	104 446	1.10%
Intesa Sanpaolo SpA	101 586	1.07%
HSBC Holdings PLC	96 688	1.02%
Fortis	94 997	1.00%
Citigroup Inc	91 013	0.96%
Parpublica	90 098	0.95%
UnitCredit SpA	90 084	0.95%
BNP Paribas	87 048	0.92%
Dexia, SA	85 026	0.90%
Enel SpA	84 079	0.89%
Unione di Banche Italiane SCPA	82 077	0.87%
Deutsche Bank AG	75 877	0.80%
Westpac Banking Corp	75 420	0.80%
Bank of America Corp	72 725	0.77%
Banco Bilbao Vizcaya Argentaria	66 177	0.70%
Rabobank Nederland NV	65 224	0.69%
Svenska Handelsbanken AB	64 173	0.68%
Nordea Bank AB	63 874	0.67%
National Australia Bank Ltd	63 036	0.67%
Banco de Sabadell SA	61 894	0.65%
Montepio Geral Associação Mutualista	59 584	0.63%
JPMorgan Chase & Co	56 196	0.59%
Credit Agricole Groupe	56 160	0.59%
DnB NOR ASA	56 101	0.59%
Credit Suisse Group AG	55 940	0.59%
Credit Mutel – CIC Group	54 213	0.57%
Jyske Bank A/S	51 554	0.54%
ENI SpA	50 606	0.53%
Danske Bank A/S	50 206	0.53%
Other	1 584 452	16.72%

## 46. CAPITAL MANAGEMENT

### CURRENT REGULATORY FRAMEWORK

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 of integrity 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 Regime Geral das Instituições de Crédito (General Credit Institutions and Financial Companies Regime), approved by Decree Law 298/92, which is central to Portuguese prudential regulations and which, to a large extent, reflects Community directives relating to the financial system (Directives 2006/48/EC, 2006/49/EC and 2010/76/EU).

CGD Group's share capital components (basic own funds, complementary own funds and deductions) are included in Notice 6/2010, with the amendments introduced by Notices 7/2011 and 2/2012, all issued by the Bank of Portugal.

For the calculation of own funds requirements to cover for credit and market risks the Group uses the standard method. Since June 2009, the Group uses the standard method (instead the base method) to cover for the operational risk.

2011 was particularly marked by regulatory interventions by the Bank of Portugal, which issued a broad range of Official Notices and other normative instruments related with prudential issues, of which:

In April 2011, in the form of Official Notice 1/2011, the Bank of Portugal required financial groups under its supervision on a consolidated basis to reinforce their Core Tier 1 ratio levels to not less than 8% by 31 December 2011. This requirement was justified by the need to maintain and reinforce the banking system's capacity to provide for adverse situations which have predominated on an international level and which, more recently, have had a special impact on Portugal, as well as the advantage of anticipating convergence to the new international Basel III standards.

In May 2011, pursuant to the negotiations relating to the Financial Assistance Programme for Portugal – with the European Commission, European Central Bank and the International Monetary Fund – the Bank of Portugal issued Official Notice 3/2011 on the reinforcement of the national banking system's capitalisation levels. Financial groups subject to the supervision of the Bank of Portugal, on a consolidated basis, which include several of the credit institutions referred to in subparagraphs a) to c) of article 3 of the General Credit Institutions and Financial Companies Regime (acronym: RGICSF), approved by Decree Law 298/92 of 31 December should accordingly reinforce their Core Tier 1 ratios, on a consolidated basis to no less than 9%, by 31 December 2011 and 10% by 31 December 2012.

The Economic and Financial Assistance Programme, agreed in May 2011, with the International Monetary Fund, European Commission and European Central Bank, also defined a series of measures and actions to be taken on the financial system by the Portuguese authorities, including the implementation of a quarterly programme for monitoring the solvency and deleveraging of the eight

major domestic banking groups, pursuant to which the Bank of Portugal was given responsibility for developing a special inspections programme (acronym: "SIP"), with the objective of validating the data upon which the quarterly assessment of such groups' solvency is based.

To monitor the programme's execution, a steering committee chaired by the Bank of Portugal and made up of experts appointed by the International Monetary Fund, European Commission, European Central Bank, three European Union supervisory authorities - Bank of Spain, Autorité de Contrôle Prudentiel (France) and Banque Nationale de Belgique - as well as the Bank of Portugal, was formed.

The steering committee approved the terms of reference of the works that defined the scope, methodological approach, performance schedules and monitoring and control mechanisms to be adopted in July 2011. According to the terms of reference, the "SIP" comprises three components:

1. Assessment of credit portfolios, with reference to 30 June 2011, based on an analysis of impairment on a sample of loans, in addition to consideration of the impairment calculation methods and associated policies and procedures;
2. Revision of the calculation process on own funds requirements for credit risk;
3. Validation of methodologies and parameters used in stress test exercises to be regularly performed in the context of the Economic and Financial Assistance Programme.

CGD Group was a party to the Special Inspections Programme and information on the results relative to the assessment of the credit portfolios and the revision of the own funds requirements calculation process for credit risk was disclosed by the Bank of Portugal on 16 December 2011, whereas information on the third "SIP" component was disclosed on 1 March 2012.

The said information disclosed on 16 December concluded that «... the global amount of impairment recorded in the Group's consolidated accounts was adequate» and «it was found the need to carry out individual adjustments to the amounts of risk weighted assets that would imply a reduction of 1.1% in the total amount calculated for that date». Meanwhile, adjustments to the weighted assets have been made to the prudential report.

As to the third "SIP" component - stress tests methodology - "the assessment made confirmed that the Group used parameters and methodologies adequate to the analysed aspects, although requiring improvements in specific areas that will be included in a resolution plan to be presented to the Bank of Portugal for implementation in the short term."

Decree Law 88/2011 which aims to reinforce own funds requirements for the trading portfolio and resecuritisations in addition to the Bank of Portugal's powers regarding remuneration policies, transposing Directive 2010/76/EU (which changes Directives 2006/48/EC and 2006/49/EC, as regards own funds requirements for the trading and resecuritisation portfolio, in addition to an analysis of the remuneration policies by the supervisory authorities), was published in the *Diário da República* in July 2011. The Bank of Portugal, in its Official Notice 9/2011, dated December, updated the regulatory environment relative to the determining of risk weighted assets and the disclosure of information by institutions subject to its supervision.

In November 2011, the EBA (European Banking Authority) performed a stress test exercise with the involvement of 71 banks over the whole of Europe, including CGD, whose objective consisted of creating a temporary, exceptional capital buffer to provide for the market's current concerns over sovereign risk in addition to other residual risks on credit related with the current, difficult market environment. That buffer was designed to comfort the markets regarding the banks' capacity to absorb a series of shocks and retain an adequate capital level. Therefore, it should not be considered as incurred losses metric or to be incurred with the referred to portfolios, but rather an additional safety margin introduced in the financial system, to address a specific concern of the different bank stakeholders.

The referred to exercise which merited the agreement of the Council of Ministers of 26 October 2011 requires the banks to strengthen their capital positions through the creation of a temporary capital buffer to protect their exposures to sovereign debt at current market prices. It also requires them to establish a buffer permitting their Core Tier 1 capital ratio to achieve a level of 9% by the end



of June 2012. The amount of any capital insufficiency identified is based on September 2011 values. The volume of the capital buffer relating to sovereign debt will not be reviewed.

CGD identified and informed the market, on 8 December 2011 of capital requirements of EUR 1 834 million. Of this amount EUR 1 073 million comprised the public debt buffer.

In addition to benchmarking the capital requirements, the EBA published in December 2011, a Recommendation (EBA/REC/2011/1, dated 8 December) with the aim of promoting a better quality regulatory capital increase by the main European banks.

It was, accordingly, defined that the banking groups subject to the EBA's stress test should reinforce their respective levels of capitalisation in order to achieve a Core Tier 1 ratio of 9%, by 30 June 2012, following a prudent assessment of exposures to sovereign debt held at 30 September 2011, at market values. The Bank of Portugal determined that CGD Group should comply with the EBA's Recommendation and requested the elaboration of a Capital Plan for the said purpose.

According to the Bank of Portugal's ruling, CGD sent its respective capital plan to the said supervisory body within the established period (by 20 January 2012), in which it specified and justified the means it intended to employ to comply with the referred to Recommendation. That capitalisation plan comprises the review of capital requirements – currently EUR 1 650 000 thousand in comparison with an initial amount of EUR 1 834 000 thousand – and is being examined by the Bank of Portugal, in articulation with the EBA and, if necessary, in the context of the relevant colleges of supervisors. The capital requirements will be met by the Portuguese State without the use of the support mechanism to the banking solvency, and may be carried out through capital increase or through the subscription of convertible debt instruments (contingent convertible capital).

## BASEL III ACORD

In 2009, and following the international financial crisis, the Basel Committee on Banking Supervision developed a reform programme targeted to reinforcement the global regulation on capital and liquidity.

The goal of this 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 contamination risk 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 Pillar I of Basel II Acord (determination of minimum own funds requirements). It also includes a number of guidelines and recommendations for Pillar II (Assessment Process by the Supervision Authority) and Pillar 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 the following general principles:

- To improve capital quality ensuring that banks have greater capacity to absorb losses both on a business basis (going concern) and on a liquidation basis (gone concern);
- 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 improve 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 face losses occurring in periods of economic and financial stress.
- To establish transition periods to absorb deductions from capital elements, non-eligible in accordance with Basel III and new deductions to capital base.

- To promote the accumulation of capital buffers in favourable scenarios, available to be used in periods of crises, including a capital conservation buffer as well as a countercyclical buffer to protect the banking sector from periods of excessive credit growth;
- To introduce a leverage ratio internationally harmonised 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 covered ratio (LCR), as well as a long term structural net stable funding ratio (NSFR);
- To raise the standards for the supervision process (Pillar 2) and market discipline (Pillar 3), along with additional guidelines in the area of good measurement practices, stress tests, liquidity risk management, corporate governance and remunerations.

Reference should be made to the fact that, at European level, the recommendations of Basel III Capital Requirement Directive) will be transposed to the legislation of EU countries. Legislation relating these amendments were disclosed for public consultation in May 2011 through the so called CRD IV (an updated version was published in July) although some discrepancies may occur in the final approach.

Other additional measures are also being analysed to be applied to the so called systemic financial institutions. In November 2011 the Basel Committee on Banking Supervision, as a result of the public consultation on "Global Systemically Important Banks – Methodology and Requirements": published the final document on such banks ("Global systemically important banks: assessment methodology and the additional loss absorbency requirement").

The document provides for:

1. An assessment methodology on the global systemic importance of the banks, based on five categories: dimension, interconnectivity, irreplaceability, global activity and complexity;
2. Measures to improve the absorption of losses by systemically important banks, reducing probabilities of failure; and
3. A schedule for parallel implementation with Basel III, i.e., introduction, between 2016 and 2018, to come into full effect on 1 January 2019.

The Group has accompanied the performance of the works under the scope of the regulatory change referred to as Basel III (and CRD IV) and actively participated in the respective public consultations. It has also carried out internal studies to assess the impacts of the known proposals for the purpose of identifying measures and strategies to provide for the new regulatory requirements.

## SOLVENCY RATIO

The composition of regulatory capital of Caixa Geral de Depósitos, at end of 2011 and 2010 for consolidated operations, is summarised in the table below:

CONSOLIDATED SOLVENCY RATIO (EUR million)			
	31.12.2010 (1)	31.12.2011 (2)	Change (2)-(1)
<b>A - BASIS OWN FUNDS (TIER I)</b>	<b>6 844</b>	<b>6 229</b>	<b>(615)</b>
Share capital	5 050	5 150	100
Reserves and retained earnings	1 162	1 175	13
Net income for the year	312	- 477	(789)
Minority shareholders' interests	1 273	874	(399)
Impacts of the adoption of IAS ( <i>transitional regime</i> )	94	70	(25)
Deductions to basis own funds <sup>(*)</sup>	<b>(1 048)</b>	<b>(562)</b>	<b>485</b>
<b>B - COMPLEMENTARY OWN FUNDS (TIER II)</b>	<b>2 682</b>	<b>1 820</b>	<b>(862)</b>
Subordinated liabilities with unspecified maturity	156	1	(155)
Subordinated liabilities with specified maturity	2 680	2 089	(590)
Revaluation reserves	243	139	(104)
Other <sup>(*)</sup>	(397)	(410)	(13)
<b>C - DEDUCTIONS TO TOTAL BASIS OWN FUNDS</b>	<b>(40)</b>	<b>(42)</b>	<b>(2)</b>
<b>D - TOTAL ELIGIBLE OWN FUNDS (A+B+C)</b>	<b>9 486</b>	<b>8 007</b>	<b>(1 479)</b>
<b>E - WEIGHTED RISK POSITIONS</b>	<b>76 989</b>	<b>69 021</b>	<b>(7 969)</b>
Credit risk	67 660	63 667	(3 993)
Market risk	5 098	1 451	(3 647)
Operational risk	4 232	3 903	( 329)
RATIOS	31.12.2010 (1)	31.12.2011 (2)	Change (2)-(1)
<b>TIER I (A/E)</b>	<b>8.9%</b>	<b>9.0%</b>	<b>0.1%</b>
<b>CORE TIER I</b>	<b>8.8%</b>	<b>9.5%</b>	<b>0.7%</b>
<b>TIER II (B/E)</b>	<b>3.5%</b>	<b>2.6%</b>	<b>-0.9%</b>
<b>DEDUCTIONS (C/E)</b>	<b>-0.1%</b>	<b>-0.1%</b>	<b>0.0%</b>
<b>SOLVENCY RATIO (D/E)</b>	<b>12.3%</b>	<b>11.6%</b>	<b>-0.7%</b>

(\*) - Include deductions of investments in insurance companies and credit institutions in which equity investment is ≥ 10%.

## 47. SUBSEQUENT EVENTS

On 30 March 2012, the Portuguese State signed the sales agreement of BPN thus completing the re-privatisation process started July 2011.

The ownership of Parvalorem, SA, Parups, SA and Participadas, SA's vehicles, and consequently debts contracted by these companies from Caixa Geral de Depósitos in the form of loans to customers and bonds issues (with nominal value of EUR 792 953 thousand and EUR 3 100 000 thousand, respectively, at 31 December 2011) was transferred to the Portuguese State as a result of the re-organisation of BPN's assets and liability structure underlying the sales process. In addition, the State also assumed liabilities resulting from the commercial paper programme subscribed by Caixa for EUR 1000000 thousand, since there was a transfer of the contractual position between BPN and Parvalorem. Therefore, the issuer of this commercial paper programme is now Parvalorem, as from 30 March 2012.

As a result of this operation, the commercial paper programme granted to BPN is maintained with a limit of EUR 400000 thousand, maturing in March 2015 and benefiting from a State guarantee up to that date. In addition, Caixa granted to BPN a current account line of credit up to the limit of EUR 300000 thousand falling due in March 2016 whose utilisation is conditional to the amounts of customer deposits from customers of BPN.

## 48. 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.

## 2.2. EBA REPORTS

### ADOPTION OF FINANCIAL STABILITY FORUM (FSF) AND COMMITTEE OF EUROPEAN BANKING AUTHORITY (EBA) RECOMMENDATIONS ON TRANSPARENCY OF INFORMATION AND ASSETS MEASUREMENT

#### 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: <ul style="list-style-type: none"> <li>➤ Introductory Note</li> <li>➤ Strategy and Business Model</li> </ul> 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: <ul style="list-style-type: none"> <li>➤ Strategic Vision</li> <li>➤ Financial Analysis - Balance Sheet Evolution (on securitisation operations)</li> </ul> See Annex to the Consolidated Financial Statements: Notes 13. and 24 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 30. and 42. 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 2.8. 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.
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: <ul style="list-style-type: none"> <li>➤ Chapter on Risk Management.</li> </ul> See Annex to the Consolidated Financial Statements: <ul style="list-style-type: none"> <li>➤ Note 44.: 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</li> <li>➤ Note 45.: describing risk management for Insurance and Reinsurance</li> </ul>
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 on results

8. A qualitative and quantitative description of the results, particularly losses (when applicable) and impact of write-downs on results;	See Board of Directors' Report – Chapter: ➤ Financial Analysis – Results and Profitability See Notes 6., 8., 21. and 41. of 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 44. of 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: ➤ Introductory Note ➤ 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 items III. 8 to III. 10 above.
12. Breakdown of "write-downs" between realised and unrealised amounts;	See items III. 8 to III. 10 above, particularly Note 44. 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 in 2012 See item III.10 above.
15. Disclosure of impact of the evolution of the spreads associated with the institution's own liabilities on 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 2.8. ➤ Note 44., 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 2.8., describes the accounting policies for derivatives and hedge accounting. ➤ Notes 11., 44. and 45., 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 Annex to the Consolidated Financial Statements (Note 44.).
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.
21. Exposure to monoline type insurance companies and quality of insured assets: <ul style="list-style-type: none"> <li>➤ Nominal amount (or amortised cost) of insured exposures in addition to the amount of credit protection acquired;</li> <li>➤ Fair value of "live" exposures and respective credit protection;</li> <li>➤ Value of write-downs and losses, split up between realised and unrealised amounts;</li> <li>➤ Breakdown of exposures by rating or counterparty;</li> </ul>	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: <ul style="list-style-type: none"> <li>➤ Note 2., setting out a description of the financial instruments and how they are processed in the accounts.</li> </ul>
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 : <ul style="list-style-type: none"> <li>➤ Financial instruments at fair value;</li> <li>➤ 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);</li> <li>➤ Processing of "day 1 profits" (including quantitative information);</li> <li>➤ Use of fair value option (including conditions of use) and respective amounts (with an adequate breakdown);</li> </ul>	See Notes 7. and 44. 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: <ul style="list-style-type: none"> <li>➤ Modelling techniques and instruments on which they are applied;</li> <li>➤ Valuation processes (particularly including the assumptions and inputs upon which the models are based);</li> <li>➤ Types of adjustment applied to reflect the modelling risk and other valuation uncertainties;</li> <li>➤ Sensitivity of fair value (namely changes to assumptions and key inputs);</li> <li>➤ Stress Scenarios.</li> </ul>	See Annex to the Consolidated Financial Statements: <ul style="list-style-type: none"> <li>➤ Note 2.8., setting out information and processes applied by CGD in the valuation of financial instruments</li> <li>➤ Notes 44. and 45.</li> </ul>

## 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.
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N.A. – Not available.

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## 2.3. Audit Reports and Opinions

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### 2.3.1. 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 2011 (showing a total balance sheet value of EUR 108 868 964 thousand and total shareholders' equity of EUR 4 663 697 thousand, including net losses of EUR 316 255 thousand), income, comprehensive income, changes to shareholders' equity and cash flow statements for the year then ended and corresponding notes to the financial statements.

#### Responsibilities

2. It is the responsibility of the board of directors to prepare financial statements with the objective of providing a true and appropriate description of the company's financial position and the results of its operations, as well as to use adequate accounting criteria and policies and maintain 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 Revision / Audit Technical Standards and Guidelines 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 supporting documents for the amounts and disclosures set out in the financial statements 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 the 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, in all materially relevant aspects, of the financial position of **CAIXA GERAL DE DEPÓSITOS, SA** at 31 December 2011, comprising the results of its operations and cash flows for the year then ended, in conformity with the Adjusted Accounting Standards issued by the Bank of Portugal.

#### Emphases of Matters

8. The nominal amount of CGD's exposure to Banco Português de Negócios, SA (BPN) and the vehicles set up as part of the reorganisation of CGD's liquidity assistance operations to the said

bank, in 2010, totalled EUR 1.8 billion and EUR 3.9 billion, respectively, at 31 December 2011 without considering the interest periods. In the first quarter of 2012 the capital of the referred to vehicles was directly held by the Portuguese state. In addition and as part of the operations associated with the reprivatization of BPN, completed at 30 March 2012, liabilities for EUR 1 billion in commercial paper issues were transferred to one of the referred to vehicles (Parvalorem, SA) with CGD's exposure to BPN now comprising a Portuguese state-backed commercial paper programme for the amount of EUR 400 million and a non-state backed current account line of credit up to a limit of EUR 300 million, maturing in March 2015 and 2016, respectively.

9. CGD changed its recognition policy on actuarial gains and losses associated with employees' retirement pensions and healthcare, in 2011, in recognising the financial deviations originated by the measurement of such liabilities, in accordance with Note 2.3. to the financial statements, as a charge to shareholders' equity. CGD applied this change in accounting policy retrospectively, in accordance with IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors, having restated its financial statements for comparison purposes. The impact of this restatement translated into a decrease of EUR 211.8 million and EUR 94.9 million in shareholders' equity at 1 January 2010 and 31 December 2010, respectively after consideration of the fiscal effect, including an increase of EUR 4.3 million in net income for 2010.

## Report on Other Legal Requirements

10. We also consider that the information contained in the board of director's report is in agreement with the financial statements for the year.

Lisbon, 9 April 2012

Oliveira Rego & Associados  
Sociedade de Revisores Oficiais de Contas  
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 48.)

### 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 2011, which comprise the consolidated balance sheet as of 31 December 2011, that reflects a total of EUR 120 565 281 thousand and total equity of EUR 5 337 253 thousand, including a net loss attributable to the shareholder of CGD of EUR 488 425 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 its operations and 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 2011, 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.

## Emphases

**6.** At 31 December 2011 Caixa's nominal exposure to Banco Português de Negócios, SA (BPN) and to the special purpose vehicles (SPV) created in 2010 as part of the reorganization of the liquidity assistance operations of Caixa to that bank, amounted to EUR 1 833 849 thousand and EUR 3 892 953 thousand, respectively, excluding accrued interest (Note 6.). As explained in Note 47. to the financial statements, during the first quarter of 2012 the ownership of the SPVs was transferred to the Portuguese State. In addition, under the re-privatization of BPN, concluded on 30 March 2012, commercial paper issued by BPN amounting to EUR 1 000 000 thousand was transferred to one of the SPVs. As a result, Caixa's exposure to BPN consists of a commercial paper program of BPN amounting to EUR 400 000 thousand guaranteed by the Portuguese State and a

current account credit line with a limit of EUR 300 000 thousand not guaranteed by the Portuguese State, which mature in March 2015 and March 2016, respectively.

7. As mentioned in Note 2.3., in 2011 the Group changed its accounting policy for recognizing actuarial gains and losses relating to liabilities with pension and healthcare benefits of its employees, adopting the option provided for in the current version of IAS 19 – Employee Benefits, of recording actuarial and financial gains and losses directly in equity. Previously, the Group used the corridor method in accordance with paragraph 92 of IAS 19 – Employee Benefits, the accumulated actuarial and financial gains and losses being deferred in balance sheet captions up to the higher of 10% of the present value of the past service liability or 10% of the net assets of the pension fund. Actuarial and financial gains and losses that exceeded the corridor were amortized through the statement of income over the average period up to the expected retirement age of the employees covered by the plan. In accordance with IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors, this change in accounting policy was applied retrospectively and its effect is reflected in the corresponding pro forma financial statements for 2010, presented for comparative purposes. The impact of the restatement consisted of a decrease in equity at 1 January 2010 and 31 December 2010 in the amounts of EUR 231 418 thousand and EUR 109 319 thousand, respectively, after tax, including an increase in net income for the year of EUR 4 291 thousand.

## Report on other legal requirements

8. It is also our opinion that the 2011 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, 9 April 2012

Deloitte & Associados, SROC, SA

Represented by João Carlos Henriques Gomes Ferreira

## 2.3.3. 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 2011 (showing a total balance sheet value of EUR 120 565 281 thousand and total shareholders' equity of EUR 5 337 253 thousand, including net losses of EUR 488 425 thousand), income, comprehensive income, changes to shareholders' equity and cash flow statements 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 consolidated cash flows, in addition to the use of 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 Revision / Audit Technical Standards and Guidelines 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. The referred to 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 is not so, 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;
- 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 in all materially relevant aspects of the consolidated financial situation of **CAIXA GERAL DE DEPÓSITOS, SA** at 31 December 2011 and the consolidated results of its operations and consolidated cash flows for the year then ended, in conformity with the International Financial Reporting Standards (IFRS).

## Emphases of Matters

7. In terms of CGD's consolidation perimeter, our company performs statutory audit functions on the companies 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, having 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. At 31 December 2011, the nominal amount of CGD's exposure to Banco Português de Negócios, SA (BPN) and to the vehicles set up as part of the reorganisation of CGD's liquidity assistance operations to the said bank, in 2010, totalled EUR 1.8 billion and EUR 3.9 billion, respectively, without considering the interest periods. In the first quarter of 2012 the capital of the referred to vehicles was directly held by the Portuguese state. In addition and as part of the operations associated with the reprivatisation of BPN, completed at 30 March 2012, liabilities for EUR 1 billion in commercial paper issues were transferred to one of the referred to vehicles (Parvalorem, SA) with CGD's exposure to BPN now comprising a Portuguese state-backed commercial paper programme for the amount of EUR 400 million and a non-state backed current account line of credit up to a limit of EUR 300 million, maturing in March 2015 and 2016, respectively.

9. CGD Group changed its recognition policy on actuarial gains and losses associated with employees' retirement pensions and healthcare, in 2011, in recognising the financial deviations originated by the measurement of such liabilities, in accordance with Note 2.3. to the financial statements, as a charge to shareholders' equity. CGD Group applied this change in accounting policy retrospectively, in accordance with IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors, having restated its

financial statements for comparison purposes. The impact of this restatement translated into a decrease of EUR 231.4 million and EUR 109.3 million in shareholders' equity at 1 January 2010 and 31 December 2010, respectively after consideration of the fiscal effect, including an increase of EUR 4.3 million in net income for 2010.

## Report on Other Legal Requirements

**10.** We also consider that the information contained in the board of director's report is in agreement with the financial statements for the year.

Lisbon, 9 April 2012

Oliveira Rego & Associados  
Sociedade de Revisores Oficiais de Contas  
Represented by Manuel de Oliveira Rego (partner)

## 2.3.4. REPORT AND OPINION OF AUDIT BOARD

Notice to Shareholder,

1. At the shareholders' meeting of **Caixa Geral de Depósitos, SA** (hereinafter referred to as Caixa or CGD), held on 22 July 2011, a change in Caixa's governance model was approved with the Anglo Saxon model comprising a board of directors, an audit committee within the board of directors and a statutory auditor having been adopted.
2. With the new model adopted by CGD, the former audit board was extinguished and its respective competencies will be performed by the audit committee, pursuant to article 423-F of the Commercial Companies Code.
3. The audit committee was informed of the work performed by the former audit board, deriving from its inspection competencies and wishes to make reference to the quality of the information received and express its appreciation for the way in which the respective functions were performed.
4. In conformity with the dispositions of sub-paragraph g) of no. 1 of article 423-F and article 508-D of the Commercial Companies Code, the audit committee is responsible for producing a report on its inspection activities and issuing an opinion on CGD's separate and consolidated accounting documents for the year ended 31 December 2011.
5. The audit committee, within its sphere of competencies and taking the governance model adopted by CGD into consideration, monitored and inspected the board of directors' management acts, having been given access to the minutes of the weekly meetings held by this body, the documentation used as a basis for the resolutions adopted, prepared by the various internal services, task forces and external entities (consultants / auditors) and arranged for meetings to be periodically held with the statutory audit company providing it with assistance, in its capacity as a technical specialist and with Caixa's external auditors.
6. The audit committee also ascertained that the law and CGD's articles of association were complied with, issuing the quarterly report referred to in no. 2 of article 6 of Decree Law 287/93 of 20 August, sent to the offices of the Ministers of State and Finance and Secretary of State for the Treasury and Finance and having duly informed the chairman of CGD's board of directors.
7. The audit committee was given access to the opinions on the adequacy and effectiveness of CGD's internal control system (separate and Group) issued by the former audit board and the statutory auditor's opinions of the process for the preparation and disclosure of the financial information (separate and consolidated), in addition to the analytic reports and annexes which are an integral part of the referred to documents, issued on 29 June 2011. In general, the former audit board and the statutory auditor considered that CGD's internal control system is in line with the dimension, nature and risk attached to operations, although there are several aspects to be improved and whose evolution the audit committee will continue to monitor in 2012, in light of their relevance to the inspection functions attributed to the committee.
8. The audit committee also took note of the reports on the interim financial statements, issued by the statutory auditor, for the purposes of inclusion in own funds and the provisional positive results determined monthly, in accordance with Official Notice 6/2010 of 31 December issued by the Bank of Portugal.
9. The audit committee took note of the impairment reports on CGD's credit portfolio, produced every six months by the external auditors, as established by the Bank of Portugal's circulars 17/2002/DSB of 14 February and 38/2008/DSB of 29 May.

**10.** The audit committee considered CGD's Funding and Capital Plan for the period 2011-2015, as established in the Financial Assistance Plan, having asked the board of directors to provide additional clarifications on the subject matter, which clarifications were provided at a meeting especially called for the purpose and attended by Caixa's main central directors with responsibilities for producing the Plan.

**11.** In terms of decisions made and/or implemented last year, the audit committee wishes to make reference to the following situations:

(i) A resolution was passed at the general meeting of 26 May 2011 for 20% of the amount of EUR 47.3 million in net income for the period 2010 (EUR 9.5 million) relating to CGD's separate operations to be transferred to the legal reserve; EUR 24.4 million to retained earnings and EUR 13.4 million to free reserves.

(ii) Banco para Promoção e Desenvolvimento, SA was formed on 14 February 2011, by a public deed entered into between Sonangol, Empresa Pública, Sonangol Holdings, Limitada, Gerbanca, SGPS, SA, Caixa – Participações, SGPS, SA and CGD. CGD Group's equity investment in the bank totalled EUR 183.2 million (with EUR 4.5 million having been paid up), split up between CGD (49.99%), Caixa – Participações (0.005%) and Gerbanca (0.005%).

(iii) The "Fundo de Desenvolvimento e Reorganização Empresarial, FCR" was formed on 16 August 2011, with a start-up capital of EUR 100 million. An amount of EUR 15 million had been paid up at 31 December 2011.

(iv) Banco Caixa Geral, SA, increased its share capital by EUR 30 million, fully subscribed for by CGD.

(v) The audit committee has paid particular attention to the loans made by CGD for the purchase of the shares of listed companies as set out in the quarterly reports sent to the supervisors. Owing to the depreciation in the value of such shares given as collateral, the audit committee has been recommending the restoring of contractual guarantee levels to protect CGD from its exposure.

(vi) CGD purchased and disposed of Portugal Telecom, SGPS, SA, shares, in 2011 having, as a result of such operations, made capital losses of EUR 24.4 million.

(vii) The EUR 100 million loan agreement entered into between CGD and Banco Finantia, SA, on 17 October 2008, was extended to 18 October 2012. An amount of EUR 40 million was settled in 2010 and 2011, in conformity with the agreed repayment schedule.

(viii) As a result of the analysis of the existence of impairment on available for sale financial assets (equity instruments), net losses of EUR 391.8 million (additions less write-offs), were recognised in net income for the year (consolidated accounts) particularly including Portugal Telecom, SGPS, SA (EUR 216.3 million), BCP – Banco Comercial Português, SA (EUR 81.8 million), Brisa – Auto Estradas de Portugal, SA (EUR 41.6 million), ZON – Serviços de Telecomunicações e Multimédia, SGPS, SA (EUR 21.8 million) and La Seda Barcelona (EUR 19.0 million) shares.

(ix) In 2011 reference should be made to dividends from equity investments in Portugal Telecom, SGPS, SA (EUR 85.3 million), ZON – Serviços de Telecomunicações e Multimédia, SGPS, SA (EUR 5.3 million), AdP – Águas de Portugal, SA (EUR 5.1 million), EDP – Energias de Portugal, SA (EUR 4.2 million), Brisa – Auto Estradas de Portugal, SA (EUR 2.8 million) and Galp Energia, SGPS, SA (EUR 2.0 million).

(x) At a shareholders' meeting of 22 November 2011 a resolution was passed to increase the share capital of Banco Nacional de Investimento, SA (BNI) to 2 240 000 thousand meticaís (around EUR 64 million), split up between the State of Mozambique through the National Directorate for the Treasury (49.5%), CGD (49.5%) and Banco Comercial de Investimentos, SARL (1%). BNI's share capital was fully paid up at 31 December 2011.

(xi) The Portuguese state as CGD's sole shareholder, in a "Unanimous Written Declaration" of 24 November 2011, approved a EUR 100 million increase in CGD's share capital through the issue of 20 million new shares with a nominal value of EUR 5 each, in an incorporation of reserves available for the purpose of which EUR 98.6 million from the "Statutory Revaluation Reserves on Fixed Assets" and EUR 1.4 million from "Other Reserves".

(xii) On 16 December 2011, the Bank of Portugal announced 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 International Monetary Fund, European Union and European Central Bank last May. The exercise was realised on loans for the amount of EUR 71.8 billion covering 84% of CGD Group's credit portfolio. The assessment concluded that the global amount of impairment recognised in CGD Group's consolidated accounts was adequate.

(xiii) The balance sheet value of investments in the sovereign debt securities of the peripheral Eurozone countries (net of accumulated impairment) totalled EUR 7127.2 million relative to the Portuguese Republic, EUR 259.9 million relative to the Republic of Italy, EUR 132.7 million relative to the Kingdom of Spain, EUR 115.7 million relative to the Republic of Greece and EUR 39.4 million relative to the Republic of Ireland. Reference should be made to the recognition of impairment losses made by the group on its exposures to sovereign debt issued by the Republic of Greece for the amount of EUR 134.7 million, with EUR 50.9 million having been posted to the provisions for other risks and costs account heading to provide for additional impairment losses on these securities.

(xiv) CGD had secured loans of EUR 9 billion from the European Central Bank at 31 December 2011, up EUR 2.45 billion over the same period last year.

(xv) The nominal amount of Caixa's exposure to Banco Português de Negócios, SA (BPN) and the vehicles set up as part of the reorganisation of CGD's liquidity assistance operations to the said bank, in 2010, totalled EUR 1.8 billion and EUR 3.9 billion, respectively, at 31 December 2011 without considering the interest periods. In the first quarter of 2012 the capital of the referred to vehicles was directly held by the Portuguese state. In addition and as part of the operations associated with the reprivatisation of BPN, completed at 30 March 2012, liabilities for EUR 1 billion in commercial paper issues were transferred to one of the referred to vehicles (Parvalorem, SA) with CGD's exposure to BPN now comprising a Portuguese state-backed commercial paper programme for the amount of EUR 400 million and a non-state backed current account line of credit up to a limit of EUR 300 million, maturing in March 2015 and 2016, respectively.

(xvi) At 31 December 2011, CGD's liabilities for its employees' retirement pensions and healthcare totalled EUR 1.3 billion and EUR 0.4 billion respectively according to an actuarial study produced by an independent entity. 108.8% of retirement pension liabilities are funded by CGD's Pension Fund and liabilities associated with healthcare have been fully provisioned.

CGD changed its recognition policy on actuarial gains and losses associated with employees' retirement pensions and healthcare, in 2011, in recognising the actuarial and financial deviations originated by the measurement of such liabilities as a charge to shareholders' equity.

(xvii) The value of Cimpor – Cimentos de Portugal, SGPS, SA, shares at 31 December 2011, comprising 9.584% of the share capital and voting rights in the company, purchased in February 2009 from Investifino – Investimentos e Participações, SGPS, SA, in an OTC operation totalled EUR 342.4 million. The vendor has a purchase option on CGD's equity investment which reached its term in February 2012, without the vendor having repurchased the referred to shares.

**12.** Reference should be made to the following indicators, characterising the company's separate accounts for the year:

(i) Net assets were down 3.5% by EUR 3.9 billion to EUR 108.9 billion over the preceding year, essentially on account of the reduction in securities and loans and advances to customers portfolios.

(ii) The decrease on the liabilities side particularly derived from the reductions in debt securities and subordinated liabilities, partly offset by increases in customer resources and other loans.

(iii) Shareholders' equity was down EUR 1.4 billion over the preceding year to EUR 4.7 billion mainly on account of the worsening situation on negative revaluation reserves and losses made during the year.

(iv) The cost-to-income ratio was 55.7% (58.5% in the preceding year). The fall particularly derived from the decrease in employee costs and other administrative expenditure.

(v) Separate net losses were EUR 316.3 million, down EUR 367.8 million over the preceding year particularly on account of the significant growth of credit provisions and impairment on CGD's financial investments.

**13.** 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 down 4.1% by EUR 5.2 billion to EUR 120.6 billion, in comparison to the preceding year, essentially on account of the reduction in the securities and loans and advances to customers portfolios, partly offset by increases in cash and loans and advances to credit institutions.

(ii) The decrease on the liabilities side particularly derived from the reductions in debt securities and technical provisions for insurance contracts, partly offset by increases in customer resources and other loans and credit institutions' and central banks' resources.

(iii) Shareholders' equity was down EUR 2.4 billion to EUR 5.3 billion, over the preceding year particularly on account of the negative change in fair value reserves and the negative change in net income for the year.

(iv) The cost-to-income ratio was 62.6% against the preceding year's 63.3%. The fall particularly derived from the decrease in employee costs and other administrative expenditure.

(v) The solvency ratio was down 0.7 pp, to an end of year 11.6%. Tier I was 9.0% (8.9% in the same period last year) and Core Tier I was up to 9.5% (8.8% in the same period last year), above the minimum amount defined in the Economic and Financial Assistance Programme for Portugal.

(vi) Consolidated net losses were EUR 488.4 million, down EUR 743.3 million over the same period last year, particularly on account of impairment on credit and other assets net of reversals and recoveries.



**14.** In the period following the year end closing of the accounts and pursuant to the functions provided for in the Commercial Companies Code, the audit committee analysed the separate and consolidated annual report submitted by the board of directors, which it has articulated, in technical terms with the statutory auditor.

**15.** The audit committee 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.

## **16. OPINION**

Taking all of the above into consideration, it is the audit committee's opinion that the general meeting should:

- a) approve the board of directors' presentation of the separate and consolidated management report and accounts for 2011;
- 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, 12 April 2012

Audit Committee

Eduardo Manuel Hintze da Paz Ferreira  
(Chairman)

Pedro Miguel Duarte Rebelo de Sousa  
(Member)

Álvaro José Barrigas do Nascimento  
(Member)



## ASIA

### CHINA

CGD – Zhuhai Branch

BNU – Shanghai Representative Office

### CHINA / MACAU

Banco Nacional Ultramarino, SA

CGD – Macau Offshore Subsidiary

Fidelidade Mundial – Branch

### EAST TIMOR

CGD – East Timor Branch

### INDIA

CGD – Representative Office

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3

CORPORATE  
GOVERNANCE REPORT



### 3. Corporate Governance Report

#### Assessment of Level of Compliance with Good Governance Principles Binding upon CGD under Council of Ministers' Resolution 49/2007

GGP	Recommendations	Level of compliance <sup>(1)</sup>	References in report
Mission, objectives and general operating principles	<b>Obligation of compliance, respect and disclosure, of mission, objectives and policies</b> , 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.
	<b>To produce adequate activity plans and budgets</b> in accordance with available resources and sources of finance based on its mission and the established objectives;	Accomplished	3.1.4.
	<b>Adoption of equality plans</b> , to achieve effective equality of treatment and opportunities between 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
	<b>Reporting of annual information</b> to the supervisory body and the general public, on how its mission has been furthered, level of compliance with objectives, form 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 the productive process);	Accomplished	3.1.3. and 3.9.
	<b>Compliance with legislation and regulations</b> , adopting an ethically irreproachable behaviour to the application of fiscal regulations, anti-money laundering operations, competition, consumer protection, the environment and labour relationships;	Accomplished	3.2.3.1. to 3.2.3.5
	<b>Obligation to treat all workers with respect and integrity</b> , contributing towards their personal advancement;	Accomplished	3.2.4.3.
	<b>Obligation to treat customers, suppliers and other lawfully entitled persons fairly</b> , 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, 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.
	<b>To manage all of the company's business affairs with integrity</b> (having or subscribing to a <b>code of ethics</b> which entails demanding ethical and deontological behaviour and the disclosure thereof);	Accomplished	3.2.2.
Administration and inspection structures	<b>Number of members should not exceed the number in private companies</b> of a similar dimension operating in the same sector;	Accomplished	3.5.2.
	The <b>governance model should ensure an effective division between administration and inspection functions</b> (with larger more complex companies spinning off the supervisory function by creating an audit committee or a committee for financial issues);	Accomplished	3.5.
	<b>Issue of annual assessment report on the performance of executive managers</b> 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.

GGP	Recommendations	Level of Compliance <sup>(1)</sup>	References in report
Administration and inspection structures	<b>The accounts of the larger, more complex companies should be audited by independent entities</b> 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, approval of any services outside the scope of the audit function and liaising between the company and auditors;	Accomplished	3.5.5.
	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	<b>Annual disclosure of total remuneration</b> (fixed and variable) earned by <b>each member of the board of directors</b> ;	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 benefits provided by the company);	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	3.5.8.
	Obligation of members of statutory bodies to declare any important financial investments they may have in the company;	Accomplished	3.5.8.
	<b>Obligation of members of statutory bodies</b> to declare any relevant relationships with suppliers, customers, credit institutions or other relationships which may create a conflict of interest.	Accomplished	3.5.8.
Disclosure of relevant information	<b>To publicly and immediately disclose all information</b> of which they are aware, which <b>may have a relevant effect on the company's economic and financial situation and net worth</b> ;	Accomplished	3.8.1. to 3.8.3.
	<b>To provide for the disclosure of information on the state's corporate websites</b> , in a clear, relevant and up-to-date manner 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;	Accomplished	3.8.4.
	<b>To include an item on corporate governance in the board of directors' report</b> (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.

<sup>(1)</sup> Level of compliance – accomplished, accomplished in part, not accomplished, not applicable.

## 3.1. Management Guidelines, Mission, Objectives and Corporate Policies

### 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 is subject to the strategic guidelines for the state's business sector in the form of Council of Ministers' Resolution 70/2008 of 22 April as well as the specific management guidelines defined by the state as CGD's sole shareholder.

For the three year period 2008-2010 CGD's board of directors has defined a collection of specific

management guidelines (Strategic Reference Framework) which was latterly approved by the shareholder, in the form of its "unanimous resolution" of 11 July 2008.

In 2011, in light of the major changes in the Portuguese economic-financial context and in the sphere of the Financial Assistance Programme entered into between the Portuguese government, IMF, European Commission and the ECB, capital and liquidity goals conditioning the operations of Caixa Geral de Depósitos were defined.

The Group's Strategic Challenge was revised following the appointment of the board of directors for the period 2011-2013, in July 2011, in which the above referred to regulatory targets were determinants.

CGD's sole shareholder, the Portuguese state, did not establish management objectives for 2011.

### 3.1.2. MISSION

CGD's mission statement is set out below:

- To consolidate its position as a Portuguese financial system structuring group, based on 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 domestic 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. MAIN STRATEGIC OBJECTIVES

CGD's main strategic directives for 2011 were:

- To deleverage its balance sheet, to comply with its defined loans-to-deposits rate;
- To comply with the new objectives for the solvency ratio, notably Tier I;
- To take-in savings and diversify liquidity sources, adopting a commercial strategy designed to reduce balance sheet liquidity risk by taking-in balance sheet resources from retail banking activity and diversifying funding sources in international markets.
- To re-examine CGD Group's international presence, in light of the imperative need to deleverage the separate and consolidated balance sheets, defining, to the extent possible, the most adequate type of presence to support Portuguese companies' internationalisation processes.
- To restructure its corporate model, implementing a new corporate model making it possible to eliminate the impact of volatility in the capital market on the bank's results and bring the adequacy of the prudential ratios into line with the new rules defined in Basel III. This new model will consider disinvestment in non-core financial assets and will require the creation of mechanisms necessary for the performance of corporate functions, namely when associated with strategic, risk and liquidity management;
- To Improve efficiency through the adoption of a programme making it possible to increase levels of productivity, in a context of deleveraging and change in the main business drivers both in the case of the branch office network and central services. This will be possible through the redesign of processes and the identification of ideal staff numbers *vis-à-vis* functions to be performed by each organic unit both central and commercial. Following such measures, the cost-to-ratio should not be less than 50%;
- To reinforce a multichannel strategy in relationships with customers. The development of distance banking should permit the reconfiguration of the physical branch network, adopting new locations and new, more flexible formats. CGD should accordingly achieve closer proximity with its customers while rationalising costs and improving its operational efficiency;
- To increase support to exports / internationalisation – Caixa should operate as a support bank for export companies increasing its contribution to the country's economic development by reinforcing Portuguese companies' competitiveness and internationalisation. Reference should be made to its foreign trade operations and the "Iberian passport";

- To increase market share in the SME segment – Caixa Geral de Depósitos should assume the role of the leading bank for the best SMEs;
- To support the capitalisation of companies and microfinance, with intervention in this area considered fundamental to ensure the funding of the investments required to increase companies' competitiveness and reduce their financial costs;
- To improve net interest income and the profitability of financial operations, complying at the very least with ROE values in line with the average for the best three Portuguese financial groups;
- To enhance the company's culture, based on knowledge, communication and performance;
- To promote talent management and human resources mobility.

As specific management objectives for 2011 were not established by CGD's sole shareholder, the Portuguese state, CGD Group based its performance, in 2011, on the dispositions of the Programme of the 19th Constitutional Government and the financial objectives defined in the sphere of the Economic and Financial Assistance Programme for Portugal.

In terms of quantitative objectives, CGD succeeded in:

- Achieving a loans-to-deposits ratio, measured by net credit to customer deposits, of 122.2%, in comparison to the ratio of 136.0% recorded at the end of 2010 and with a target of 120% established for 2014 in the sphere of the Economic and Financial Assistance Programme;
- A Core Tier I ratio, on a consolidated basis, of 9.5%, against the minimum of 9% fixed for the end of 2011.

### 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, INCLUDING SOCIAL RESPONSIBILITY AND SUSTAINABLE DEVELOPMENT POLICES AND SAFEGUARDING COMPETITIVENESS THROUGH RESEARCH, INNOVATION AND THE INTEGRATION OF NEW TECHNOLOGIES IN TERMS OF PRODUCTION

CGD produces an annual planning process for the consolidated accounts of the Group's diverse business units, establishing the objectives deriving from its corporate mission and strategic directives in force.

A management information system, comprising a vast range of periodic reports on various areas of activity comprises a part of the execution of the approved activity plan and budget.

Activities and compliance with objectives are assessed in the annual report.

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## 3.2. General Operating Principles

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### 3.2.1. INTERNAL AND EXTERNAL REGULATIONS BINDING UPON THE COMPANY

CGD's activity is governed by the legal standards relative to public corporations as set out in the Commercial Companies' Code and those deriving from its status as a state-owned company as regulated under Decree Law 558/99 of 17 December and republished by Decree Law 300/2007 of 23 August.

In general, CGD is governed by European and domestic legislation covering its activity, with reference being made in terms of domestic law to the General Credit and Financial Institutions Regime (RGICSF),

approved by Decree Law 298/92 of 31 December<sup>(1)</sup>, the Securities Code approved by Decree Law 486/99 of 13 November<sup>(2)</sup>, and all regulatory standards issued by the Bank of Portugal and Securities Market Commission.

In terms of such regulatory standards reference should be made to Official Notices 10/2008, 4/2009, 5/2009, 6/2009, 8/2009 and 2/2010, issued by the Bank of Portugal which aim to reinforce the transparency and rigour of the information provided by credit institutions to their customers and CMVM regulation 1/2009 on information and the advertising of complex financial products.

CGD is also subject to compliance with the good practice recommendations defined by the Bank of Portugal, of which reference should be made to those set out in Circulars 31/2011, on associated sales (optional), 32/2011, on the wording and contents of the clauses permitting unilateral changes to interest rates or other credit costs / charges on loan agreements and 45/2011, on consumer credit.

CGD is also subject to the measures for the reinforcement of the strength of the financial system set out in Decree Law 140-A/2010 of 30 December, which transposed European Parliament and Council Directive 2009/111/EC of 16 September, Commission Directive 2009/27/EC of 7 April and Commission Directive 2009/83/EC of 27 July into domestic legislation.

In the regulation on such measures and own funds and risk management, reference should be made to the BdP's issue of Official Notices 6/2010, 7/2010, 8/2010, 9/2010, 1/2011, 6/2011, 7/2011 and 9/2011, in addition to 3/2011 and 8/2011 on Core Tier 1 ratios.

In parallel and as a state-owned company in the state's business sector CGD is bound by the Good Governance Principles in the said sector as approved by Council of Ministers' Resolution 49/2007 of 28 March and the strategic guidelines defined in Council of Ministers' Resolution 70/2008 of 22 April.

Also as regards the above CGD must comply with dispositions of Decree Law 65-A/2011 of 17 May, which, *inter alia*, defines overdue payment and financial commitment concepts and establishes measures to reinforce the duties to provide financial information, namely in establishing the obligation of companies to inform the Directorate General of the Treasury and Finance every month on the global amount of accepted debt, net and payable, which remain unpaid after 90 days.

Reference should also be made to the application, to CGD, of Law 25/2008 of 5 June and EU Regulation 1781/2006 which establish preventative and repressive measures to combat money laundering and the financing of terrorism activities.

CGD's activity is also subject to its articles of association approved by its shareholders' meeting of 22 July 2011.

CGD also has an internal standards system, published on its intranet. The system is binding on all workers and covers the most relevant aspects of the company's operation and performance of its activity.

### 3.2.2. CODE OF CONDUCT

Of CGD's internal standards, reference should also be made to its 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, in the performance of its activity. The code of conduct is binding upon members of statutory bodies, workers, trainees, service providers and mandataries and should also be complied with by subsidiaries, branches, economic interest groupings and CGD's representative offices.

Taking into account the fact that, in addition to the existence of the code, it is the form of implementation and management thereof that will determine its effectiveness and fulfilment of the initially assumed objectives, CGD has defined a code of conduct management model which provides for a series of initiatives in intervention areas considered vital for its implementation, operationalisation, monitoring and continuous improvement.

<sup>(1)</sup> 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, Law 94/2009 of 1 September, D.L. 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, Decree Law 140-A/2010 of 30 December, Law 46/2011 of 24 June, Decree Law 88/2011 of 20 July and Decree Law 119/2011 of 26 December.

<sup>(2)</sup> Republished by DL 357-A/2007 of 31 October and changed by Decree Law 211-A/2008 of 3 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, Decree Law 71/2010 of 18 June.



The following initiatives were implemented in 2011:

- The revision of internal standards in an attempt to ensure cohesion between the dispositions of the code of conduct and other internal standards;
- The organisation of an internal communication campaign to include the distribution of the code in the form of a printed brochure to all employees, the production and display of posters referring to the issue's importance and the publication of an article in *Nós Caixa*;
- The launch of the internal training course on *Ethics and code of conduct*, in respect of which 60 hours of classroom training have already been given to employees with management functions, customer managers, administrative staff in the commercial and technical area and coordinators in central services, totalling 387 trainees, plus 875 employees involved in training in the workplace using the "cascade training" method.

Continuous classroom training is also given on the code of conduct to recently engaged employees or those studying on vocational courses.

The Compliance Function Support Office monitors the adoption of the code of conduct by the diverse subsidiaries, branches and economic interest groupings and comments on any changes which may be necessary owing to local legislation or circumstances, for the approval of Caixa's board of directors.

In 2011, 72% of the 25 CGD Group units to which the code applies adopted the new version of the code of conduct, published by CGD in October 2010, with the remainder being at their adaptation and approval stages.

The code is available for consultation on the intranet and CGD 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 approach to 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 both those pertaining to CGD itself and those on 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 Regulations

Caixa Geral de Depósitos has defined internal policies and procedures designed to prevent money laundering (ML) and the financing of terrorism (FT).

CGD, in its awareness of this situation, has a Compliance Function Support Office, with a customer transactions monitoring area and another research and reporting area, manned by specialised technical personnel to guarantee the good execution of the internal anti-money laundering operations and countering the financing of terrorism activities.

Day-to-day anti-money laundering / countering the financing of terrorism activities involve compliance with all of the applicable legislation and regulations in due respect for ethical principles and best international practice.

All Caixa workers are bound to strict compliance with all of the duties set out in current legislation, notably examination and communicating of all operations which may comprise money laundering and/or financing of terrorism activities.

CGD units based abroad are subject to revisions, in the form of visits or centralised monitoring with the objective of certifying the effective operation of systems for the prevention and control of anti money laundering and financing of terrorism operations.

The internal control system which has been set up on the prevention of money laundering and financing of terrorism is periodically examined in internal audits.

### 3.2.3.3. Application of standards relating to competition and consumer protection

Caixa Geral de Depósitos has adopted a status of competitive balance *vis-à-vis* its competitors, while simultaneously furthering objectives of quality, customer satisfaction, profitability, fair prices and rigorous compliance with competition and protection of banking customer standards.

The price definition and revision process for the various banking products and services requires a decision of the Delegate Communication and Marketing Board and is based on benchmark information and estimates of returns for the Group. Information on price changes is sent in advance to the Bank of Portugal and customers, in strict compliance with the guidelines issued by the supervisors, notably Instructions and Official Notices issued by the Bank of Portugal (Official notices 8/2009 and Instruction 21/2009).

Loan agreements for consumers covered by Decree Law 133/2009 have, since 1 January 2010, been subject to the maximum rates defined quarterly by the Bank of Portugal. Such rates are calculated on the basis of average annual equivalent rates (TAEG) charged in the market by credit institutions in the preceding quarter.

Full information on the prices is on display at all customer / care service points and access channels to the bank, with the adoption, on 1 January 2010 of the model defined by the Bank of Portugal (Official Notices 8/2009 and Instruction 21/2009). This guarantees the comparability of prices between the various banks, namely interest rates, commissions and expenses related with banking services.

Caixa is permanently concerned to promote and collaborate directly on the implementation of the transparency of its commercial practice relating to investment, savings and services products, notably through its continuous improvement of the informational and contractual contents of all channels which take in bank deposits, both simple and indexed by the delivery to customers of "Standardised Information Sheets" and Information Prospectuses deriving from Official Notices 4/2009, in the first case and 5/2009 in the second, as issued by the Bank of Portugal.

It is also concerned that the disclosure of information on the products should use a clear, transparent language in order to be easily read and understood by customers and whose supporting media are internally submitted in advance for the consideration of the Compliance Function Support Office, Risk Management Division and Legal Affairs Division and, externally to the supervisors in the case of complex financial products.

### 3.2.3.4. Application of environmental standards

In 2011, CGD approved its Environmental Policy, which may be consulted at <https://www.cgd.pt/Institucional/Sustentabilidade/Politicass-Compromissos/Documents/CGD-Politica-Ambiente.pdf>. The commitments assumed are based on three fundamental pillars: i) compliance with environmental legislation and other applicable requirements ii) the adoption of a proactive attitude to prevent pollution and iii) ongoing improvements to its environmental performance.

CGD's Environmental Policy is one of the thrusts of its Sustainability Strategy. Responsibility for implementation, in addition to the underlying management model, are linked with internal structures appointed by CGD for sustainability issues.

CGD has been implementing projects designed to improve its energy efficiency and reduce its level of carbon emissions. Initiatives include a commitment to renewable energies, the adoption of low carbon technologies in buildings, mobility, in addition to adequate waste management based on: energy efficiency (consuming less), renewable energies (diversifying sources) and environmental impact (polluting less).

CGD has been developing its Carbon Zero Programme since 2007, as a strategy to combat climate change. The strategy involves both internal action – assuming responsibility for quantifying, reducing and offsetting own emissions – and market operations and in the social sphere, helping to build a low carbon economy.

To offset its emissions, CGD has defined a collection of criteria designed to guarantee the use of carbon credits with high levels of integrity and to develop the environmental and social benefits of the projects it supports. Credits generated by a project which reduces emissions through the replacement of fossil fuel in a cellulose and paper manufacturing plant in Brazil, were used in

2011, in a geography in which CGD Group is active. The project bears the *Voluntary Carbon Standard*, internationally recognised as a seal of quality. Such carbon credits generated by technological projects are offset by credits generated by Caixa's Carbon Zero Forest Project, which CGD supports in the Tapada Nacional de Mafra.

CGD has, since 2006, produced an annual inventory of greenhouse gases on its banking operations in Portugal, in accordance with *The Greenhouse Gas Protocol (GHG Protocol)* methodology, which is currently the most recognised international standard, for the preparation of corporate emissions inventories.

CGD recognises the need to develop environmental management practices based on best international practice and is a signatory to the International Banking Declaration on the Environment and Sustainable Development (UNEP-Finance Initiative) and the Carbon Disclosure Project (CDP).

CGD, in the sphere of the management, remodelling and maintenance of property, allocated to its branch office network and its central buildings has always been aware of the impact of conservation and maintenance of equipment on its premises, in addition to changes to the lay-outs of spaces in buildings, on the environment.

It has therefore adopted a corporate and strategic policy on environmental responsibility issues, providing for regulatory guidelines related with this issue, both in its internal procedures as in the behaviour of its external employees.

CGD has been consecutively implementing a series of initiatives, based on good practice in the sphere of the environment, particularly the following, which are under permanent development:

- › Change in the operation of equipment and installations, adjusting timetables and optimising operating algorithms, notably lighting, air conditioning and ventilation;
- › Replacement of items of air conditioning and lighting by other more energy efficient equipment, naturally optimising interventions from a technical-economic viewpoint;
- › Adoption of energy efficiency as a concern and the introduction of new equipment, in the sphere of remodelling or new installations;
- › Use of renewable energies, with special reference to its HQ's solar power generating unit and energy micro generation through the installation of photovoltaic panels on CGD's branch office network both of which case studies of recognised success;
- › Implementation of systems for the management of consumption, making it possible to control consumption, identify deviations and savings opportunities and adjust levels of availability and performance of equipment, installations and buildings to the real needs of the activities and people involved;
- › Certification of energy and air quality inside buildings;
- › The performance of energy audits on premises, designed to promote the rational use of energy and the identification of potential opportunities to improve the efficiency of installations;
- › Performance of quality of interior air audits in buildings, particularly its HQ building in Av. João XXI and property located at Av. 5 de Outubro. Half yearly audits of such buildings have produced excellent results;
- › Replacement of equipment, with a view to their technological upgrade, greater functional and energy efficiency, in addition to the replacement of non-ecological coolant gases by other ecological gases (for equipment using such gas), such as chillers and other air conditioning units;
- › Good practice in terms of management of wastes from works and issues related with noise, in conformity with current legislation;
- › Monthly analyses of the drinkability of water for human consumption.

CGD recently won the following distinctions for its performance in 2011:

- › **Carbon Disclosure Project:** CGD was considered the Best Portuguese Company and the Best Iberian Financial Institution in combating climate change;
- › **ACGE 2011 Index – Climate Responsibility in Portugal:** CGD achieved the leadership of the financial sector and came 2nd out of a total 82 corporate assessments, in recognition of its commitment to meeting the challenge of climate change and a low carbon economy.

### 3.2.3.5. Application of labour regulations

In the sphere of labour relations, CGD has high ethical standards and applies highly rigorous technical-juridical principles.

Based on its permanent concern to fully comply with all applicable labour regulations, CGD performed an in-depth study of the main legislative changes, in 2011, on:

- Changes introduced by the State Budget Law for 2011;
- Regime of incompatibility in accumulating pensions and remuneration;
- Vocational training;
- Professional training.

In its management of conflict, CGD has always endeavoured to reach amicable solutions with its employees using communication as an active means of promoting a harmonious social climate.

Notwithstanding its high level of compliance with labour standards and constant quest for equitable solutions disputes occasionally occur between CGD and its workers. However, taking into account the sheer number of CGD employees, legal action against CGD has been relatively inexpressive.

### 3.2.4. IMPLEMENTATION OF EFFECTIVE POLICIES OF EQUALITY OF TREATMENT AND OPPORTUNITIES BETWEEN MEN AND WOMEN AND CONCILIATION BETWEEN PERSONAL, FAMILY AND PROFESSIONAL LIVES, IN ADDITION TO WORKERS' PROFESSIONAL ADVANCEMENT

CGD's personnel policy is based on a series of fundamental pillars in accordance with the following principles: non-discrimination, high ethical standards and values of trust and the role played in terms of social responsibility, with the adopting of integrated policies articulating prevention, education, training, employment, conciliation between work and family and equality of opportunity.

#### 3.2.4.1. Implementation of effective equality of treatment policies and opportunities between men and women

CGD continues to develop good non-discriminatory practice and an inclusive policy in the sphere of equality of treatment and opportunities, based on gender, nationality, ethnicity, religion or sexual orientation.

In 2011 the distribution of CGD staff was relatively balanced between the sexes (54% women and 46% men), as a trend which is transversal to administrative, technical and specific functions. There are still significant differences as regards line and management functions, deriving from the historical evolution of employability in the case of both sexes. The future trend will, however, be one of greater balance.

CGD attaches special relevance to its internal recruitment for qualified or more responsible functions, providing its employees with a multiplicity of professional development and career advancement opportunities.

In the case of e-recruitment, information on opportunities and the submission of candidatures is accessible to everyone on the internet, by entering personal and curricular details on CGD's website at [www.cgd.pt](http://www.cgd.pt). The recruitment and selection process complies in full with the principle of equal opportunity and the selection is made in accordance with the résumé and profile of competencies of each candidate.

Based on an approach of diversity and inclusion, CGD's staff complement has 36 employees from a wide range of countries of origin, namely Europe (11), Lusophone Africa (20), South America (5), 4 of whom from Brazil.

CGD also employs handicapped people and currently has 69 women and 64 men totalling 133 staff members with a physical handicap. It provides technical assistance and accessibility for employees' full integration and development.

#### 3.2.4.2. Implementation of effective policies to achieve conciliation between personal, family and professional lives

CGD bases its policies on a culture of solidarity and adopts sustainable practice as a family-responsible company.

The socioeconomic context, in 2011, comprised a challenge to the creation of an effective social support network for the Caixa community and for groups with special needs therein, particularly CGD families.

Special reference should be made to:

- A proprietary health subsystem with a high level of quality and cover in medical, social, cultural and sporting terms especially focusing on the offer of support equipment to children and senior citizens;
- A psychosocial advisory programme in the personnel division provided by a Social Action Unit and Office of Psychology;
- Mortgage and personal loans at favourable maturities and rates, In 2011, this concentrated on the prevention of over-indebtedness with social funding for assist families in clearly difficult circumstances;
- Subsidies for employees' children (children's and study subsidies);
- Subsidies for student workers;
- Grants to employees' children in higher education, based on social criteria and merit;
- Priority in terms of the employment of family members of deceased employees;
- Geographical and functional / mobility based on a policy of combining the interests of CGD with employees' personal and family interests;
- Adequacy of functional / workplace conditions to employees' physical and psychological needs;
- Extension of the period of family assistance in the event of illness or accident, without loss of wages, in excess of the regulatory period in cases of exceptional social circumstances;
- Support for maternity with the provision of temporary parking spaces for pregnant and breastfeeding mothers. The "breastfeeding corner", project has been developed in the medicine in the workplace sphere in articulation with the Social Services' Medical Depots for the planning and preparation of birth and support for parenthood;
- Convenience goods and services at lower prices;
- Protocols with diverse entities providing employees and their families with preferential terms for public transport, insurance, schools, kindergartens, nurseries, care homes, home support, in addition to specific treatment such as in the case of addictions;
- Implementation of a series of open family workshops to reinforce behavioural (positivism) and specific (informal carers) competencies;
- Support for employee's pre-retirements and retirements;
- Support for associations of retirees, with the implementation, in 2011 of a Knowledge Bank (senior citizens' university) involving various forms of training, in the IT domain;
- Development of corporate volunteerism, in the framework of the European Year of Volunteering, translated into institutional support for innumerable initiatives to mobilise employees and their families in terms of intergenerational solidarity, with special reference to the growth of the "SéniAmor" volunteer group with hubs in Lisbon and Porto, who provide assistance to colleagues in need with a view to avoiding their social isolation.

### 3.2.4.3. Implementation of effective advancement policies for the company's workers

Since 2007 CGD has provided its employees with a portal entirely devoted to issues related with Human Resources Management – Caixapessoal.

Over these 4 years, Caixapessoal has facilitated access to personalised information and HR applications based on a knowledge-diffusion organisational approach designed to assist employees in their professional and personal development.

Caixapessoal is also available outside CGD, on the Internet, providing users, for example with access to e-learning training courses at the most convenient times in terms of personal management.

2011 witnessed an average monthly number of more than 15 000 internal accesses to Caixapessoal, as a result of the furtherance of an active policy of promotion and management of contents of interest as well as the supply of relevant functionalities to workers' lives such as the updating of the personal

loans simulator; access to information-sharing communities in the sphere of internal training projects and information on campaigns of interest to employees (vehicle leasing, travel, IT, telecommunications, etc.).

There was an average of around of 845 external internet accesses at weekends during the course of the year. September was the busiest month with around 3 500 accesses.

Caixapessoal also continued to provide support for clarifying HR issues via its Helpdesk. This enabled employees' doubts to be clarified in cases in which the portal's contents failed to provide an answer. Endeavours were made to provide all employees with personal written responses.

Around 652 requests were made via the Helpdesk in 2011, with an average response time of 48 hours and an average satisfaction rate of 4 on a maximum scale of 5.

The Caixapessoal portal has therefore, in the framework of CGD's Human Resources strategy developed a proximity-based, personally geared approach to personnel management.

The training plan, in 2011, dealt with the following aspects:

- Support for the transformation process to the New Business Model, focusing on customer relationships;
- Reinforcement of the competencies of the hierarchies in the promotion of commercial teams,
- Reinforcement of the relational and negotiational competencies of employees with commercial functions;
- Exploitation of internal knowledge, through the expansion of training programmes led by internal trainers;
- Development of support tutorials for the acquisition of banking competencies either in the form of individual study or with the support of promotional actions.

Training, in CGD, has always relied on the participation of employees in many training actions. A pool of internal trainers who participate in a regular, structured manner in the production and performance of training actions on the branch office network was formed in 2011. The pool currently has around 100 trainers with around 30 specialists and has organised more than 200 actions comprising 25 thousand training hours.

There were 97 590 involvements in training actions in 2011 of which 60% were e-learning based, 31% classroom training and 9% tutorials.

CGD's training plan also comprised a Personal Development Programme for 1019 employees, of whom 433 took part in conferences, seminars and congresses in Portugal and abroad, 413 in foreign language training and 173 in higher education, notably MAs, postgraduate and other highly specialised courses.

2011 also witnessed the updating of the e-learning platform and around 40 courses on the most recent standards in this type of training, sustaining CGD's commitment to broader ease of access to knowledge for all of its employees.

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### 3.3. Relevant Transactions with Related Entities

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CGD performs transactions with Group, associated and other entities controlled by the Portuguese state.

CGD's financial statements, at 31 December 2011, included the following balances and transactions with related entities, excluding management bodies:

(EUR thousand)

	2011			
	Portuguese state (DGT)	Other Portuguese state bodies	Associated companies	Other CGD Group companies
<b>Assets:</b>				
Loans and advances to credit institutions	-	433 849	-	6 518 753
Securities and financial trading derivatives (a)	3 770 296	1 899 039	-	1 216 064
Loans and advances to customers	-	4 131 314	591 010	116 696
Other assets	272 634	460 826	1 546	923 409
<b>Liabilities:</b>				
Credit institutions' resources	-	-	-	2 488 403
Customer resources and other loans	1 580 213	529 886	13 588	1 503 006
Debt securities	-	-	-	1 637 168
Subordinated liabilities	-	-	-	182 964
Financial liabilities held for trading	-	-	-	542 418
Other liabilities	-	-	58 218	295 350
<b>Guarantees provided</b>	-	564 375	8 333	468 508
<b>Income:</b>				
Interest and similar income	153 910	174 491	5 726	1 402 526
Income from financial operations	6 467	122 134	-	4 936 233
Income from services and commissions	-	1 845	5	43 666
Other operating income	-	65	23	43 561
<b>Costs:</b>				
Interest and similar costs	3 028	4 629	28	1 217 231
Losses from financial operations	34 315	105 328	-	4 591 371
Costs of services and commissions	-	32	-	1 883
Other operating income	-	148	514	797

## 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 authorisation to consult the market, production and approval of tender documents and sending thereof to previously identified suppliers inviting them to submit bids. A minimum number of 3 suppliers per item / service is consulted;
- Reception, analysis and negotiation of the bids, which includes the reception of the bids in a sealed letter, the opening thereof by the Opening Committee, including the production and signing of the opening document, a comparative analysis of the bids, selection and approval of suppliers for the next negotiating stage and organisation of negotiating rounds up to the choice of final supplier;
- Approval of the expenses and award which includes budgeting for the expense, obtaining of authorisation and associated expenses taking into account the delegation of competencies and the award of the acquisition of the goods / services to the supplier;
- Contracts, which include a written contract or combination of tender documents with the contents of the winning bid, after the production of the bid's effects.



### 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 suppliers represented more than 5% of the individual external supplies and services, on a separate basis, in 2011:

- Companhia IBM Portuguesa, SA;
- Caixa Geral de Depósitos Employees' Pension Fund.

### 3.4.4. EVOLUTION OF AVERAGE PERIOD OF PAYMENTS TO SUPPLIERS

The evolution of the average period of payments to suppliers, in conformity with Council of Ministers' Resolution MR 34/2008 of 22 February, which approved the Prompt Payments Programme, with the changes made by Ministerial Ruling 9870/2009 issued by the Ministry of Finance and Public Administration of 13 April, is set out below:

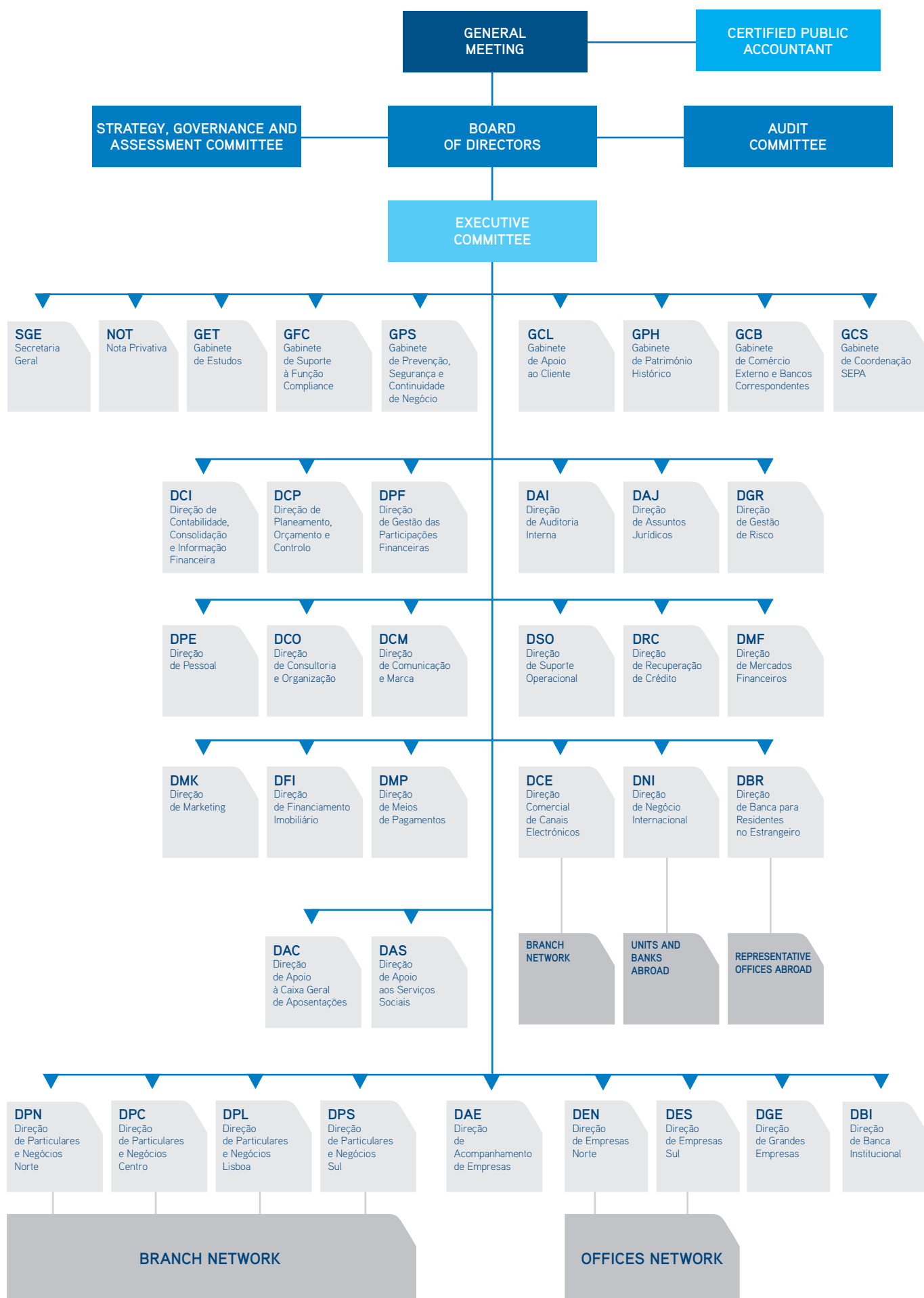
Evolution of Average Payment Period – 2011	
Quarter	Period
4th Quarter	58 days
3rd Quarter	45 days
2nd Quarter	54 days
1st Quarter	62 days

## 3.5. Corporate Model

CGD's corporate model, which guarantees effective separation between management and inspection functions, was replaced by the changes to its articles of association approved at the shareholders' meeting of 22 July 2011, in which the management and inspection structure ceased to be made up of a board of directors, audit board and statutory auditor other than a member of the audit committee to comprise a board of directors, including an audit committee and statutory auditor.

Members of CGD's statutory bodies are elected for a period of three years and are eligible for re-election. The maximum number of successive terms of office may not, however, exceed four, except for the members of the shareholders' meeting and the independent members of the audit committee who are governed by the dispositions set out at law.





### 3.5.1. SHAREHOLDERS' MEETING

The shareholders' meeting comprises a chairman, a deputy-chairman and a secretary. Its current term of office runs from 2011 to 2013.

#### COMPOSITION OF SHAREHOLDERS' MEETING

**Chairman:** Manuel Carlos Lopes Porto

**Deputy Chairman** Rui Manuel Parente Chancerelle de Machete

**Secretary:** José Lourenço Soares

In the period between the start of 2011 and the shareholders' meeting of 22 July 2011, which elected the members of the statutory bodies for the current period of office, the shareholders' meeting comprised: Chairman: Manuel Carlos Lopes Porto; Deputy Chairman: Daniel Proença de Carvalho; 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 committee and statutory auditor;
- 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 under the terms of "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 seventeen board members, which also include members of the audit committee. The board of directors currently comprises eleven members with a term of office between 2011 and 2013.

#### COMPOSITION OF BOARD OF DIRECTORS

**Chairman** Fernando Manuel Barbosa Faria de Oliveira

**Deputy Chairman** José Agostinho Martins de Matos

**Members:** António do Pranto Nogueira Leite, Norberto Emílio Sequeira da Rosa, Jorge Humberto Correia Tomé, Rodolfo Vasco Castro Gomes Mascarenhas Lavrador, Pedro Manuel de Oliveira Cardoso, Nuno Maria Pinto de Magalhães Fernandes Thomaz, Eduardo Manuel Hintze da Paz Ferreira, Pedro Miguel Duarte Rebelo de Sousa and Álvaro José Barrigas do Nascimento (in a unanimous written resolution of 28 December 2011, the member Pedro Manuel de Oliveira Cardoso was replaced by João Nuno de Oliveira Jorge Palma, starting 2 January 2012).

In the period between the start of 2011 and the shareholders' meeting of 22 July 2011, which elected the members of the statutory bodies for the current term of office, the board of directors comprised: 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 the members of the board of directors are set out in annex I of this report.

The competencies of the board of directors are set out at law. The board is particularly responsible, under the articles of association for:

- › Managing CGD's corporate affairs and performing all acts relating to its corporate object;
- › Establishing the company's internal organisation and producing expedient regulations and instructions;
- › Engaging company workers, establishing their respective contractual terms and exercising the corresponding management and disciplinary authority thereto relating;
- › Appointing proxies with the authority considered expedient;
- › Resolution on equity investments in other companies;
- › To acquire, burden and dispose of any moveable or immoveable assets and rights, including corporate investments and making investments, when considered to be in the company's interest, without prejudice to the competencies of the shareholders' meeting on such issues;
- › To decide on the issue of bonds;
- › To execute and ensure compliance with the execution of 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 competencies attributed by law or the articles of associations and pass resolutions on any other matters falling outside the sphere of competence of the company's other bodies.

The activity of the board of directors is governed by the Regulation of the Board of Directors approved by the said body on 15 September 2011.

The board of directors meets in plenary session according to the new management and inspection model at least once every two months having held 5 meetings between 22 July and the end of 2011. Up to 22 July and, therefore in accordance with the company's former governance model 33 meetings were held.

## COMPOSITION OF EXECUTIVE COMMITTEE

The company's articles of association, with the changes approved at the shareholders' meeting of 22 July 2011, establish that the board of directors will delegate the management of the company's day-to-day affairs to an executive committee, defining the limits and conditions of the delegation in minutes.

At its meeting of 27 July 2011, the board of directors approved a resolution appointing an executive committee comprising:

**Chairman:** José Agostinho Martins de Matos

**Deputy Chairmen:** António do Pranto Nogueira Leite and Norberto Emílio Sequeira da Rosa

**Members:** Jorge Humberto Correia Tomé, Rodolfo Vasco Castro Gomes Mascarenhas Lavrador, Pedro Manuel de Oliveira Cardoso and Nuno Maria Pinto de Magalhães Fernandes Thomaz (in a unanimous written resolution of 28 December 2011, the member Pedro Manuel de Oliveira Cardoso was replaced by João Nuno de Oliveira Jorge Palma, starting 2 January 2012, as already stated).

The board of directors, at the same meeting, passed a resolution delegating the management of the company's day-to-day affairs to the executive committee giving it general management authority albeit reserving for the board of directors, in addition to the dispositions of articles 406 and 407 of the Commercial Companies Code, exclusive competency for the following:

- a) Approval of the general policy of the CGD Group, which Group is understood to be the credit and financial institutions controlled directly or indirectly by the company and companies operating in the insurance area;
- b) Approval of the annual and pluriannual plan and budget and the periodical monitoring of its execution;
- c) Approval of the regulations for the board of directors and the executive committee;
- d) Approval of decisions which should be considered strategic owing to the amount involved, risk or

due to their special characteristics, as defined in the Regulation of the Board of Directors and/or the Regulation on the Executive Committee;

- e) Approval of proposals for changes to the articles of associations, including capital increases;
- f) Approval of proposals for the appointment of members of corporate bodies and codes of conduct of the CGD Culturgest Foundation and controlled companies as defined in the Regulation on the Board of Directors;
- g) The setting up of other commissions within the board of directors;
- h) Appointment of a company secretary and deputy.

Also at the same meeting, the board of directors passed a resolution allocating responsibilities to the members of the executive committee. In turn, the executive committee, at its meeting of 24 August 2011, allocated areas and responsibilities among its members in the absence of its chairman and deputy chairman.

At 31 December 2011, members of the executive committee were given the following areas/ responsibilities:

#### **José de Matos**

- > Institutional relations (in articulation with the CBD)
- > Institutional communication (in articulation with the CBD)
- > Press advisory
- > Customer support
- > General secretariat
- > Internal audit
- > Compliance
- > Credit risk
- > Financial investments
- > Culturgest

#### **António Nogueira Leite**

- > Planning, budget and control
- > Risk management
- > Marketing
- > Commercial communication
- > Corporate and organisational development
- > Studies office
- > Asset management
- > Specialised credit

#### **Norberto Rosa**

- > Institutional banking
- > Accounting, consolidation and financial information
- > Personnel
- > Social services support
- > IT
- > Operational support
- > Means of payment
- > Electronic channels
- > SEPA
- > CGA support

#### **Jorge Tomé**

- > Major companies
- > Companies (SMEs)
- > Investment banking
- > Venture capital
- > Insurance and healthcare

#### **Rodolfo Lavrador**

- > International business
- > Foreign trade and correspondent banks
- > Residents abroad banking
- > Representative offices
- > Legal affairs
- > Private notarial services
- > Heritage

#### **Pedro Cardoso**

- > Financial markets
- > Administrative services
- > Property management
- > Security

#### **Nuno Fernandes Thomaz**

- > Individual customers
- > Property finance
- > Credit recovery

The activity of the executive committee is governed by the Regulation on the Executive Committee, approved by the board of directors on 15 September 2011.

The executive committee generally meets once a week and held 21 meetings between 27 July and the end of 2011.

### 3.5.3. INSPECTION BODIES

The inspection of the company is the responsibility of an audit committee, comprising a minimum of three and a maximum of five directors and a statutory auditor or statutory audit company.

#### 3.5.3.1. Composition of audit committee

The audit committee comprises a chairman and two members, whose term of office runs from 2011 to 2013.

**Chairman** Eduardo Manuel Hintze da Paz Ferreira

**Members:** Pedro Miguel Duarte Rebelo de Sousa and Álvaro José Barrigas do Nascimento

In the period between the start of 2011 and the shareholders' meeting of 22 July 2011, which replaced the company's administrative and inspection structure and elected the members of the corporate bodies for the current term of office, the audit board comprised: Chairman: Eduardo Manuel Hintze da Paz Ferreira; Members: Maria Rosa Tobias Sá and Pedro António Pereira Rodrigues Felício.

The résumés of members of the audit committee are set out in annex I of this report.

The competencies of the audit committee are set out at law and the articles of association, as follows:

- To examine the accuracy of the accounting documents and, in general, supervise the quality and integrity of the financial information set out in the company's accounting documents;
- To inspect the process for the preparation and dissemination of financial information;
- To analyse and issue its opinion on matters of relevance related with accounting and audit aspects and the impact in the financial statements of changes to the accounting standards applicable to the company and its accounting policies;
- To inspect the revision of the accounts and the audit of the company's accounting documents, in addition to supervising and assessing the internal procedures on accounting and audit issues;
- To propose the appointment of a statutory auditor to the shareholders' meeting;
- To inspect the independence of the statutory auditor regarding the provision of additional services;
- To appoint, contract, confirm or terminate the functions and define the remuneration of the company's external auditors, in addition to inspecting their qualifications and independence and the approval of the audit and/or other services to be provided by the external auditors or their associated persons or bodies;
- To inspect the quality and effectiveness of the risk management, internal control and internal audit systems and supervise the performance of the functions in the sphere of internal audit and control;
- To receive communications on irregularities and/or complaints submitted by shareholders, company employees or others and implement the procedures for the reception, registration and processing thereof;
- To contract for the services of experts to assist it in its functions, which contracting process and remuneration should take into account the importance of the issues and the company's economic situation.

The activity of the audit committee is governed by the Regulation on the Audit Committee, approved by this body on 19 September and by the board of directors on 16 December 2011.

The audit committee meets at least once every two months and held 5 meetings between 22 July and end of 2011. Up to 22 July and therefore in accordance with the old governance model the audit committee met on 6 occasions.

The audit board, then in office, issued a report "on the level of compliance with CGD's management objectives for the three year period 2008-2010", on 7 April 2011, to comply with the dispositions of article 6 of Decree law 71/2007 of 27 March.

### 3.5.3.2. Statutory Auditors

**Acting:** Oliveira Rego & Associados, SROC, represented by Manuel de Oliveira Rego

**Deputising:** Álvaro, Falcão & Associados, SROC, represented by Eleutério Ganilho Álvaro

The statutory auditors' term of office runs from 2010 to 2012.

### 3.5.4. STRATEGY, GOVERNANCE AND ASSESSMENT COMMITTEE

The board of directors at its already referred to meeting of 27 July 2011, appointed a strategy, governance and assessment committee, comprising all non-executive members of the board of directors, to approve the respective regulation, exercising functions for the same period of time as the term of office of the board of directors.

#### COMPOSITION OF STRATEGY, GOVERNANCE AND ASSESSMENT COMMITTEE

**Chairman** Pedro Miguel Duarte Rebelo de Sousa

**Members:** Eduardo Manuel Hintze da Paz Ferreira and Álvaro José Barrigas do Nascimento

The meeting will be chaired by the chairman of the board of directors when he takes part in the meeting.

The competencies and activity of the strategy, governance and assessment committee are governed by the Strategy, Governance and Assessment Regulation, approved by this body on 18 November and by the board of directors on 16 December 2011.

In accordance with its regulation, the committee has the following competencies:

- To issue an opinion on the company's strategic development vectors in advance of the board of directors' approval;
- To issue an opinion on the company's medium and long term strategic plan to be discussed and approved at a board of directors' meeting;
- To accompany and monitor the executive committee's compliance with the part goals defined in the strategic plan;
- To consider the company's general policies and submit proposals on the issue to the board of directors;
- To strengthen the company's governance model, taking its equity structure and approved development plan into consideration;
- To verify the effectiveness of the governance model and propose the measures to be taken to improve them to the competent bodies;
- To consider the need and when justified propose to the board of directors that other boards and corporate committees should be established within the board of directors;
- To discuss the compliance plan for any management guidelines defined for the company with the executive committee;
- To assess compliance with the defined management guidelines;
- To annually submit to the supervising ministry an assessment report on the level and conditions of compliance, each year, with the management guidelines defined for the company;

The strategy, governance and assessment committee meets at least once every two months, having held two meetings in 2011.

### 3.5.5. EXTERNAL AUDITOR

CGD's annual accounts are audited by an independent body, Deloitte & Associados, SROC, SA, with the audit committee, as set out at law, the articles of association, Regulation on the Audit Committee and internal regulations, appointing, contracting, confirming or terminating the functions and defining the remuneration of the company's external auditors, in addition to inspecting their qualifications and independence and the approval of the audit and/or other services to be provided by the referred to external auditors or by their associated persons or bodies;

### 3.5.6. COMPANY SECRETARY

The board of directors, at its already referred to meeting of 27 July 2011, appointed the company secretary and his deputy for the period coinciding with the current term of office of the board of directors which runs from 2011 to 2013.

#### COMPANY SECRETARY

**Acting:** João Manuel Travassos Dias Garcia

**Deputy:** Ana Paula Rögenes Perez Lopes Pargana Calado

### 3.5.7. EXECUTIVE COMMITTEES

CGD has five executive committees whose composition, competencies and frequency of meetings are as follows:

- Credit committee, comprising all members of the board of directors (with a minimum of 3) having competency in credit matters, in accordance with the delegation of competencies and which generally meets once a week. It held 50 meetings in 2011;
- Expanded credit committee comprising all members of the board of directors (with a minimum of 4), also having competency in credit matters, in accordance with the delegation of competencies and which also generally meets once a week. It held 47 meetings in 2011;
- The marketing, communication and networks committee (CDMC), with competencies 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. It held 43 meetings in 2011;
- Personnel, media and systems committee (CDPM), with competencies 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. It held 42 meetings in 2011;
- The ALCO Committee with executive functions for the preparation of the proposed strategic guidelines for the Group's funding and risk policies, risk management and capital ratios and the securing and management of capital, in addition to competencies relating to the development of articulation between the Group's financial and commercial policy and actions and procedures to control risks and the Group's financial position. It comprises all members of the board of directors and usually meets once a month. It held 6 meetings in 2011, as its competencies were taken over and decided at weekly meetings of the executive committee.

### 3.5.8. PREVENTION OF CONFLICTS OF INTEREST

Members of the board of directors are fully aware of their duties to abstain from discussion and decisions on certain issues and comply with the corresponding regulations in the performance of their functions, having made the statement referred to in article 22, no. 9 of the Public Manager Statute to the Inspectorate General of Finance on their involvement and direct or indirect interests in Caixa Geral de Depósitos or in any other company.

There are no incompatibilities deriving from management functions in CGD and other functions performed by members of its board of directors, deriving from the Public Manager Statute or any other regulations. The members of the audit committee are not covered by the incompatibilities provided for in article 414-A of the Commercial Companies Code applicable on account of article 423-B, and fulfil the requirements of article 423-B of the same code and are independent.

Members of the board of directors comply with all legal and regulatory dispositions deriving from the performance of their respective functions and others which they may accumulate and have made the corresponding declarations to the Constitutional Court, Procuratorship General of the Republic, Inspectorate General of Finance, Bank of Portugal and Securities Market Commission.

## 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 established the regime for the approval of the remuneration policy of 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.

The board of directors submitted a statement on the remuneration policy for members of CGD's management and inspection bodies to the shareholders' meeting of 26 May 2011 with the meeting having decided the following: "the fixed gross monthly remuneration payable 14 times to members of the management and inspection bodies of CGD – Caixa Geral de Depósitos, SA, defined in the Written Unanimous Declaration 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 legally determined reductions remain unchanged. At the same time and as provided for in article 172 of Law 3-B/2010 of 28 April (State Budget 2010) and article 29 of Law 55-A/2010 of 31 December (State Budget 2011), there will be no payment during the period of PEC 2010-2013 of any variable component of the remuneration of CGD management bodies".

Later, in a unanimous written resolution of 26 August 2011, the state shareholder fixed the remuneration of the company's corporate bodies for the current term of office reflecting a cumulative remunerative reduction of 15%, resulting from the application of article 12 of Law 12-A/2010 of 30 June and article 19 of Law 55-A/2010 of 31 December.

### 3.6.2. REMUNERATORY STATUS FIXED IN 2011

#### SHAREHOLDERS' MEETING

(EUR)	
Board of Directors	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

In 2012, the board of directors was only entitled to a 12 month remuneration under terms of article 21 of Law 64-B/2011, of 30 December (Budget Law for 2012) establishing that during the course of the economic and financial assistance program, the payment of holiday and Christmas allowances, or similar, were suspended.

Board of Directors	Remunerations
Chairman	EUR 16 370.24 - 14 times p.a. <sup>(*)</sup>
<b>Executive Committee</b>	
Chairman	EUR 19 258.88 - 14 times p.a. <sup>(*)</sup>
Deputy Chairmen	EUR 13 481.60 - 14 times p.a. <sup>(*)</sup>
Members	EUR 13 481.60 - 14 times p.a. <sup>(*)</sup>
<b>Audit Committee</b>	
Chairman	EUR 3 851.78 - 14 times p.a. <sup>(*)</sup>
Members	EUR 2 888.83 - 14 times p.a. <sup>(*)</sup>

<sup>(\*)</sup> In 2012 it was 12 p.a. in accordance with article 21 of Law 64-B/2011 of 30 December.



As stated, these remunerations reflect the cumulative remunerative reduction of 15%, resulting from the application of article 12 of Law 12-A/2010 of 30 June and article 19 of Law 55-A/2010 of 31 December.

### 3.6.3. REMUNERATION AND OTHER INCENTIVES FOR MEMBERS OF STATUTORY BODIES

This information is set out in annex II of the report.

### 3.6.4. REMUNERATION OF STATUTORY AND EXTERNAL AUDITORS

REMUNERATION OF THE STATUTORY AUDITORS IN 2011		(EUR) <sup>(a)</sup>
<b>Oliveira Rego &amp; Associados, SROC, represented by partner Manuel de Oliveira Rego</b>		
Statutory audit services		215 289.24
Other services		65 000.04

<sup>(a)</sup> Amounts exclusive of VAT and relating to CGD Group.

REMUNERATION OF EXTERNAL AUDITOR IN 2011		(EUR) <sup>(a)</sup>
<b>Deloitte &amp; Associados, SROC, SA</b>		
External and statutory audits		2 353 381
Other certification services		636 253
Fiscal consultancy		364 537
Other services		197 900

<sup>(a)</sup> 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:

- The efficient and profitable performance of activity, over the medium and long term (performance objectives);
- The existence of full, pertinent, reliable, prompt financial information (information objectives);
- 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 general 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 2011, 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 pertaining to CGD / CGD Group's activities and quantifies the risk attached to CGD / CGD group exposure.

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 other

Group structures and entities, perform activities to ensure the existence of an adequate internal control system:

### EXECUTIVE COMMITTEE

The executive committee 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, monitoring the management thereof within the Group and proposing action plans to the executive committee.

### 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 and support the development and constant evolution of the internal control management process as well as monitoring and assessing its compliance with the defined strategy, policies and methodologies, reporting the respective conclusions to CGRC;
- To assist the executive committee in its preparation of the regulatory separate and group internal control report, periodically review their shortcomings, undertake a critical analysis and stimulate action plans. These activities are strictly articulated with the Compliance Function Support Office, Risk Management Division, Internal Audit Division and the Group's subsidiaries, and also consider any comments and remarks made by the audit committee, 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 CGD processes, 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.

### 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 executive committee, 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 CGD's and its respective branches' and subsidiaries' compliance risk, in addition to economic interest groupings domiciled in Portugal or abroad, whose supervision is the responsibility of central banks or securities commissions as well as

pension fund management companies and does not, therefore, include CGD Group's insurance area.

The office is responsible for producing periodic internal control reports in the compliance risk area for the executive committee, notably identifying the occurrence of any defaults and respective corrective measures. The Office is also 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.

## INTERNAL AUDIT DIVISION

Internal audit is a permanent, independent, objective activity designed to assist the executive committee in monitoring internal control systems, both within CGD and the Group (except for the insurance area) by means of a separate assessment and from a perspective of supervision on a consolidated basis, in order to promptly identify higher risk areas and assess the effectiveness of management, in addition to the adequacy of the most relevant control procedures, to develop effective governance practices on the implementation of its internal control system.

It is also responsible for preparing and submitting reports on audit issues to the executive committee, including a summary of the main flaws identified, recommendations made and respective level of implementation.

## ACCOUNTING, CONSOLIDATION AND FINANCIAL INFORMATION DIVISION

This body reports directly to the executive committee and has the main objective of developing functions in the accounting, accounts consolidation and financial information areas including financial reporting and prudential information and monetary and financial statistics.

To fully perform its functions, DCI works with other CGD structural bodies, Group companies and external bodies party to its sphere of attributions.

The circuits and controls pertaining to the process for the preparation and provision of separate and consolidated financial information are permanently monitored and validated by the statutory auditors which is responsible for issuing an opinion on the adequacy and effectiveness of the internal control system underlying the process for the preparation and disclosure of separate and consolidated financial information (financial report) sent annually to the Bank of Portugal.

## 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.

## 3.7.2. CONTROL SYSTEM FOR THE PROTECTION OF THE COMPANY'S INVESTMENTS AND ITS ASSETS

With the objective of complying with the dispositions of the Bank of Portugal (BdP) in its Official Notices 5/2008 and Instructions 30/2010 and 73/96 and on a complementary level, based on a BdP indication in its Circular Letter 23/11 of 2011/12/15, in the European Banking Authority – EBA document "EBA Guidelines on Internal Governance (GL 44)" CGD, internal guidelines and standards which are used as the main auxiliary instruments for a control system for the protection of CGD's investments and assets have been defined. The guidelines and regulations are also support tools for the management and control of the financial risks assumed by CGD as they indicate, with a sufficient degree of precision, the maximum levels of determined types of financial risks that asset portfolios may incur. The risk measures used vary according to the type of risk being assessed.

Guidelines approved by the executive committee to be complied with by the Financial Markets Division (DMF) and other CGD Group entities responsible for the management of financial assets portfolios subject to market risk have been defined for the management and control of market risk. The main risk measure used to manage market risk is Value at Risk (VaR) which is complemented by other sensitivity measures more adjusted to the specific type of market risk to be measured such as : (i) V01 for interest rate risk; and (ii) operational risks.

Guidelines defining the roles and responsibilities of the diverse parties, the indicators to be monitored, the limits on such indicators and the control system on such limits have been approved for the management and control of liquidity and interest rate risk in the balance sheet, by the ALCO committee. Periodic reports are produced on the monitoring process.

There are also internal norms on credit risk management and control which, using risk ratings, define limits on exposures, for use in the decision to extend credit. In the credit risk admission process, always accompanied by a commercial proposal, it is also mandatory to obtain a risk opinion for economic groups whose exposure to CGD is higher than a specific amount.

Credit portfolios are regularly monitored with the production of reports making reference to performance, notably in terms of default. Also related with defaults and the valuation of credit assets, a process for determining impairment provisions has been implemented in CGD Group and must be validated by the external auditors. A report to be sent to BdP is produced on the validation.

CGD periodically performs stress tests not only with the objective of complying with the dispositions of BdP Instructions 32/2009 and 4/2011 but also to have the best perception of the risks to which it is exposed as well as to ensure the best protection for its assets.

In second half 2011, CGD was a party to the collection of financial groups to perform *Special on-site Inspections Programme- SIP* in which BdP with the support of independent auditors, assessed CGD as regards:

- The quality of the bank's assets;
- Its credit risk management practices;
- The quality of its periodical prudential reporting.

As publicly announced, the assessment concluded that the global amount of impairment recognised in the Group's consolidated accounts was adequate. It also concluded that the aggregate impact of the results of the SIP regarding the assessment of CGD Group's solvency, at 30 June 2011, would translate into an increase in the Tier 1 ratio from 8.5% to 8.6%, as opposed to the 8% required by the said date. It is estimated that the above referred to regulatory changes will have an additional 0.2 percentage points positive impact on this ratio.

Stress tests aim to provide an analytic position of CGD Group in terms of solvency when subject to extreme scenarios in terms of market, liquidity and interest rate in the balance sheet and credit risk. In addition to the stress tests used for internal management, in 2011, those required by BdP in the sphere of its Instructions 32/2009 and 4/2011 were also performed. CGD was also a party to the transversal EU wide stress test exercise coordinated by the EBA in cooperation with the European Central Bank and the European Commission and those required to complement the Capital Funding Plan, in the sphere of the memorandum of understanding (MoU).

## SECURITIES HELD FOR TRADING AND INVESTMENT

The securities trading and investment portfolio activity was included in specific guidelines, approved by the board of directors, which establish levels of risk which may be incorporated in the portfolios, the type of securities, liquidity criteria and the control mechanisms to be implemented. The guidelines were revised in 2011 and approved by the board of directors, on 23 March, as regards the component relating to the trading portfolio and on 29 June for the component related with the investment portfolio.

In terms of risk control and valuation of assets, there is full segregation with the Structural Organ responsible for managing these portfolios, which functions are performed by the Risk Management Division. This is responsible for the valuation, control and monitoring of compliance with the management guidelines. A daily report is produced on this control and sent to members of the executive board and the directors responsible for managing these portfolios.

## FINANCIAL INVESTMENTS

Caixa Geral de Depósitos has an information management system designed to monitor all of CGD's financial investments, each company's respective equity structure and members of statutory bodies, in addition to controlling the dividends to be received by Caixa, from its investments.

The annual reports of associated companies are analysed and information on the positions to be taken at the shareholders' meeting, on the approval of the accounts, appropriation of net income and other points on the respective agenda is submitted to the board of directors / executive committee. The various business areas of CGD Group are also analysed with a year-on-year comparison, budget information and results achieved by competing groups, accompanied by the evolution of listed, strategic investments including, *inter alia*, items such as the calculation of potential gains or losses, the threshold value of impairment, total impairment already recognised.

The disposal of financial investments is always considered in advance by the board of directors/ executive committee, on the basis of information from the Financial Investments Division in which the results of the various alternative scenarios are analysed.

For the annual monitoring of impairment on CGD's financial investments (not listed), in accordance with the steering committee monitoring CGD's IAS, depending on the account heading in which they are recognised and the amount invested, it produces a separate analysis of the company or arranges for it to be assessed by Caixa – Banco de Investimento. The equity accounting method is used for the other investments calculated on the most recent accounting data.

## PROPERTY ASSETS

The control and reinforcement measures for the valuation of CGD's property assets or when property is received as collateral for lending operations were strengthened in 2011 with the aim of protecting their value in times of adversity.

A highly significant number of portfolio assets was reassessed to identify their effective current worth owing to the referred to adverse environmental situation.

The former structure under that CGD's property assets are split up into tangible fixed assets or property for own use and operation, and non-current assets held for sale, from reposessions or property no longer used for operating purposes was, however, retained.

The first category of assets include several of the central buildings and a significant collection of domestic and international branches used for the bank's current operations. The second includes property resulting from defaults or which are no longer used for operations and are for sale.

Such assets are managed by specialised companies and segmented on the basis of origin, intended use and percentage completion when applicable.

As property management principles, functions, the sustainability and optimisation of the value of assets, the reliability of the accounting and computerised records and independently calculated market-based assessment continued to be segregated.

### 3.7.3. CONTROL SYSTEM FOR CGD'S CUSTODIAN SERVICES

In compliance with the dispositions of no. 4 of article 304-C, of the Securities Market Code (CVM), the external auditors issue an annual report on the adequacy of the procedures and measures adopted by CGD in terms of its custodian services.

These procedures should ensure the following objectives (articles 306 to 306-D of the CVM):

- In all acts performed, as well as in accounting records and operations, financial intermediaries must ensure a clear distinction between their own and their customers' property;
- The opening of an insolvency process, corporate recovery or restructuring of a financial intermediary shall not have any effect on the acts performed by financial intermediaries on behalf of their customers;
- Financial intermediaries may not, in their own or third parties' interests, use the financial instruments of their customers or exercise any rights thereto unless agreed with their owners;
- Investment companies may not use money received from customers on their own or a third party's behalf.

The last opinion of the external auditors available on this date, for 2010, make it possible to conclude that the procedures and measures adopted by CGD are adequate to enable full compliance in all materially relevant aspects with the dispositions of articles 306 to 306-D, of the CVM, except for the periodicity of the

reconciliations between registration of the internal accounts of customers and accounts opened with third parties for the registration or depositing of such customers' assets (applicable to accounts with a reduced number of account holders and few movements). To remedy this aspect, reconciliation periods have been reinforced since September 2011.

## 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 may be contacted as follows:

#### CONTACTS OF MARKET RELATIONS REPRESENTATIVE

**Contacts of Market Relations Representative:** António José Alves Valente

**Phone number:** 217905908

**Fax:** 217953986

**E-mail:** antonio.valente@cgd.pt

### 3.8.2. DISCLOSURE OF PRIVILEGED INFORMATION

CGD, as defined under the respective legislation, as an issuer of financial instruments, has appointed a market relations representative who provides prompt 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.

In fully complying with its duty to immediately and publicly announce relevant information, CGD disclosed the following privileged information in 2011:

Date	Subject
11.02.2011	Caixa Geral de Depósitos, SA discloses information on its operations and results for 2010.
24.02.2011	Caixa Geral de Depósitos, SA discloses information on its operations and results for 2010 – English version.
04.03.2011	Caixa Geral de Depósitos, SA discloses information on changes to its rating from Fitch Ratings on preference shares.
28.03.2011	Caixa Geral de Depósitos, SA discloses information on changes to its rating from Standard & Poor's.
30.03.2011	Caixa Geral de Depósitos, SA discloses information on changes to its rating from Fitch Ratings.
31.03.2011	Caixa Geral de Depósitos, SA discloses information on changes to its rating from Standard & Poor's.
05.04.2011	Caixa Geral de Depósitos, SA discloses information on changes to its rating from Fitch Ratings.
06.04.2011	Caixa Geral de Depósitos, SA discloses information on changes to its rating from Moody's.
09.05.2011	Caixa Geral de Depósitos, SA discloses information on its consolidated operations and results for first quarter 2011 – English version.
09.05.2011	Caixa Geral de Depósitos, SA discloses information on its consolidated operations and results for first quarter 2011.
18.05.2011	Caixa Geral de Depósitos, SA discloses information on its Funding Plan and use of the state's guarantee on debt issues.
07.07.2011	Caixa Geral de Depósitos, SA discloses information on changes to its rating from Moody's on the private debt issued by CGD and guaranteed by the Portuguese state.
15.07.2011	Caixa Geral de Depósitos, SA discloses information on the European stress tests.
16.07.2011	Caixa Geral de Depósitos, SA discloses information on Moody's rating decision.
18.07.2011	Caixa Geral de Depósitos, SA discloses information on the issue of a bond loan guaranteed by the Portuguese Republic.
05.08.2011	Caixa Geral de Depósitos, SA discloses information on its first half results – in English.
14.09.2011	Caixa Geral de Depósitos, SA discloses information on its exchange offer issue – in English.
14.09.2011	Caixa Geral de Depósitos, SA discloses information on its exchange offer issue.
23.09.2011	Caixa Geral de Depósitos, SA discloses information on the results of its exchange offer issue – in English.
23.09.2011	Caixa Geral de Depósitos, SA discloses information on the results of its exchange offer issue.

Date	Subject
07.10.2011	Caixa Geral de Depósitos, SA discloses information on Moody's rating decision.
27.10.2011	Caixa Geral de Depósitos, SA discloses information on its capital requirements based on EBA methodology.
04.11.2011	Caixa Geral de Depósitos, SA discloses information on its consolidated results and operations for third quarter 2011 – in English.
04.11.2011	Caixa Geral de Depósitos, SA discloses information on its consolidated results and operations for third quarter 2011.
24.11.2011	Caixa Geral de Depósitos, SA discloses information on its increase in share capital through an incorporation of reserves.
25.11.2011	Caixa Geral de Depósitos, SA discloses information on Fitch Ratings' rating decision.
08.12.2011	Caixa Geral de Depósitos, SA discloses information on the final results of the EBA's capitalisation exercise.
16.12.2011	Caixa Geral de Depósitos, SA discloses information on results of the Special Inspections Programme.
16.12.2011	Caixa Geral de Depósitos, SA discloses information on the Standard and Poor's rating decision.
23.12.2011	Caixa Geral de Depósitos, SA discloses information on the DBRS rating decision.
23.12.2011	Caixa Geral de Depósitos, SA discloses information on the bond loan guaranteed by the state.
29.12.2011	Caixa Geral de Depósitos, SA discloses information on the change of composition of its board of directors.

### 3.8.3. DISCLOSURE OF OTHER MARKET INFORMATION

Pursuant to its public disclosure requirements (article 249 of the Securities Code), Caixa Geral de Depósitos as issuer, realised all market communications during the course of 2011, notably regarding its issue of bonds and the changes to its bonds trading listing prospectuses.

The information on the bond trading listing prospectuses has also been published on: [www.cgd.pt](http://www.cgd.pt).

In March 2011, the CMVM approved the 6th addendum to the base prospectus for the covered bonds issue for an amount of EUR 15 billion. In September, the CMVM approved the 7th addendum to this prospectus. These addenda, in addition to the consolidated versions of the prospectus, were published on the CMVM website, on 4 March and 30 September 2011 respectively.

In April 2011, DMF realised two covered bonds issues, comprising Series 12 and Series 13 for the amount of EUR 750 million each. Information on the final conditions of the two issues were sent to Euronext Lisbon. This information has also been available on the CMVM's website since 2 May 2011.

In 2011, DMF realised two bond loan issues guaranteed by the Republic of Portugal, the first on 18 July for the amount of EUR 1800 million and the second on 23 December for the amount of EUR 2800 million. Information on the final conditions of these two issues were sent to Euronext Lisbon. This information is also available on the CMVM website.

In September CGD announced a public exchange offer of two perpetual share issues (Tier I) and two perpetual bond issues (Upper Tier II) for a CGD senior debt issue. Information on the final conditions of the issue and the result of the public exchange offer was sent to CMVM where it is available.

In March 2011, CGD realised a 3rd addendum to the prospectus for its Euro Medium Term Notes Issue (EMTN). This addendum and the updated summary of the prospectus, in Portuguese, was sent by CSSF to the CMVM which published in on its website on 1 March 2011.

In the sphere of the EMTN Programme, CGD, in March, requested admission to the Eurolist market of five issues of EUR 15 million each known as "Caixagest Valor Bric 2015" (Series 927, 928, 929, 930, 931 – on 2 March 2011) and the admission to the Eurolist market of five issues, each of which for the amount of EUR 4.2 million referred to as "Step-up – Fixed Rate Notes due April 2015" (Series 921, 922, 923, 924 and 925 – on 31 March de 2011). Information on the final conditions of these issues was sent to Euronext Lisbon. This information is also available on the CMVM website.

### 3.8.4. DISCLOSURE OF INFORMATION ON "SEE" (COMPANIES IN THE STATE'S BUSINESS SECTOR) WEBSITE

The Directorate General of the Treasury and Finance's website at [www.dgtf.pt](http://www.dgtf.pt) has an area on the state's business sector, with information, *inter alia*, on the objectives and policies relative to companies in the sector and their associated companies, current and historical corporate financial information and the résumés of all members of their statutory bodies.

CGD discloses information on and regularly updates its information on the "SEE" site on the issues listed in the following table:



INFORMATION TO BE DISPLAYED ON THE SEE SITE	Disclosure			Remarks
	Y	N	N.A.	
Updated articles of association (PDF)	X			
History, vision, mission and strategy	X			
Corporate summary	X			
<b>Identification of company:</b>				
Mission, objectives, policies, public serv. obligations and financing model	X			
<b>Government model/Identification of statutory bodies:</b>				
Government model (identification of statutory bodies)	X			
Fixed remunerations	X			
Remunerations and other benefits	X			
<b>Regulations and transactions:</b>				
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; N.A. – Not applicable.

This information is available at <http://www.dgtf.pt>.

### 3.8.5. DISCLOSURE OF INFORMATION ON CGD'S WEBSITE

The informational architecture of CGD's website at [www.cgd.pt](http://www.cgd.pt) includes a public area exclusively devoted to the disclosure of information on corporate governance for the purpose of full compliance with the good governance principles of companies in the state's business sector as approved by Council of Ministers' Resolution 49/2007 of 28 March.

This area of the site, which can be directly and immediately accessed from the home page, guarantees the disclosure of all mandatory and legal information on diverse corporate governance issues, including information on the issues listed in the following table:

INFORMATION TO BE DISPLAYED ON THE CGD SITE	Disclosure			Remarks
	Y	N	N.A.	
Existence of site	X			
History, vision, mission and strategy	X			
Organogram	X			
<b>Statutory bodies and governance model:</b>				
Identification of statutory bodies	X			
<b>Identification of areas of responsibility of board of directors</b>	X			
Identification of committees existing in the company	X			
Identification of risk control systems	X			
Remuneration of statutory bodies	X			
<b>Internal and external regulations</b>	X			
Transactions outside market conditions	X			
Relevant transactions with related bodies	X			
Analysis of economic, social and environmental sustainability	X			
Code of ethics	X			

Y – Yes; N – No; N.A. – Not applicable.



INFORMATION TO BE DISPLAYED ON THE CGD SITE (CONT.)				Disclosure	
	Y	N	N.A.	Remarks	
Annual report		X			
Customer ombudsman			X		

Y – Yes; N – No; N.A. – Not applicable.

This information is available at <http://www.cgd.pt/Governo-Sociedade/Pages/Governo-Sociedade.aspx>.

### 3.8.6. PRODUCTION OF A CORPORATE GOVERNANCE REPORT

This corporate governance report has its own chapter in CGD's annual report for 2011. It aims to comply with the recommendation of including an item on corporate governance in the board of directors' report, in accordance with the principle established in item 29 of the annex to Council of Ministers' Resolution 49/2007, of 28 March.

## 3.9. Analysis of the Sustainability of the Company in the Economic, Social and Environmental Domains

The information supplied in this analysis is not exhaustive and for a better understanding of the activities and initiatives performed, CGD's last sustainability report, for 2010, available at <https://www.cgd.pt/Institucional/Sustentabilidade/Relatorio/2010/Pages/Relatorio-Sustentabilidade.aspx> should be consulted.

### 3.9.1. STRATEGIES ADOPTED AND POLICIES FURTHERED TO GUARANTEE ECONOMIC, FINANCIAL, SOCIAL AND ENVIRONMENTAL EFFICIENCY AND SAFEGUARD STANDARDS OF QUALITY

As the leading market and benchmark institution in developing best practice in the financial sector, CGD is firmly committed to sustainable development. This *modus operandi*, which has been a constant factor in its 136 years history translates into the voluntary adoption of a series of economic, environmental and social commitments far in excess of legal obligations and which contribute towards the development of business and increased competitiveness.

Sustainability is applied transversally throughout the organisation in the form of a management model that comprises eight workgroups – Policies and Voluntary Codes, Risk, Products, Environment, Involvement with the Community, Report and Stakeholders, Human Resources and CGD Group Africa/Brazil.

The implementation of the management model for CGD's sustainability programme is based on the formalisation of the liabilities of each CGD structural organ and several CGD Group companies, for the correct furtherance of the adopted strategies, defined policies and recommendations, considering: the executive committee, as a decision-making organ, the sustainability committee as a recommendatory structure and the coordination and workgroups team for specific issues.

To guarantee the furtherance of the programme's objectives, CGD has published its sustainability policy declaration based on five key strategic areas, always geared to value creation for CGD, its shareholder and other stakeholders which may be consulted at <https://www.cgd.pt/Institucional/Sustentabilidade/Politicass-Compromissos/Documents/CGD-politica-Sustentabilidade.pdf>:

1. Responsible banking – to develop balanced, transparent and responsible relations with customers;
2. Future development – to recognise the importance of banking operations for sustainable development, aspiring to contribute towards a better future;

3. Protection of the environment – to develop an active response to society's environmental problems;
4. Involvement with the community – to promote investment in the community and fuel the development of society in general;
5. Management of human assets – to endeavour to develop employees and their respective recognition as a factor of differentiation.

This sustainability policy enables CGD to guarantee:

- The integration of non-financial variables (environmental, social and management) as part of its global strategy;
- The sharing of knowledge and experience in such issues with Group units operating in other markets;
- The creation of mechanisms needed to integrate environmental and social matters, in current management in conjunction with stakeholders, to ensure national leadership in terms of sustainable financial services;
- The transparent reporting of all activity in accordance with the best international practice;
- Contribution to the disclosure of sustainable development principles, allied with national and international initiatives and promoting own actions whenever justified.

The environmental policy applies to all of Caixa Geral de Depósitos, SA's activities, products and services in Portugal. It is CGD's intention to expand the scope of application to the other CGD Group companies.

The community involvement policy is based on the highest level of management commitment, in the awareness that a company's sustainable development signifies its contribution to a better, more just society.

These policies are associated with implementation plans which comprise publicly assumed goals and commitments.

The adopted strategy of regular communication on sustainability performance is also herein relevant. In 2011, CGD consolidated its commitment to sustainability in publishing its 3rd sustainability report, for 2010.

In this 3rd report, reference should be made to correspondence with good governance principles, applied to the state's business sector, reports of employees in the multidisciplinary teams involved in the implementation of the sustainability programme, a summary of the activities of workgroups allocated to the sustainability management model and publication of the first Carbon Neutral Report which is also the first report of its kind produced by a Portuguese bank.

The maximum A+ rating attributed to the reports, recognises CGD's merit and evolution on a level of the implementation of good practice in terms of the different pillars of economic, social and environmental sustainability.

Also as regards the strategies adopted, reference should be made to CGD's involvement and participation in the main associations and initiatives in the sustainability area and, specifically, the financial sector, including the UNEP Finance Initiative, Carbon Disclosure Project, Global Reporting Initiative, BCSD Portugal – Business Council for Sustainable Development, *inter alia*.

CGD subscribes to, supports and has adopted other codes of conduct and principles considered relevant to economic, environmental and social performance. They include:

- Good Governance Principles for Companies in the state's business sector;
- European Voluntary Code of Conduct on Home Loans, subscribed to since 2000;
- Code of Conduct of the Civil Institute for Advertising Self-Discipline, since 2000;
- United Nations' Environmental Programme for the Financial sector (UNEP – Finance Initiative), since 2009;
- Carbon Disclosure Project, since 2008;
- Enterprise for Health – European Healthy Companies Network in which CGD was a founder member in 2000.

CGD is also a member of the Advisory Committee of UNICRI (United Nations Interregional Crime and Justice Research Institute), represented by its Office of Prevention, Security and Business Continuity (GPS). CGD is a member of the technical coordination team of UNICRI Portugal, which subscribes to the UN Global Compact's Ten Principles.

Lastly, in 2011, an Involvement Strategy with Stakeholders was defined. This corresponds to CGD's recognition of the fact that the sustained development of its activity is dependent upon continuous dialogue with its diverse interested parties, with the existence of transparent, trusting relationships being considered fundamental.

CGD continues to improve the quality of its customer service as a strategic priority. This includes a definition of objectives and methodologies to assess the quality of service and improve customer satisfaction levels.

On the basis of its Quality of Customer Care and Levels of Service Initiative, terminating in 2011, CGD diagnosed the current situation in terms of quality management processes and initiatives. This diagnosis listed the critical opportunities for improvement and development models, *vis-à-vis* best practice, producing alternative evolution scenarios on a level of its organisational environment, support processes, monitoring mechanisms and operating priorities.

This resulted in the creation of the Quality of Processes Area whose operating scope is the definition of the accompaniment of levels of service, recommending types of performance and validating quality principles.

The methodology used was based on crucial moments of interaction between CGD and its customers and the relevance of processes in terms of the quality of service provided and impact on customer satisfaction. The works began with mortgage lending processes, opening current accounts and the creation / updating of customer data.

Continuing to recognise and publicly demonstrate CGD's quality of services to customers, work began on the mortgage lending certification process.

ISO 9000 standards are an international benchmark for the certification of quality management systems. management certification makes it not only possible to ensure the quality of financial services but also improve upon the strategic guidelines focusing on CGD's customers' needs.

CGD achieved diverse ISO 9001 certifications (Certification of Quality of Process), from the Portuguese Certification Association – APCER:

- ISO 9001:2006 – Quality Management System for CGD's Financial Markets Division;
- ISO 9001:2009 – Operations Processing System for CGD Group operations in financial markets for CGD's Operational Support Division;
- ISO 9001:2010 – Office for Prevention, Security and Continuity of Business (GPS). In addition to this certification, GPS continued to incorporate the best OHSAS 18 001 international standards in its activity.

### 3.9.2. LEVEL OF COMPLIANCE WITH DEFINED OBJECTIVES

CGD'S performance has also been supported by its Group companies' voluntary adoption of economic, environmental and social commitments far in excess of its legal and compliance obligations and which determine a general positive impact on its economic and sustainable development, reinforced competitiveness, the internationalisation and innovation capacity of companies, job creation, financial inclusion and promotion of responsible consumption and renewable energies.

In addition to the commitment to annually publish its report on sustainability issues, CGD, since the publication of its first sustainability report, in 2008, has publicly assumed a series of commitments comprising its strategic guidelines in this domain.

CGD's sustainability report includes its response to the Global Reporting Initiative (GRI) and is subject to independent verification by an external entity, as stated in the verification. Such verification analyses the conformity between the information supplied with that requested by GRI G3 and validates the reliability of the available information associated with these items (strategies, performance profile and indicators), based on the analysis of evidence to guarantee that they appropriately reflect CGD's effective circumstances. The commitments assumed, objectives, timespan and level of compliance

are set out in the sustainability report, and accordingly verified and monitored.

Reference should therefore be made, in 2011, to compliance with the goal of achieving 20 000 volunteer hours within CGD, with frankly positive dividends for all concerned to mark the European Year of Volunteering.

In the sphere of Caixa's Carbon Zero Programme, the definition of measures and internal goals for the reduction of emissions is fundamental in achieving the strategy of combating climate change and CGD, has accordingly, assumed quantified objectives for the reduction of greenhouse gases and energy consumption for the period 2011-2015.

- Global objective: to achieve a 15% reduction in emissions of CO<sub>2</sub> and full time equivalent, in comparison to 2006;
- Sectoral objective: a 4% kWh reduction of energy / full time equivalent, in comparison to 2006.

To achieve these objectives, CGD has been implementing a series of actions which have already resulted in a reduction of more than 10 000 metric tonnes of CO<sub>2</sub> and which may be consulted at: <https://www.cgd.pt/Institucional/Caixa-Carbono-Zero/Emissoes-Carbono/Pages/Medidas-de-Reducao2006-2010.aspx>.

### 3.9.3. IDENTIFICATION OF THE MAIN RISKS TO ACTIVITY AND THE COMPANY'S FUTURE

The financial sector particularly plays an essential role in the promotion of sustainable development, based on selective processes incorporating policies and criteria, notably socio environmental risk, preceding loans. The demanding application of such criteria will entail less risk and consequently permit a greater accumulation of value.

CGD endeavours to guarantee an adequate internal control environment based on a risk management system, an efficient information and communication system and effective monitoring process designed to ensure the quality and effectiveness of the actual system.

The management of CGD's internal control system is based on guidelines recognised as good practice, particularly the general internal control system proposed by COSO (Committee of Sponsoring Organisations of the Treadway Commission) and CobiT (Control Objectives for Information and Related Technology) information systems.

The Operational Risk and Internal Control Programme (ROCI) aims to implement operational risk management mechanisms in accordance with the eligibility requirements established by the Bank of Portugal.

CGD performs quarterly stress tests on credit, market, interest rate and liquidity risks with the aim of not only complying with Instruction 18/2007 of the Bank of Portugal, but also, having the best perception of the risks affecting CGD and ensuring the protection of its assets and activity.

In the sphere of information on environmental risks, reference should also be made to the Banking & Environment – Financing the Environment in Portugal 2009/2011 Initiative under the aegis of UNEP-FI which aims to promote knowledge of environmental risks in the banking and business sectors.

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 represent risk sources, as a whole. Such sources are essentially related and in terms of direct impacts, with the risk of having to pay for costs resulting from inoperationality, costs / charges resulting from fines and consequential (poor) reputational losses.

In the sphere of direct, more specifically operational risks, reference should be made to CGD's Business Continuity Plan. This plan, which aims to find solutions for disasters leading to the across-the-board inoperationality of physical infrastructures – considering workstations and technological support – or an across-the board incapacity to relocate employees from their workstations.

Indirect impacts result from:

- Losses related with repossessions;
- Default risks on companies funded for environmental reasons (companies may be fined or penalised in reputational terms for environmental issues, which, in extreme cases may lead to default);

- Investments made by borrowers and with investments made by CGD.

Such risks have gradually been converted into opportunities, through the creation of new business lines / funding designed to respond to the new market requirements and needs. CGD has, accordingly endeavoured to reduce risks and promote opportunities.

Also as regards indirect impacts and respective risks, CGD aims to include environmental considerations in its corporate lending risk analysis. This loan risk assessment will also assist the Portuguese business community to anticipate future legislative requirements.

## POTENTIAL RISKS OF DEFAULT ON COMMITMENTS PUBLICLY ASSUMED IN SUSTAINABILITY REPORTS

The commitments entered into in various CGD sustainability reports, comprise milestones relating to the work performed over the last few years since the publication of the first sustainability report.

The respective communication to stakeholders via the sustainability report (of commitments assumed and respective level of completion) is extremely important insofar as it provides a transparent reflection of CGD's commitment and efforts to pursue the principles and values of sustainability and good governance and is required by good reporting practice, notably the reference directives followed by CGD (Global Reporting Initiative – GRI).

Failure to comply with commitments involves the following risks:

- Reputational risk with the consequent lack of credibility and confidence;
- Missed opportunity to realise benefits and create value;
- Greater probability of CGD's incurrence of additional costs.

### 3.9.4. SOCIAL RESPONSIBILITY

CGD's sustainability report provides a detailed description of initiatives in the sphere of social responsibility, permitting a better understanding of its performance in this domain.

CGD continued to commit to the development of its employees' competencies, in 2011, recognising merit and internal potential, in addition to its direct support to business, through the creation of the best conditions of balance between professional activity and personal lives.

## GUARANTEE OF PROMOTION OF EQUAL OPPORTUNITY, RESPECT FOR HUMAN RIGHTS AND NON-DISCRIMINATION

In accordance with the dispositions of item 3.2.4.1. of this report, CGD guarantees equality of treatment and opportunity to all of its employees in addition to non-discrimination. CGD's staff is equally balanced in gender terms.

CGD promotes citizenship, inclusion and equal opportunity – which principles are set out in its code of conduct, governing the activities of the bank and its employees.

CGD does not discriminate, in its recruitment and in addition to Portuguese citizens, has employees from Europe, Lusophone Africa, North and South America, Brazil and Asia.

CGD also considers that equal opportunity should be given to the physically handicapped.

## ADEQUATE MANAGEMENT OF THE COMPANY'S HUMAN CAPITAL, PROMOTING THE INDIVIDUAL ADVANCEMENT OF HUMAN RESOURCES AND ESTABLISHING SYSTEMS TO GUARANTEE WELL-BEING AND REWARD EMPLOYEE MERIT

Human Resources management in CGD is based on institutional values and organisational culture, knowledge, communication and performance. This management is translated into various levels, such as:

- Training – knowledge management geared to the development of employees' talent, including not only technical training but issues affecting society;
- Performance assessment – implementation of an assessment and employee recognition system;
- Working conditions – promotion of a healthy working environment and harmonisation between work, family, health and leisure as complementary dimensions of people's and the organisation's lives.

CGD considers talent, the development of the capacities and competencies of employees and the creation of better balance between professional and personal lives to be a strategic thrust of its human resources management.

With the objective of improving differentiation and recognising the performance of its employees, CGD has been consolidating its Performance Management System based on the following main objectives:

- To promote the sharing of CGD's objectives, a culture of performance and individual and team responsibility;
- To align the assessment and management cycles, articulating the definition and monitoring of individual and team objectives with the bank's objectives;
- To develop the hierarchical relationship with employees, promoting the role of the manager as a structural function, establishing a true chain of commitment to achieve CGD's objectives.

As regards well-being and workplace safety, CGD continuously develop ways of controlling and reducing risk in the workplace to prevent accidents and protect employees' safety and health. Reference should be made to the role of the Office of Prevention, Security and Business Continuity (GPS) with the main objective of managing and coordinating the protection of people and property at central HQ and in branch office buildings; promoting preventative actions; ensuring the implementation and maintenance of CGD's Business Continuity Plan to ensure its adjustment to capacities and effective response capacity.

As regards health and medicine in the workplace, in addition to the legally required periodical medical exams, CGD implements Prevention, Awareness and Treatment processes, notably nutritional, anti-tobacco consultations and various screening procedures.

## ADOPTION OF ENVIRONMENTALLY CORRECT PRACTICE

CGD places emphasis on good practice, reflected in management and current activity. Its referred to strategies, policies and code of conduct reflect this situation. However, considering that the information supplied in this document is not exhaustive, for a better understanding of CGD's activity and initiatives in this area, please consult CGD's 2010 sustainability report.

As climate change has been identified as a priority, CGD launched, its Carbon Zero Programme in 2007. Based on its transversality and strategic nature, the programme has placed CGD at the forefront of the domestic financial sector in its response to the new requirements of a low carbon economy. Since 2006 CGD has had an inventory of greenhouse gas emissions produced by its banking activities in Portugal, prepared in accordance with the best international methodologies whose results are publicly announced.

The programme has simultaneously consolidated a series of internal initiatives which have enabled the bank to take stock of and reduce the greenhouse gas emissions produced by its own activities, operating in the areas of its main environmental impacts, notably energy consumption (initiatives to develop the energy efficiency of equipment and buildings, use of renewable energies, mobility management, behavioural change) and materials consumption (initiatives to reduce consumption and waste management).

Initiatives to improve environmental performance also involve the rationalisation of the energy consumption of information and communication technologies and air conditioning and lighting systems, the consumption of paper and increase in waste recycling levels.

The consumption of A4 paper by CGD's branch office network and HQ building is certified by the Forest Stewardship Council (FSC), guaranteeing that the forests from which the paper has been sourced are sustainably managed, complying with rigorous internationally established criteria. CGD has paper recycling mechanisms in all workplaces.

The financial return from recycling in CGD is paid into an Employee Division's social fund for employees in difficulty on a family level.

CGD has also been developing a wide range of initiatives at the same time as its Carbon Zero Programme, to develop environmental awareness, involving all stakeholders, including employees, particularly the Caixa Forest, New Generation of Polar Scientists Programme, Urban Furniture Design Competition using Recycled / Recyclable Materials – Grateful Planet blog, ECO Movement – Companies

Against Fire, "Green Key Programme", National Environmental Innovation Prize, Eco-Home Project and Friends of the Environment Programme.

In the mobility domain, regulations have been defined for the acquisition of vehicles based on environmental criteria. The increased use of videoconferencing has been encouraged with the promotion of modal transfer in cases of official travel, in addition to the in-depth pendular mobility of workers.

CGD was the first Portuguese financial institution to be a signatory investor to the Carbon Disclosure Project (CDP) and has therefore joined up with the largest institutional investors in integrating the climate factor with its investment decisions, thus reducing the associated risk.

### 3.9.5. SUSTAINABLE DEVELOPMENT

CGD has been monitoring and promoting the country's economic and social development, and, since its formation on 10 April 1876 has been a benchmark operator in the Portuguese banking sector, in its support for households, companies and domestic institutions.

As market leader, CGD has defended the balanced evolution between profitability, growth and financial strength. Its state shareholder expects CGD to comply with its leading mission in the Portuguese financial system, endeavouring during the course of its activity, to achieve a balanced evolution between strength, profitability and growth, always pursuant to a prudent risk management framework, operating as a benchmark in terms of the efficiency and quality of its service, good governance and committed sense of social responsibility, supporting cultural and social actions and encouraging sustainability.

One of the main strategic directives behind CGD's activity is its support for the social and cultural development of sustainable principles and practice, in addition to its benchmark operator status in good governance terms.

The information supplied in CGD's 2010 sustainability report permits a better understanding of the integration of sustainable practice in terms of CGD's business.

Reference should, however, also be made to the fact that the development of balanced, transparent and lasting relationships with individual customers is essential for the continuity and affirmation of CGD's business. CGD supplies solutions for a better, more prudent management of financial resources and needs, including their associated transactional means, contributing to an improvement of their quality of life and endeavouring to satisfy their expectations.

CGD is the Portuguese business community's financial partner, notably SMEs, in providing solutions to cater for the growth and consolidation needs of its activities and helping to increase its capacity to respond to growing social and environmental requirements.

Based on CGD's historical characteristics, reference should also be made to the importance of its branch office network and the geographical distribution of its various branches, as elements for inclusion and social and local cohesion.

CGD's major impact on social inclusion and employability is particularly relevant in the current economic scenario, both directly and indirectly. In a direct manner, reference should be made to the impact associated with the fact that it has around 11 thousand employees. Indirectly, reference should be made to the employment generated by its funding activities through microcredit or CGD suppliers.

### 3.9.6. PUBLIC SERVICE AND MEETING THE NEEDS OF SOCIETY AS A WHOLE

CGD's commitment to the community is based on its defence of principles of ethics, transparency and respect for the standards regulating its activity, ongoing and committed support for social and cultural activities. Reference should, herein, be made to the activity of the Caixa Geral de Depósitos – Culturgest Foundation, which is relevant to CGD's intervention in the domain of culture on behalf of the Portuguese public and which as usual, continued to be highly active, in 2011.

CGD's intervention is innovative and constant. It encompasses the broadest areas, contributing to a more prosperous knowledge-based society, the development of inclusion and financial literacy, with the objective of providing information and encouraging financially responsible behaviour.

CGD's commitment to the community is based on its ongoing support for activities in different areas, providing for society's real needs and meeting its expectations.



In its 2010 sustainability report, the initiatives developed and summarised in this document (see Sustainability Report – CGD 2010. Chapter 7) are described in detail.

CGD constantly and committedly supports projects incentivising innovation, knowledge and social, cultural and environmental entrepreneurialism, the development of enduring community relationships, notably with higher educational establishments, NGOs, charitable institutions and associative and civic movements.

CGD published its Community Involvement Policy, in 2011, based on the following:

- To integrate the community as a determining factor in value creation and business sustainability, supporting and strengthening strategy, brand and corporate values;
- To respond to the needs of the community, guaranteeing principles of ethics, transparency, codes of conduct, respect for employees and ongoing support for social and cultural activities;
- To develop best practice in response to the challenges facing Portuguese society through three thrusts: social innovation, culture / education and financial literacy;
- To encourage the participation of stakeholders, considering their expectations and values when making decisions.

Owing to changes in paradigms and lifestyles in which social frailties are more exposed with ever increasing cases of social exclusion, CGD has contributed to the quest for solutions on a community level. CGD mobilises civil society partners, professionals and volunteers to find solutions to problems that stakeholders consider fundamental to provide for social needs and promote social inclusion through economic activities.

Microcredit is currently a powerful means of fighting poverty and social inequality, making a positive contribution to fighting social and economic exclusion through support for the creation of self-employment and small businesses. This involves assisting people who, in normal market conditions do not have access to credit and who for various reasons, find themselves outside the economic circuit. Entrepreneurialism is encouraged as an alternative for the unemployed and, in enabling people to exercise their rights as citizens, aims to achieve a worthwhile level of participation in society.

CGD is the official bank of the BVS ("Projects of Social Value"), an innovative project which aims to assist charitable institutions to adopt a new vision of sustainability for their projects. To mobilise civil society's interest in this initiative, CGD has provided information on the BVS project at its branches, on its information platforms and with its partners. In developing the concept of social investment, the *Bolsa de Valores Social* proposes that assistance to organisations in civil society should be viewed not as charity but as an investment which should generate a new type of profit in the form of social profit.

In its recognition of the importance of literacy in the responsible management of personal finance, CGD has developed initiatives helping to raise citizens' awareness of the requirements deriving from the complexity and diversity of financial products, particularly its Positive Balance website at <http://www.saldopositivo.cgd.pt/>. Financial literacy empowers citizens to make informed financial decisions. When looked at from this perspective the concept exceeds mere financial knowledge and also involves the way in which each person's behaviour is affected.

### 3.9.7. WAYS IN WHICH THE COMPANY'S COMPETITIVENESS HAS BEEN SAFEGUARDED, NAMELY THROUGH RESEARCH, INNOVATION, DEVELOPMENT AND THE INTEGRATION OF NEW TECHNOLOGIES IN THE PRODUCTIVE PROCESS

CGD's mission is that of a structuring Group for the Portuguese financial system, different on account of its relevance and responsibility which have contributed to economic development, reinforced competitiveness and innovation capacity.

CGD is the market leader on a level of distance banking channels as regards the use of internet services, providing its individual, corporate and institutional customers, with security, the best solutions, supported by innovation, convenience and usability, affording greater value to the relationship between them and CGD.

Accessibility to internet pages entails a wide range of incapacities and insufficiencies, including



visual, auditory, physical / motor, speech, cognitive, language, learning and neurological difficulties which increase difficulties in access to and comprehension of information. For all citizens with any type of frailty or handicap as referred to above CGD supplies via [www.cgd.pt](http://www.cgd.pt) more accessible contents and services, notwithstanding the type of hardware, software, network infrastructure, language, geographical location or special needs which may exist.

In terms of accessibility levels to [www.cgd.pt](http://www.cgd.pt) and [www.cgd.pt/mobile](http://www.cgd.pt/mobile), CGD, during the course of 2011, maintained level AAA of the W3C consortium, retaining its pioneering position, both nationwide and internationally. CGD, as a responsible, conscientious institution, promotes citizenship, inclusion and equal opportunity for all. In its development of [www.cgd.pt](http://www.cgd.pt) the following standards and good practice were implemented: Implementation of Best Accessibility Practices (*Web Content Accessibility Guidelines 1.0* of W3C).

Caixadirecta *on-line* is CGD's internet banking service for individual customers. This channel enables various type of mobile access. Caixa *e-banking mobile*, is the mobile banking services for corporate and institutional users via mobile phone, smartphone or internet enabled PDAs, making it possible to perform current banking operations while also incorporating good W3C accessibility practice.

### 3.9.8. ACTION PLANS FOR THE FUTURE

CGD plays a specific role in the Portuguese financial system, particularly as regards the qualitative dimension of its mission as a public institution contributing towards the stability and strength of the financial system for the country's economic development and the competitiveness, innovation and internationalisation of Portuguese companies.

The implementation of the Sustainability Management Model has reinforced conditions enabling CGD, through its multidisciplinary teams, different structural bodies and companies within the Group, to implement and develop the Sustainability Programme from a corporate viewpoint, aligned with best international practice, the economic, social and environmental challenges facing the country and innovation, differentiation and competitiveness, helping CGD to affirm its national lead in terms of sustainable financial activity.

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## 3.10. Appointment of an Ombudsman

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In light of the unquestionable importance of knowing and, whenever possible, meeting customers' expectations, the Customer Support Office was set up at the end of 2008. This structure aims to coordinate the process for dealing with customers' suggestions and complaints and ensure a response notwithstanding the point of contact or means used.

In 2011, Caixa committed to providing more information on its Suggestions and Complaints Service enhancing the level of information available at its branches and at [www.cgd.pt](http://www.cgd.pt), while, at the same time, endeavouring to obtain an indication of customers' satisfaction with the service.

The site, once again supplied a dedicated page by means of which customers could set out their opinions and access a broad range of useful information, namely on Caixa's commitments as well as applicable legislation and good practice. As a result of this evolution, the number of communications received on the said channels increased by 50%, as opposed to those set out in the complaints book and directly with the institutions involved.

As regards customer satisfaction, work started on a regular programme of listening to customers in the form of a sample telephone survey, with a view to listening to their opinion on the dimensions, resolution, response and processing time for latter incorporation of the results in the evolution of the Suggestions and Complaints Service.

In 2011, "means of payment" continued to account for the largest number of complaints, followed

by credit in which the proportion was down and deposits and financial investments, up over the preceding year. Globally, the average response time was 16 days, with 85% of communications being answered in less than 30 days. For complaints registered in the complaints book a response of 10 days was noted in 80% of the replies.

The processing of customers' suggestions and complaints was not, however, limited to their resolution and responses to the customer. The "voice of the customer" is fundamental for the assessment and evolution of the quality of service provided and the mission of the Customer Support Office therefore involves the reporting of situations which may justify the need for a change in business definitions, procedures or current practice.

Around 150 situations were detected in 2011, reflecting needs for adjustments or opportunities for the evolution of CGD's service, the vast majority of which were welcomed by the departments responsible for their implementation.

In 2012, Caixa will remain committed to improving its Suggestions and Complaints Service with the aim of improving the adequacy and speed of response, in addition to using the information to satisfy its customers' expectations.

As there has been a major increase in banking customers' possibilities of appeal, notably in the form of the new channels opened by the Bank of Portugal, comprising the Banking Customer Portal, the creation of the "Credit Mediator" and the mandatory inclusion of at least two entities authorised to perform arbitration procedures, as required by Decree Law 317/2009 of 30 October, CGD considered that the nomination of a Customer ombudsman was not justified.

## ANNEX I – Résumés of Members of Statutory Bodies

### 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 at the Faculty of Law of Universidade Lusíada do Porto, since 2007 and Director of Legal, Economic and Environmental Studies Centre (CEJEA) of the same university;
- Acting (Deputy Chairman) of Portuguese Branch of the European Community Studies Association;
- Professor at Universidade Lusíada, since 2005;
- Chairman of Coimbra Municipal Assembly, since 2001;
- Professor at the Faculty of Law of Coimbra University, responsible for the European Studies Law Course of the Faculty of Law of Coimbra University, since 1983; also lecturing in other postgraduate courses at the faculty.

##### Former Positions:

- Member of Local Finance Reform Commission from 2005 to 2006;
- Chairman of European Community Studies Association (ECSA-World), elected in 2004 and re-elected in 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 the Faculty of Law of the University of Coimbra, from 2000 to 2005;
- Professor at Instituto Superior Bissaya Barreto, from 1999 to 2010;
- Member of Municipal Assembly of Coimbra, 1993 and 1996 to 1999;
- Member of European Parliament, from 1989 to 1999 having performed, *inter alia*, the function of Questor from 1992 to 1994 and Deputy Chairman of Budget Commission, from 1994 to 1997;
- Member of Fiscal Reform Commission, from 1987 to 1988;
- Chairman of National Council for the Plan, from 1986 to 1989;
- Participation in a World Bank project on "Trade Liberalisation and Adjustment Policies", from 1986 to 1988;
- 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, University of Oxford, 1976;
- Degree in Law, Law Faculty of the University of Coimbra., 1965.

## DEPUTY CHAIRMAN – RUI MANUEL PARENTE CHANCERELLE DE MACHETE

**Date of Birth:** 7 April 1940

### Current Positions:

- Deputy Chairman of Shareholders' Meeting of Caixa Geral de Depósitos, SA, since July 2011;
- Guest Professor at Universidade Católica, responsible for two courses on Public Law;
- Lawyer since 1964.

### Former Positions:

- Chairman of the Executive Board of Luso-American Development Foundation, from July 1988 to April 2010;
- Advisor to EDP's Management Board;
- Director of Bank of Portugal, from May 1981, having requested the suspension of this position to become Minister of Justice in June 1989 having resigned in August 1989;
- Responsible for CPE's Legal Department from 1969 to 1976.

### Government Posts:

- Deputy Prime Minister and Minister of National Defence, in the 9th Constitutional Government from February to November 1985;
- Minister of Social Affairs in the 6th Provisional Government from January 1976 to July 1979;
- Minister of Justice in the 9th Constitutional Government, from February 1983 to February 1985;
- Secretary of State for Emigration from September to December 1975.

### Parliamentary Posts:

- Member of Parliament from 1985 to 1994;
- Chairman of Parliamentary Commission on the Economy, Finance and Plan in the 4th and 5th Legislatures;
- Chairman of *Ad hoc* Commissions for the 2nd and 3rd Constitutional Revisions from February 1988 to May 1989.

### Academic Qualifications:

- Degree in Law from the University of Lisbon and complementary Political-Economic Science Course from the Faculty of Law of the University of Lisbon in 1963.

### Distinctions / Awards:

- Military Merit 1st class (Mexico);
- Jugoslavenske Zastav Salentom Order (Yugoslavia);
- Grand Cross of the British Empire (Great Britain);
- Grand Cross of the Military Order of Christ;
- Cavaliere di Gran Croce dell' Ordine al Mérito della Repubblica Italiana (Italy);
- Honorary Doctoral Degree of Human Letters from the University of Massachusetts, Dartmouth;
- *Honoris causa* doctorate in Juridical Sciences from Universidade Católica Portuguesa.

## SECRETARY – JOSÉ LOURENÇO SOARES

**Date of Birth:** 22 November 1950

### Current Positions:

- › Secretary of Shareholders' Meeting of Caixa Geral de Depósitos, SA, 2004;
- › Central Director of Legal Affairs Department of Caixa Geral de Depósitos, SA, February 2006;
- › Chairman of Shareholders' Meeting of Caixa – Banco de Investimento, SA, 2008;
- › Chairman of Shareholders' Meeting of Caixa Seguros e Saúde, SA, 2008;
- › Chairman of Shareholders' Meeting of Caixa – Participações, SGPS, SA, 2009;
- › Chairman of Shareholders' Meeting of Caixa Leasing e Factoring IFIC, SA, 2009;
- › Chairman of Shareholders' Meeting of Gerbanca, SGPS, SA, 2009;
- › Chairman of Shareholders' Meeting of Parbanca, SGPS, SA, 2009;
- › Chairman of Shareholders' Meeting of Partang, SGPS, SA, 2009;
- › Deputy Chairman of Shareholders' Meeting of Companhia de Seguros Fidelidade Mundial, SA, 2009;
- › Deputy Chairman of Shareholders' Meeting of Banco Nacional de Investimento, SA, 2010;
- › Chairman of Shareholders' Meeting of Banco Internacional de S. Tomé e Príncipe, SARL, 2011.

### Former Positions:

- › Chairman 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 Participações, SGPS, SA, since 2010;
- › 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 Shareholders' Meeting of Bandeirantes, SGPS, SA, 2009;
- › Coordinating Director in Caixa Geral de Depósitos from June 2000 to February 2006;
- › Director of Caixa Geral de Depósitos from January 1997 to June 2000;
- › Assistant Director of Caixa Geral de Depósitos from January 1995 to December 1996;
- › Sub Director of Caixa Geral de Depósitos, SA, from July 1994 to December 1994;
- › Coordinator of Technical Office, April 1991 to July 1994;
- › Technical Assistant in Caixa Geral de Depósitos, 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 from February 1982 to December 1989;
- › Lawyer, since February 1985;
- › Head of Section in Caixa Geral de Depósitos from May 1981 to January 1982;
- › Head of Sector in Caixa Geral de Depósitos from January 1978 to May 1981;
- › Administrative Officer in Caixa Geral de Depósitos from April 1975 to December 1977;
- › Grade 3 Clerical Officer in Caixa Geral de Depósitos, SA, from December 1974 to March 1975;
- › Grade 3 Senior Clerical Officer in Caixa Geral de Depósitos from November 1974 to December 1974;
- › Assistant Professor at Universidade Autónoma de Lisboa;
- › Assistant Trainee Lecturer at Faculty of Law of Lisbon University.

### Academic Qualifications:

- › Masters in Juridical Sciences from the Faculty of Law of the University of Lisbon;
- › Degree in Law from Lisbon from the Faculty of Law of the University of Lisbon.

## 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 July 2011;
- › Chairman of CGD – Culturgest Foundation, since January 2012.

#### Former Positions:

##### Corporate Positions:

- › Chairman of Board of Directors of ParCaixa, SGPS, SA, from December 2008 to November 2011;
- › Chairman of Board of Directors of Caixa Geral de Depósitos, SA, from January 2008 to July 2011;
- › Member of the General Supervisory Board of EDP – Energias de Portugal, SA, from April 2008 to March 2011;
- › 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 the Advisory Board of APAD – Agência Portuguesa de Apoio ao Desenvolvimento, from 2000 to 2002;
- › Member of Executive Committee of UCCLA – União das Cidades Capitais Luso-Afro-Américo-Asiáticas, from 2000 to 2002;
- › Member of Advisory Board of Instituto Nacional de Administração;
- › Director of BFE – Banco de Fomento Exterior in 1990;
- › Director of ICEP – Instituto de Comércio Externo de Portugal, from 1986 to 1988;
- › Non-executive Director of CELBI – Celulose da Beira Industrial, from 1987 to 1988;
- › Non-executive 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:

- › Member of Parliament for Faro in the legislative elections of October 1991;
- › Member of Parliament for Lisbon elected in 1995.

##### Academic Posts:

- › Guest professor at IESF – Instituto de Estudos Superiores Financeiros e Fiscais.

**Academic Qualifications:**

- › Degree in Mechanical Engineering from Instituto Superior Técnico in 1965.

**Distinctions / Awards:**

- › Spain – Encomenda de Número da Ordem de Isabel, a 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 – JOSÉ AGOSTINHO MARTINS DE MATOS**

**Date of Birth:** 29 January 1953

**Current Positions:**

- › Deputy Chairman of Board of Directors and Chairman of the Executive Committee of Caixa Geral de Depósitos, SA, since July 2011;
- › Chairman of Board of Directors of Parcaixa, SGPS, SA, since September 2011.

**Former Positions:**

- › Deputy Governor of Bank of Portugal, from 2002 to July 2011;
- › Deputy to Governor of Bank of Portugal at the Council of Governors of the European Central Bank (ECB), from 2002 to 2011;
- › Member of the ECB/SECB International Relations Committee, from 2002 to 2011;
- › Chairman of ECB Budget Committee, from 2007 to 2011;
- › Member of European Union Economic and Financial Committee, from 2008 to 2011;
- › Deputy Governor for Portugal on the International Monetary Fund, 2007 – 2011 and member of the Bank of Portugal delegation to the annual and Spring meeting of the IMF/World Bank, from 1992 to 2011;
- › Director of Markets Department and Reserves Management (DMR) of Bank of Portugal, from 2000 to 2002;
- › Member of the ECB Markets Committee, from 2000 to 2002;
- › Director of International Relations Department (DRI) of Bank of Portugal, from 1994 to 2000;
- › Second member of Committee of Deputies of the Council of Governors of the European Monetary Institute, from 1995 to 1998;
- › Chef de Cabinet of Governor of Bank of Portugal, from 2002 to 2004;
- › Assistant Director and Director of the Department of Statistics and Economic Studies (DEE) of the Bank of Portugal, from 1988 to 1992;
- › Member of Monetary, Financial and Balance of Payments Statistics Committee for Eurostat, from 1991 to 1992;
- › Technical Coordinator in the Department of Statistics and Economic Studies (DEE) of the Bank of Portugal, from 1983 to 1988;
- › Member of Financial Statistics Group of the OECD, from 1983 to 1992;
- › Economist in Department of Statistics and Economic Studies (DEE) – Bank of Portugal from 1979 to 1983;
- › Senior Technical Officer at Ministry of Internal Commerce, from 1975 to 1978;
- › Assistant Technical Officer in the Studies and Planning Office of the Ministry of Education, from 1973 to 1975.

**Academic Posts:**

- › Lecturer at ISE;

- Lecturer at ISCTE;
- Lecturer at IGEGI.

#### Academic Qualifications:

- Degree in Economics from Instituto Superior de Economia of Universidade Técnica de Lisboa.

### BOARD MEMBER – ANTÓNIO DO PRANTO NOGUEIRA LEITE

**Date of Birth:** 3 March 1962

#### Current Positions:

- Member of Board of Directors and Deputy Chairman of Executive Committee of Caixa Geral de Depósitos, SA, since July 2011.

#### Former Positions:

##### Corporate Positions:

- Director General of José de Mello, SGPS, SA, with global responsibility for Strategic Planning, Business Development, Innovation and Management Control and, pursuant to such functions member of the following statutory bodies within José de Mello Group:
  - Member of the Board of Directors of José de Mello Investimentos, SGPS, SA, from December 2010 to July 2011;
  - Member of the Board of Directors of José de Mello Saúde, SGPS, SA, from 2007 to July 2011;
  - Member of the Board of Directors of SEC, SA, from 2007 to 2008;
  - Member of the Board of Directors of Efacec Capital, SGPS, SA, from 2006 to July 2011;
  - Member of the Board of Directors of CUF Químicos Industriais, SA, from 2006 to July 2011;
  - Member of the Board of Directors of Comitur, SGPS, SA, from 2005 to July 2011;
  - Member of the Board of Directors of Comitur Imobiliária, SA, from 2005 to July 2011;
  - Member of the Board of Directors of Expocomitur – Promoções e Gestão Imobiliária, SA, from 2005 to July 2011;
  - Member of the Board of Directors of Herdade do Vale da Fonte – Sociedade Agrícola, Turística e Imobiliária, SA, from 2005 to July 2011;
  - Member of the Board of Directors of Sociedade Imobiliária e Turística do Cojo, from 2005 to July 2011;
  - Member of the Board of Directors of Sociedade Imobiliária da Rua das Flores, nº 59, SA, from 2005 to July 2011;
  - Member of the Board of Directors of ADP, SA – CUF Adubos, from 2004 to 2008;
  - Member of the Board of Directors of Brisa, SA, acting on behalf of José de Mello Group, from 2002 to July 2011;
  - Member of the Board of Directors of Companhia União Fabril CUF, SGPS, SA, from 2002 to July 2011;
  - Member of the Board of Directors of Quimigal, SA, from 2002 to 2006.
- Chairman of Management of Oceanos XXI (Sea Cluster), from 2009 to July 2011;
- Chairman of Management, Comunidade Portuária de Aveiro, from 2009 to July 2011;
- Member of the Board of Directors of EDP Renováveis, mandate in abeyance;
- Deputy Chairman and latterly Member of the Advisory Committee of Banif Investment Bank, from 2004 to July 2011;
- Founding Promoter and Chairman of the Board of Directors of OPEX, SA, from 2003 to July 2011;
- Member of the Board of Directors of Reditus, SGPS, SA, from 2002 to July 2011;
- Member of Advisory Board of Instituto de Gestão do Crédito Público, from 2002 to 2011;
- Chairman of the Board of Directors of Nextstep, SA, from 2001 to 2002;
- Member of Executive Committee of the Association of Ibero American Stock Markets, in 1999;



- › Chairman of the Board of Directors of the Lisbon Stock Exchange in 1999;
- › Member of the Board of Directors of MC Corretagem, SA, from 1998 to 1999;
- › Member of the Board of Directors of Papercel, SGPS, SA, from 1998 to 1999;
- › Member of the Board of Directors of Soporcel, SA, from 1997 to 1999;
- › Chairman of Audit Board of Telechamada, from 1995 to 1999.

#### Government Posts:

- › Secretary of State for the Treasury and Finance and ex officio Deputy Governor of EIB, EBRD and Permanent Member of the Economic and Financial Committee of the European Union, from October 1999 to August 2000;
- › Portuguese representative to ECOFIN Council, from January 2000 to June 2000.

#### Consultancy and Arbitration Positions:

- › Arbitrator between Portuguese State and Petrocontrol in 1998;
- › Chairman of Commission producing the Official Public Accounts Plan, from 1995 to 1997;
- › Consultant to the Studies Department of Bank of Portugal, from 1994 to 1998;
- › Chairman of Mixed Commission of Companhia Portuguesa de Eletricidade, from May 1994 to December 1994.

#### Academic Posts:

- › Professor at Faculty of Economics of Universidade Nova de Lisboa, from 1995 to 2004;
- › Pro-rector of Universidade Nova de Lisboa, from 1998 to 1999;
- › Chairman of Scientific Council of Faculty of Economics of Universidade Nova de Lisboa, from 1995 to 1998;
- › Sub Director of Scientific Council of the Faculty of Economics of Universidade Nova de Lisboa, from 1992 to 1995.

#### Academic Qualifications:

- › Title of Academic Distinction and Merit ("Agregação") in Universidade Nova de Lisboa, in 1992;
- › PhD in Economics from University of Illinois at Urbana-Champaign, in 1988;
- › MSc in Economics, from University of Illinois at Urbana-Champaign, in 1986;
- › Degree in Economics from Universidade Católica Portuguesa, in 1983.

#### Distinctions / Awards:

- › Grande Oficial da Ordem do Infante D. Henrique, Portugal, in 2005;
- › All Campus Fellow, University of Illinois at Urbana-Champaign, in 1987 and 1988;
- › Outstanding Teaching Award, University of Illinois at Urbana-Champaign, in 1986;
- › Amélia de Mello prize, 1986;
- › Phi Kappa Phi Honors Society, 1985.

## BOARD MEMBER – NORBERTO EMÍLIO SEQUEIRA DA ROSA

**Date of Birth:** 3 April 1955

#### Current Positions:

- › Board Member of Caixa Geral de Depósitos, SA since 2004 and Deputy Chairman of its Executive Committee, since July 2011;
- › Deputy Chairman of Board of Directors of Banco Efisa, SA since November 2009;
- › Chairman of Board of Directors of SOGRUPO – Sistemas de Informação, ACE, since January 2009;
- › Deputy 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 January 2008;
- Non-executive Member of Board of Directors of ZON – Serviços de Telecomunicações e Multimédia, SGPS, SA, since January 2008;
- Member of Board of Directors of Caixa Geral de Aposentações since January 2008;
- Member of Board of Directors of SIBS – Sociedade Interbancária de Serviços, SA, since September 2005;
- Member of CISP – Comissão Interbancária para o Sistema de Pagamentos, since 2005;
- Member of Board of Directors of Económicas Foundation, from 2005 to 2010.

#### **Former 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;
- Sub Director 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 Studies and Statistics Department of the Bank of Portugal. Member of the Public Finance and Capital Market Unit, later in charge of the Macroeconomic and Econometrics Models Unit. 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 the 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 – JORGE HUMBERTO CORREIA TOMÉ**

**Date of Birth:** 7 November 1954

#### **Current Positions:**

- Member of Board of Directors of Caixa Geral de Depósitos, SA, and Member of its Executive Committee, since July 2011;
- Deputy Chairman of Banco Nacional de Investimento, SA, since November 2011;
- Chairman of Caixa Seguros e Saúde, SA, since October 2011;
- Chairman of Board of Directors of Gerbanca, SGPS, SA, since May 2009;

- Non-executive Member of Board of Directors of Cimpor – Cimentos de Portugal, SGPS, since May 2009;
- Non-executive Member of Board of Directors of Parcaixa, SGPS, SA since April 2009;
- Deputy Chairman of Board of Directors of Banco Caixa Geral Brasil, SA, since April 2009;
- Non-executive Member of Board of Directors of Portugal Telecom, SGPS, SA, since March 2009;
- Non-executive Member of Monitoring and Strategy Committee of Fomentinvest, SGPS, since May 2008;
- Chairman of Board of Directors of Caixa – Banco de Investimento, SA since March 2008;
- Chairman of Caixa Capital – Sociedade de Capital de Risco, SA, since March 2008.

#### **Former Positions:**

- Member of Board of Directors of Caixa Geral de Depósitos, SA, from January 2008 to July 2011;
- Chairman of Executive Committee of Caixa – Banco de Investimento, SA, from March 2002 to January 2008;
- Non-executive Member 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 Member of Boards of Directors of the "O Trabalho" and "O Trabalho Vida", insurance companies from May 2000 to July 2001;
- Executive Director of Companhia de Seguros Açoreana, BANIF Group, directly responsible for the following areas: Finance and Administration, Personnel, IT, Legal Office and the company's Life Insurance Area from December 1996 to May 2000;
- Partner of Coopers & Lybrand, in Portugal, responsible for the Financial Area and Corporate Finance, from 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 the areas of 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;
- Officer in Capital Market (Securities Management Division of Banco Pinto & Sotto Mayor – BPSM), from September 1985 to 1986 having been employed as a Sub Director and Director of the same division from 1986 to 1994;
- Director of CPG – Sociedade Gestora de Fundos de Investimento FIPOR, on behalf of the bank;
- Companies 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;
- 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 Faculty of Economics of Universidade Nova de Lisboa;
- Degree in Corporate Organisation and Management from ISCTE.

## BOARD MEMBER – RODOLFO VASCO CASTRO GOMES MASCARENHAS LAVRADOR

**Date of Birth:** 16 July 1964

### Current Positions:

- Member of Board of Directors and Executive Committee of Caixa Geral de Depósitos, SA, since July 2011.

### Functions without current management responsibilities:

- Deputy Chairman of Board of Directors of Banco Comercial e de Investimentos, since November 2011;
- Chairman of Board of Directors of Parbanca, SGPS, SA, since October 2011;
- Member of Board of Directors of Caixa Geral de Aposentações, IP, since July 2011;
- 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 Banco Caixa Geral Brasil, SA, since April 2009;
- Chairman of Board of Directors of Banco Caixa Geral, SA (Spain), since January 2009;
- Chairman of Remuneration Committee of Banco Caixa Geral, SA (Spain), since January 2009;
- Chairman of Board of Directors of Banco Nacional Ultramarino, SA (Macau), since February 2008.

### Former Positions:

- Member of Board of Directors of Caixa Geral de Depósitos, SA, from 2008 to 21 July 2011;
- Member of Remuneration Committee of UNICRE – Instituição Financeira de Crédito, SA, from 2008 to 2010;
- Member of Remuneration Committee of SIBS – Sociedade Interbancária de Serviços, SA, from 2008 to 2010;
- Chairman of Board of Directors of Parbanca, SGPS, SA, from 2008 to 2009;
- Member of Remuneration Committee of Banco Caixa Geral, SA, from 2008 to 2009;
- First Deputy Chairman of Board of Directors of Banco Caixa Geral, SA, from 2008 to 2009;
- Director of Executive Committee of Banco Caixa Geral, SA, from 2005 to 2008;
- Director of Executive Committee of Banco Simeón, SA, from 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 Unit 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 Faculty of Law of the University of Lisbon, from 1991 to 2002;
- Lecturer at the Instituto de Estudos Superiores Financeiros e Fiscais, from 1992 to 1995;
- Trainee Assistant Lecturer at the Faculty of Law of the University of Lisbon, 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 Faculty of Law of the University of Lisbon. Law from 1987 to 1988.

**Academic Qualifications:**

- › MA in Law (Legal and Economic Sciences) from the Faculty of Law of Universidade Católica Portuguesa (1991);
- › Degree in Law from the Faculty of Law of Universidade Católica Portuguesa (1987).

**BOARD MEMBER – NUNO MARIA PINTO DE MAGALHÃES FERNANDES THOMAZ**

**Date of Birth:** 2 November 1968

**Current Positions:**

- › Director of Banco Comercial e de Investimentos, SA since November 2011;
- › Chairman of Board of Directors of Imocaixa – Gestão Imobiliária, SA, since September 2011;
- › Chairman of Board of Directors of Caixa Imobiliário, SA, and its Executive Committee since September 2011;
- › Member of Board of Directors of Caixa Geral de Depósitos, SA, and its Executive Committee since July 2011.

**Former Positions:****Corporate Positions:**

- › 2007 – 2011 – CEO ASK – Advisory Services Kapital Group;
- › 2010 – Director of ASK Sociedade Gestora de Patrimónios;
- › 2009 – Director of ASK Sociedade Gestora de Fundos Imobiliários;
- › 2009 – Director of ASK Angola;
- › 2009 – Director of ASK Brasil;
- › 2006 – 2007 – Consultant to Board of Directors of A.O.N. Portugal;
- › 2005 – 2006 – CEO of Orey Financial;
- › 2001 – 2004 – Founder and Coordinating Director of Banif Investment Bank, responsible for the Private Banking Corporate Banking areas in coordination with Banif SGPS's retail operations;
- › 2000 – 2001 – Deputy Chairman of Banif Ascor;
- › 1999 – 2001 – Consultant to Board of Directors of Dalkia, SGPS (Vivendi Group);
- › 1998 – 2000 – Director of Banco de Negócios da Argentina;
- › 1996 – 1998 – Director of Título – Sociedade Corretora Grupo Finibanco;
- › 1994 – 1996 – Responsible for the Southern European Capital Markets at Carnegie London;
- › 1992 – 1994 – Sales and Trading Director at Carnegie Portugal;
- › 1991 – 1992 – Sales / Trader at BCI Valores (Santander Group).

**Government Posts:**

- › 2004-2005 – Member of the 16th Constitutional Government as Secretary of State for Sea Matters.

**Academic Qualifications:**

- › Degree in Corporate Administration and Management from Instituto Superior de Gestão and postgraduate qualification from Harvard Business School (Deputy Chairman of Harvard Clube de Portugal).

## BOARD MEMBER – JOÃO NUNO DE OLIVEIRA JORGE PALMA

**Date of Birth:** 16 February 1966

### Current Positions:

- Member of the Board of Directors and Executive Committee of Caixa Geral de Depósitos, SA, since January 2012.

### Former Positions:

#### Corporate Positions:

- Executive Director – CFO, REN – Redes Energéticas Nacionais, SGPS (REN – Rede Elétrica Nacional, SA, REN – Gasodutos, SA, REN Atlântico Terminal GNL, SA, REN – Armazenagem, SA, EOONDAS, Energia das Ondas, SA, REN Trading) from March 2010 to December 2011;
- Member of Board of Directors – CFO, Banco Caixa Geral, Spain, CGD Group, from February 2008 to March 2010;
- Advisor to Board of Directors of Caixa Geral de Depósitos, SA, from December 2007 to February 2008;
- Member of Board of Directors – CFO, SSI - Sogrupos Sistemas de Informação and CAIXANET, SA, in Caixa Geral de Depósitos, from June 2004 to December 2005;
- Member of Board of Directors – CFO, HCB – Hidroelétrica de Cahora Bassa, from August 2003 to November 2007;
- Representative of the Portuguese State to the Negotiations for the Reversion and Transfer of Control of HCB – Hidroelétrica de Cahora Bassa;
- Nominated by the Portuguese Government for PJC – Permanent Joint Committee, Regulatory Commission for Agreements between Portugal, Mozambique and South Africa;
- Deputy Chairman of the Board of Directors of PARAREDE, SGPS, from April 2002 to August 2003 and Member of the Board of Directors from April 2000 to April 2002;
- Coordinating Director-Controller, responsible for the Budget and Control Division of Banco Pinto & Sotto Mayor, Banco Totta & Açores, Crédito Predial Português and Banco Chemical Finance (Mundial Confiança Group) from April 1998 to February 2000;
- Director-Controller, responsible for the Budget and Control Division of Banco Pinto & Sotto Mayor (Mundial Confiança Group), from November 1997 to April 1998;
- Assistant Director responsible for the Planning and Analysis Sub-division of Banco Pinto & Sotto Mayor (Mundial Confiança Group) from February 1996 to November 1997;
- Regional Director of SCA – Sanchez Computer Associates, from September 1995 to February 1996;
- Senior Executive of SCA – Sanchez Computer Associates, from November 1994 to September 1995;
- Assistant Director – Controller of Planning / Control and Marketing Department, from January 1993 to November 1994, and Sub Director, from January 1992 to December 1992, of HIASI – Hispano Americano Sociedade de Investimento, BHI – Banco Hispano de Investimento, BCHP – Banco Central Hispano Portugal – BCH Group, BHP – Banco Central Hispano Portugal – BCP Group;
- Financial Analyst, Research Team Member of BCI Valores – Sociedade Financeira de Corretagem, from March 1991 to September 1991.

#### Academic Posts:

- Research Assistant, employee at the Business Management Studies Centre (CEGE) of Universidade Nova de Lisboa, Faculty of Economics – Management Department (MBA), from December 1988 to March 1991.

**Academic Qualifications:**

- › Post graduation in Business – PDE-VII Corporate Management Programme, from AESE (Associação de Estudos Superiores de Empresa) in collaboration with IESE – Instituto de Estudos Superiores de Empresa of the University of Navarre;
- › Degree in Economics from the Faculty of Economics of Universidade Nova de Lisboa (FEUNL).

**BOARD MEMBER – EDUARDO MANUEL HINTZE DA PAZ FERREIRA**

**Date of Birth:** 6 May 1953

**Current Positions:**

- › Non-executive Member of the Board of Directors and Chairman of the Audit Committee of Caixa Geral de Depósitos, SA;
- › Professor at Faculty of Law of University of Lisbon;
- › Jean Monnet Chair in Community Studies;
- › Chairman of FDL Meeting;
- › Chairman of Instituto de Direito Económico-Financeiro e Fiscal (FDL);
- › Chairman of European Institute (FDL);
- › Lawyer mainly active in the economic, fiscal, financial and banking law areas;
- › Founder and partner of Paz Ferreira e Associados, Sociedade de Advogados (law firm);
- › Director of Public Finance and Fiscal Law Magazine;
- › Chairman of Scientific Council of Competition and Regulation Magazine.

**Former Positions:**

- › Chairman of Audit Board of Caixa Geral de Depósitos, SA, from 2007 to July 2011;
- › Chairman of FDL Pedagogical Council;
- › Chairman of FDL Institute of Cooperation;
- › Chairman of Portuguese Fiscal Association;
- › Member of the Senior Board of the Public Prosecutor's Office;
- › Member of the 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 corporate 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 1988/89;
- › 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 Finance, Fiscal Law and Community Law. Special reference should be made to: *Regional Finance* (INCM, Lisboa, 1985); *Public Debt and the Guarantees of State Creditors* (Almedina, Coimbra, 2004); *Regional Finance Law Studies* (2 volumes), Jornal da Cultura, Ponta Delgada, 1995; *Economic and Monetary Union – A Study Guide* (Quid Juris, Lisbon, 1999); *Economic Law* (AAFDL, Lisbon, 2000); *Values and Interests – Economic Development and Community Cooperation Policy* (Almedina, Coimbra, 2004); *The Teaching of Public Finance at a Law Faculty* (Almedina, Coimbra, 2005).

**Academic Qualifications:**

- Title of Academic Distinction and Merit ("Agregação"), Doctorate, Masters and Degree in Law (in Legal and Economic Sciences) from the Faculty of Law of the University of Lisbon.

**BOARD MEMBER – PEDRO MIGUEL DUARTE REBELO DE SOUSA**

**Date of Birth:** 3 April 1955

**Current Positions:**

- Non-executive Member of the Board of Directors, Chairman of Strategy, Governance and Appraisals Committee and Member of the Audit Committee of Caixa Geral de Depósitos, SA;
- Senior Partner of the Law Company Rebelo de Sousa & Advogados Associados RL, succeeding SSRS, since 2009;
- Chairman and Director of various National and International Institutions (Portuguese Corporate Governance Institute, Union Internationale des Avocats Portugal *inter alia*).

**Former Positions:**

- Member of Board of Directors of Simmons & Simmons, London, from 2004 to 2009;
- Partner of Simmons & Simmons Rebelo de Sousa – Sociedade de Advogados, ex-Grupo Legal Português, from 1993 to 2009;
- Founder and First Chairman of Luso Brazilian Foundation, from 1993 to 2004;
- Non-executive Member of statutory bodies of several companies (PT Internacional, GALP, Alcatel Portugal, Novabase, Banif, SA, Banif Investimentos, SA, Refrigor SGPS, SA, Refrigor SGPS, SA, A. Santo, SGPS, Banco CG Brasil, BPN, SA), since 1992;
- Chairman of Board of Directors, responsible for the reprivatisation of Banco Fonsecas & Burnay, from 1990 to 1992;
- Deputy Chairman of International Financial Markets Division of Citibank N.A., New York, USA, from 1988 to 1990;
- Delegate to IDB, WB and IMF meetings, from 1985 to 1992;
- Deputy Chairman of Syndicated Loans and Restructurings Department of Citicorp Investment Bank, New York, USA, from 1985 to 1988;
- Chairman of Portuguese Chamber of Commerce in São Paulo, from 1982 to 1985;
- In-house career with Citibank N.A. of Brazil, since 1977, Head of International Contracts Department and Deputy General Counsel, from 1981 to 1985.

**Academic Posts:**

- Guest Associate Professor at several Brazilian and Portuguese universities (degree and masters courses) on Financial Institutions and Markets / Currency and Credit, International Private Law and Strategic Management courses;

**Academic Qualifications:**

- Masters in Corporate Management, Fundação Getúlio Vargas – Escola de Administração de Empresas, São Paulo, Brazil;
- Postgraduate specialisation in Corporate and Commercial Law from Universidade Pontifícia Católica, in Brazil;
- Degree in Law from Universidade Clássica de Lisboa.

**Distinctions / Awards:**

- Comendador da Ordem do Cruzeiro do Sul, Brazil;



## BOARD MEMBER – ÁLVARO JOSÉ BARRIGAS DO NASCIMENTO

**Date of Birth:** 8 May 1966

### Current Positions:

- Non-executive Member of the Board of Directors and Member of the Audit Committee of Caixa Geral de Depósitos, SA, since July 2011;
- Director of the Faculty of Economics and Management of Universidade Católica Portuguesa, since January 2008;
- Member of Audit Board of Unicer Bebidas, SGPS, since June 2009;
- Managing Partner of inQuest – Serviços de Consultoria Económica, Lda, since February 1999.

### Academic Posts:

- Assistant Professor at Faculty of Economics and Management of Universidade Católica Portuguesa, since January 2006.

### Former Positions:

#### Corporate Positions:

- Independent consultant to BPI – Banco Português de Investimento, SA between October 1994 and December 1999, on issues related with the capital markets;
- Responsible for business with international customers of DOURO, Sociedade Corretora de Valores Mobiliários (BPI Group), between September 1992 and September 1994;
- Financial Markets Analyst with BPI – Banco Português de Investimento, SA, between September 1989 and August 1991.

#### Academic Posts:

- Assistant Lecturer at Faculty of Economics and Management of Universidade Católica Portuguesa, between October 1992 and January 2006;
- Guest Professor at IESF – Instituto de Estudos Superiores Financeiros e Fiscais, between October 1990 and September 1995;
- Trainee Assistant at Faculty of Economics of the University of Porto, between October 1989 and September 1991;
- Monitor in the Microeconomics Course at the Faculty of Economics of the University of Porto, between October 1988 and September 1989.

#### Government and para-governmental posts:

- Consultant on economic regulation issues for the Instituto Nacional de Transporte Ferroviário between 1999 and 2002;
- Advisor to Minister of Education of the 14th Constitutional Government, in 2002.

### Academic Qualifications:

- PhD in Banking and Finance, from Cass Business School, London, United Kingdom, in 2005;
- MSc in International Trade and Finance, from Lancaster University, United Kingdom, in 1992;
- Degree in Economics from Faculty of Economics of the University of Porto, Portugal, in 1989.

### Prizes and Distinctions / Awards:

- In 2010, joint winner as a co-author with Ricardo Gonçalves, of the first mention of the PLUG competition, organised by APRITEL – Associação dos Operadores de Telecomunicações, on "The Post-Investment Conundrum."
- In 2008, joint winner as a co-author with Ricardo Gonçalves, of the first PLUG competition prize, organised by APRITEL – Associação dos Operadores de Telecomunicações, on "The Momentum for Network Separation: A Guide for Regulators."
- Between October 1996 and September 2000, a doctorate scholarship holder of the Fundação

- para a Ciência e Tecnologia (Praxis XXI Programme), for the development of doctorate work in the London Business School, United Kingdom;
- In 1994, joint winner as a co-author with Ricardo Cruz of the first Capital Markets prize organised by APDMC— Associação Portuguesa Para o Desenvolvimento do Mercado de Capitais, on "The OTC Market in Portugal and the Structure of the Secondary Securities Market in Portugal";
  - Between October 1991 and September 1992, masters scholarship holder from JNICT, Science Programme for "MSc in International Trade and Finance", from the University of Lancaster, United Kingdom. para a Ciência e Tecnologia (Praxis XXI Programme), for the development of doctorate work in the London Business School, United Kingdom;
  - In 1994, joint winner as a co-author with Ricardo Cruz of the first Capital Markets prize organised by APDMC— Associação Portuguesa Para o Desenvolvimento do Mercado de Capitais, on *The OTC Market in Portugal and the Structure of the Secondary Securities Market in Portugal*;
  - Between October 1991 and September 1992, masters scholarship holder from JNICT, Science Programme for "MSc in International Trade and Finance", from the University of Lancaster, United Kingdom.

## RÉSUMÉS OF OUTGOING MEMBERS OF THE BOARD OF DIRECTORS

### FRANCISCO MANUEL MARQUES BANDEIRA

**Date of Birth:** 29 March 1957

#### Current Positions:

- Deputy Chairman of Board of Directors of Caixa Geral de Depósitos, SA, since January 2008;
- Deputy Chairman of the Board of Directors of Banco Nacional de Investimentos, 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 Member of the Board of Directors 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 Board of Directors of Caixa Geral de Aposentações, since January 2008.

#### Former Positions:

- Member of Board of Directors of Pestana Pousadas – Investimentos Turísticos, SA Group from January 2007 to March 2009;
- Non-executive Member of the Board of Directors of AdP – Águas de Portugal, SGPS, SA, from October 2006 to March 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 Board of Directors of Caixa Geral de Depósitos, SA, from August 2005 to January 2008;
- Director of Lusofactor – CGD Group. Accumulating office with the Management of IFIC and SFAC (CGD Group), coordinating and developing vehicle finance under the Líder 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 Advisor – PIDR – Baixo Mondego, from 1986 to 1988;
- Technical Officer at IFADAP from 1981 to 1986.

#### Academic Qualifications:

- Degree in Economics from University of Coimbra, from 1976 to 1981.

#### Other Distinctions / Awards:

- Comendador da Ordem do Infante D. Henrique;
- Comendador da Confraria de Saberes e Sabores da Beira – Grão Vasco.

### 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 the Board of Directors of Caixa Imobiliário, SA;
- Member of Board of Directors of Banco Caixa Geral Totta de Angola, SA, since July 2009;
- Non-executive Member of the Board of Directors 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 Imobiliárias, SA, since February 2008;
- Chairman of Board of Directors of SOGRUPO IV – Gestão de Imóveis, ACE, since February 2008;
- Chairman of the Board of Directors of Caixa Seguros e Saúde, SGPS, SA, since February 2008;
- Chairman of Board of Directors of Caixa Geral de Aposentações, since January 2008.

#### Former 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 Committee 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 in SMEs / consultancy activity 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 do 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 Faculty of Economics of the University of Porto, given by the International Organisation of Financial Analysts from 1987 to 1988;
- Assistant lecturer at Faculty of Economics of the University of Porto from 1975 to 1984.

#### **Academic Qualifications:**

- Degree in Economics from the Faculty of Economics of the University of Porto, in 1974;
- Specialised training in Paris (Paris University IX, Dauphine) and London (Midland Bank: International Banker's Course), between 1982 and 1984.

### **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 the Board of Directors of BNU Macau, since July 2010;
- Member of Board of Directors of Parcaixa, SGPS, SA, since April 2009;
- Member of the 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 – Serviços Administrativos, ACE, since February 2008.

#### **Former 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 Cif, from 1995 to 1996;
- Assistant Director in Capital Markets Division of Banco Cif, from 1993 to 1995;
- Sub Director 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;
- Post graduation in Actuarial Studies from Universidade Católica Portuguesa, in 1989;
- Degree in Economics from Universidade Católica Portuguesa, from 1983 to 1988.
-

## ANNEX II – Remuneration of CGD's Statutory Bodies

### INFORMATION ON THE REMUNERATION OF THE MEMBERS OF CGD'S SHAREHOLDERS' MEETING FOR 2011

			(EUR)
Chairman	Deputy Chairman	Secretary	
-	698.32	-	

### INFORMATION ON THE REMUNERATION OF MEMBERS OF CGD'S BOARD OF DIRECTORS FOR 2011

**Term of office I** (ending 22 July 2011)

	Chairman Faria de Oliveira	Dep. Chair. Francisco Bandeira	Member Norberto Rosa	Member Rodolfo Lavrador	Member Araújo e Silva	Member Jorge Tomé	Member Pedro Cardoso	Total
<b>1. Remuneration</b>								
1.1. Base annual fixed remuneration								
1.2. Reduction deriving from Law 12-A/2010								
1.3. Reduction deriving from Law 55-A/2010								
1.4. Effective annual remuneration (1.1. - 1.2. - 1.3.)	181 260.00	163 702.35	126 885.60	126 885.60	135 706.76	126 885.60	126 885.60	988 211.51
1.5. Attendance voucher								
1.6. Accumulation of management functions (1)		34 666.38	25 377.12				25 377.12	85 420.62
1.7. Variable remuneration								
1.8. Exemption from fixed working hours								
1.9. Other (provide full details)								
<b>2. Other benefits and remuneration</b>								
2.1. Annual limit for mobile communications (2)								
2.2. Expenditure on use of mobile communications (3)	2 675.97	2 831.81	1 138.42	16 233.67	387.04	2 236.81	1 753.14	27 256.86
2.3. Meal allowance	1 531.80	1 631.70	1 498.50	1 332.00	1 609.50	1 631.70	1 587.30	10 822.50
2.4. Other (provide full details) (4)		167.77		354.67		117.37	234.73	874.54
<b>3. Costs of social benefits</b>								
3.1. Social protection regime	6 600.16 (5)	11 078.64 (6)	49 620.45 (7)	12 239.42 (6)	9 190.98 (8)	13 008.12 (6)	12 274.24 (6)	114 012.01
3.2. Health insurance								
3.3. Life insurance								
3.4. Personal accidents insurance								
3.5. Other (provide full details)								
<b>4. Vehicles</b>								
4.1. Manufacturer	Mercedes-Benz	Mercedes-Benz	Mercedes-Benz	Audi	Lexus	Mercedes-Benz	Audi	
4.2. Model	S 320 CDI	S 350 Blue Tec	S 320 CDI	A6 3.0 AllRoad	GS 450	E 350 CDI	A6 3.0 AllRoad	
4.3. Purchase / LTH / renting / leasing	Renting	Renting	Renting	Renting	Renting	Renting	Renting	
4.4. Start year	2008	2010	2008	2008	2008	2010	2008	
4.5. End year	(9)	2013	(10)	(11)	2011	2013	(12)	
4.6. Average monthly payment for company vehicle	1 948.26	2 169.28	1 783.68	1 544.53	1 495.11	1 552.06	1 476.74	

(EUR)

	Chairman Faria de Oliveira	Dep. Chair. Francisco Bandeira	Member Norberto Rosa	Member Rodolfo Lavrador	Member Araújo e Silva	Member Jorge Tomé	Member Pedro Cardoso	Total
4.7. Annual instalments / payment of company vehicle	13 118.30	14 606.48	12 010.12	10 399.81	10 067.09	10 450.54	9 943.37	80 595.71
4.8. Months for which total amount of instalments for company vehicle refers	7	7	7	7	7	7	7	
4.9. Fuel costs	2 981.45	5 409.01	1 315.73	1 551.93	3 239.22	1 394.56	2 796.02	18 687.92
4.10. Months for which fuel costs for company vehicle refer	7	7	7	7	7	7	7	
4.11. Annual limit on fuel expenditure (13)								
4.12. Other (provide full details)								
<b>5. Additional information</b>								
5.1. Option to receive salary based on previous function (y/n)	No	No	No	No	No	No	No	
5.2. Gross annual remuneration prior to CGD Group employment								
5.3. Social protection regime								
5.3.1. Social security (y/n)	Yes	No	Yes	No	Yes	No	No	
5.3.2. Other (please specify)		CGA Pension Fund	BdP Pension Fund/Soc. Security	CGA Pension Fund		CGA Pension Fund	CGA Pension Fund	
5.4. Paid functions outside Group	No	Yes	Yes	No	No	No	Yes	
5.5. Other (provide full details)								

(1) Administrative functions in BPN;

(2) No annual limit defined for use of mobile telecommunications;

(3) Amount refers to the cost of mobile phones and boards;

(4) Amount refers to meal allowances;

(5) Amount refers to CGD's social security contributions in accordance with the regimes and rates lawfully provided for members of the statutory bodies of collective persons and working pensioners;

(6) Amount refers to CGD's social security contributions to GCA/CGD Pension Fund as the welfare regime to CGD's employees according to the rates lawfully provided for;

(7) Amount refers to CGD's contributions to the social security services and the Bank of Portugal Pension Fund as the welfare regime of the original function in accordance with the rates lawfully provided for;

(8) Amount refers to CGD's contributions to the social security services in accordance with the rates lawfully provided for members of statutory bodies of collective persons;

(9) Initial term of agreement was 2011, currently being extended;

(10) Initial term of agreement was 2011, having been extended to February 2012;

(11) Initial term of agreement was 2011, having been extended to time of replacement in February 2012;

(12) Initial term of agreement was 2011, having been extended for CGD's use to February 2012;

(13) No annual fuel limit established.

## Term of Office II (starting 23 July 2011)

(Includes members of the audit committee whose information is listed below)

(EUR)

	Chairman BD Faria de Oliveira	Chairman EB José Agostinho Matos	Deputy Chairman Nogueira Leite	Deputy Chairman Norberto Rosa	Member Jorge Tomé	Member Rodolfo Lavrador	Member Pedro Cardoso (1)	Member Nuno Fernandes Thomaz	Total
<b>1. Remuneration</b>									
1.1. Base annual fixed remuneration									
1.2. Reduction deriving from Law 12-A/2010									
1.3. Reduction deriving from Law 55-A/2010									
1.4. Effective annual remuneration (1.1. - 1.2. - 1.3.)	100 024.36	119 339.10	83 539.75	81 835.15	81 571.82	81 571.82	81 835.15	83 539.75	713 256.90
1.5. Attendance voucher									
1.6. Accumulation of management functions (2)				16 051.03			16 051.03		32 102.06
1.7. Variable remuneration									
1.8. Exemption from fixed working hours									

(EUR)

	Chairman BD Faria de Oliveira	Chairman EB José Agostinho Matos	Deputy Chairman Nogueira Leite	Deputy Chairman Norberto Rosa	Member Jorge Tomé	Member Rodolfo Lavrador	Member Pedro Cardoso (1)	Member Nuno Fernandes Thomaz	Total
1.9. Other (provide full details)									
<b>2. Other benefits and remuneration</b>									
2.1. Annual limit for mobile communications (3)									
2.2. Expenditure on use of mobile communications (4)	635.40	1 111.68	2 448.34	619.29	686.55	12 618.34	30 021.08	2 484.81	50 625.49
2.3. Meal allowance	865.80	1 110.00	1 110.00	1 132.20	1 154.40	577.20	455.10	1 054.50	7 459.20
2.4. Other (provide full details) (5)			95.90		98.89	269.73	33.54	424.20	922.26
<b>3. Costs of social benefits</b>									
3.1. Social protection regime	5 775.14 (6)	39 614.83 (7)	9 087.73 (8)	34 891.26 (7)	11 387.18 (9)	10 716.37 (9)	10 745.04 (9)	9 087.73 (8)	131 305.28
3.2. Health insurance									
3.3. Life insurance									
3.4. Personal accidents insurance									
3.5. Other (provide full details)									
<b>4. Vehicles</b>									
4.1. Manufacturer	Mercedes-Benz	BMW	Audi	Mercedes-Benz	Mercedes-Benz	Audi	Audi	Mercedes-Benz	
4.2. Model	S 320 CDI	535d Auto	A7 Sportback 3.0T	S 320 CDI	E 350 CDI	A6 3.0 AllRoad	A6 3.0 AllRoad	E 250 CDI	
4.3. Purchase / LTH / renting / leasing	<i>Renting</i>	<i>Renting</i>	<i>Renting</i>	<i>Renting</i>	<i>Renting</i>	<i>Renting</i>	<i>Renting</i>	<i>Renting</i>	
4.4. Start year	2008	2011	2011	2008	2010	2008	2008	2011	
4.5. End year	(10)	2014	2014	(11)	2013	(12)	(13)	2014	
4.6. Average monthly payment for company vehicle	1 929.45	1 266.30	1 305.45	1 832.17	1 567.00	1 507.07	1 613.84	1 198.16	
4.7. Annual instalments / payment of company vehicle	10 161.75	2 532.61	5 004.23	9 649.44	8 252.88	7 937.24	8 499.54	1 198.16	53 235.85
4.8. Months for which total amount of instalments for company vehicle refers	5	2	4	5	5	5	5	1	
4.9. Fuel costs	2 463.86	286.41	2 149.85	1 250.60	1 555.18	1 524.07	924.44	150.57	10 304.98
4.10. Months for which fuel costs for company vehicle refer	5	2	4	5	5	5	5	1	
4.11. Annual limit on fuel expenditure (14)									
4.12. Other (provide full details)									

(1) Accumulation of functions with chairmanship of executive committee of BNU Macau since August 2011;

(2) Functions as a director of BPN;

(3) No annual limit defined for use of mobile telecommunications;

(4) Amount refers to the cost of mobile phones and boards;

(5) Amount refers to study subsidies;

(6) Amount refers to CGD's social security contributions in accordance with the regimes and rates lawfully provided for members of the statutory bodies of collective persons and working pensioners;

(7) Amount refers to CGD's social security contributions and for the pension funds of the Bank of Portugal, which comprise the social security regime of the previous place of employment, in accordance with the rates lawfully provided for;

(8) Amount refers to CGD's contributions to social security in accordance with the regimes and rates lawfully provided for members of the statutory bodies of collective persons;

(9) Amount refers to CGD's contributions to CGA/ CGD Pension Fund which is the welfare regime applicable to CGD employees in accordance with the annual rated based on actuarial studies;

(10) Initial term of agreement was 2011, currently being extended;

(11) Initial term of agreement was 2011, having been extended to February 2012;

(12) Initial term of agreement was 2011, having been extended to time of replacement in February 2012;

(13) Initial term of agreement was 2011, having been extended for CGD's use to February 2012;

(14) No annual fuel limit established.



(EUR)

	Chairman BD Faria de Oliveira	Chairman EB José Agostinho Matos	Deputy Chairman Nogueira Leite	Deputy Chairman Norberto Rosa	Member Jorge Tomé	Member Rodolfo Lavrador	Member Pedro Cardoso (1)	Member Nuno Fernandes Thomaz	Total
<b>5. Additional information</b>									
5.1. Option to receive salary based on previous function (y/n)	No	No	No	No	No	No	No	No	No
5.2. Gross annual remuneration prior to CGD Group employment									
5.3. Social protection regime									
5.3.1. Social security (y/n)	Yes	Yes	Yes	Yes	No	No	No	Yes	Yes
5.3.2. Other (please specify)		BdP Pension Fund / Soc. Security		BdP Pension Fund/ Soc. Security	CGA Pension Fund	CGA Pension Fund	CGA Pension Fund		
5.4. Paid functions outside Group	No	No	No	Yes	No	No	Yes	No	No
5.5. Other (provide full details)									

## INFORMATION ON THE REMUNERATION OF MEMBERS OF THE AUDIT COMMITTEE FOR 2011

(Term of office starts 23 July 2011)

(EUR)

	Chairman Hintze Ferreira	Member Álvaro Nascimento	Member Pedro Rebello de Sousa	Total
<b>1. Remuneration</b>				
1.1. Base annual fixed remuneration				
1.2. Reduction deriving from Law 12-A/2010				
1.3. Reduction deriving from Law 55-A/2010				
1.4. Effective annual remuneration (1.1. - 1.2. - 1.3.)	23 305.59	17 900.85	17 900.85	59 107.29
1.5. Attendance voucher				
1.6. Accumulation of management functions				
1.7. Variable remuneration				
1.8. Exemption from fixed working hours				
1.9. Other (provide full details)				
<b>2. Other benefits and remuneration</b>				
2.1. Annual limit for mobile communications				
2.2. Expenditure on use of mobile communications				
2.3. Meal allowance				
2.4. Other (provide full details) (1)		1 568.36		1 568.36
<b>3. Costs of social benefits</b>				
3.1. Social protection regime	5 512.94	4 243.99	4 220.30	13 977.23
3.2. Health insurance				
3.3. Life insurance				
3.4. Personal accidents insurance				
3.5. Other (provide full details)				
<b>4. Vehicles</b>				
4.1. Manufacturer				
4.2. Model				
4.3. Purchase / LTH / Renting / Leasing				
4.4. Start year				
4.5. End Year				
4.6. Average monthly payment for company vehicle				
4.7. Annual instalments / payment of company vehicle				
4.8. Months for which total amount of instalments for company vehicle refers				
4.9. Fuel costs				
4.10. Months for which fuel costs for company vehicle refer				
4.11. Annual limit on fuel expenditure				

(EUR)

	Chairman Hintze Ferreira	Member Álvaro Nascimento	Member Pedro Rebello de Sousa	Total
4.12. Other (provide full details)				
<b>5. Additional information</b>				
5.1. Option to receive salary based on previous function (y/n)	No	No	No	
5.2. Gross annual remuneration prior to CGD Group employment				
5.3 Social security regime				
5.3.1. Social security (y/n)	Yes	Yes	Yes	
5.3.2. Other (please specify)				
5.4. Paid functions outside Group				
5.5. Other (provide full details)				

(1) Costs of travel for year.

## INFORMATION ON THE REMUNERATION OF MEMBERS OF THE AUDIT COMMITTEE FOR 2011

(Term of office ending 22 July 2011)

(EUR)

	Chairman Hintze Ferreira	Member Maria Rosa Sá	Member Pedro Felício	Total
<b>1. Remuneration</b>				
1.1. Base annual fixed remuneration				
1.2. Reduction deriving from Law 12-A/2010				
1.3. Reduction deriving from Law 55-A/2010				
1.4. Effective annual remuneration (1.1. - 1.2. - 1.3.)	36 252.00	30 063.14	0.00	66 315.14
1.5. Attendance voucher				
1.6. Accumulation of management functions				
1.7. Variable remuneration				
1.8. Exemption from fixed working hours				
1.9. Other (provide full details)				
<b>2. Other benefits and remuneration</b>				
2.1. Annual limit for mobile communications				
2.2. Expenditure on use of mobile communications				
2.3. Meal allowance				
2.4. Other (provide full details)				
<b>3. Costs of social benefits</b>				
3.1. Social protection regime	7 359.12	0.00	0.00	7 359.12
3.2. Health insurance				
3.3. Life insurance				
3.4. Personal accidents insurance				
3.5. Other (provide full details)				
<b>4. Vehicles</b>				
4.1. Manufacturer				
4.2. Model				
4.3. Purchase / LTH / Renting / Leasing				
4.4. Start year				
4.5. End year				
4.6. Average monthly payment for company vehicle				
4.7. Annual instalments/payment of company vehicle				
4.8. Months for which total amount of instalments for company vehicle refers				
4.9. Fuel costs				
4.10. Months for which fuel costs for company vehicle refer				
4.11. Annual limit on fuel expenditure				
4.12. Other (provide full details)				

(EUR)

	Chairman Hintze Ferreira	Member Maria Rosa Sá	Member Pedro Felício	Total
<b>5. Additional information</b>				
5.1. Option to receive salary based on previous function (y/n)	No	No	No	
5.2. Gross annual remuneration prior to CGD Group employment				
5.3 Social security regime				
5.3.1. Social security (y/n)	Yes	No	No	
5.3.2. Other (please specify)		CGA (1)	CGA (1)	
5.4. Paid functions outside Group				
5.5. Other (provide full details)				

(1) Instalments payable by preceding function.



## EUROPE

### BELGIUM

CGD – Representative Office

### FRANCE

CGD – France Branch

Fidelidade Mundial – Branch

Império Bonança – Branch

### GERMANY

CGD – Representative Office

### LUXEMBOURG

CGD – Luxembourg Branch

Fidelidade Mundial – Branch

Império Bonança – Branch

### MADEIRA

Offshore Branch

### SPAIN

Banco Caixa Geral

Caixa-Banco de Investimento – Branch

CGD – Spain Branch

Fidelidade Mundial – Branch

### SWITZERLAND

CGD – Representative Office

BCG – Representative Office

### UNITED KINGDOM


CGD – London Branch



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# 4

## COMPLIANCE WITH LEGAL GUIDELINES



## 4. Compliance with Legal Guidelines

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### 4.1. Compliance with Legal Guidelines on Management Objectives

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CGD's sole shareholder, the Portuguese state, has not established any management guidelines or objectives for 2011, as provided for in article 11 of Decree Law 300/2007 of 23 August.

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### 4.2. Compliance with the Guidelines on the Special Duties of Information to DGTF and IGF

---

Caixa Geral de Depósitos complies with the special duties of information to which it is subject under the terms of ministerial ruling 14 277/2008 of 23 May, on reporting to the Directorate General of the Treasury and Finance (DGTF) and Inspectorate General of Finance (IGF). CGD has therefore sent regular information to both entities using, *inter alia*, the System for the Collection of Economic and Financial Information (SIRIEF).

#### 4.2.1. ACTIVITY PLANS AND ANNUAL BUDGETS

CGD has informed the Minister of Finance of its Annual Activity Plans and Budget and registered its Cost Reduction Plans / Operating Expenses for 2011, with FIRIEF, both separate and consolidated.

#### 4.2.2. INVESTMENT PLANS

CGD has not sent annual and pluriannual investment plans and information on its respective funding sources to the entities in question as it considers that the level of detail is not compatible with the type of activity performed by the Group, or its respective dimension and complexity.

#### 4.2.3. QUARTERLY BUDGET PERFORMANCE REPORTS

The audit board has sent a quarterly report to the Ministry of Finance on the controls of anomalies and main eventually identified deviations from the forecasts under the dispositions of article 6, no. 2 of Decree Law 287/93 of 20 August.

#### 4.2.4. COPIES OF MINUTES OF SHAREHOLDERS' MEETINGS

CGD on 16 June 2011, sent a copy of the minutes of the shareholders' meeting to the Director General of the Treasury and Finance under the terms of the circular relative to the process for submitting accounts in 2010.

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## 4.3. Compliance with the Shareholders' Recommendations – Diligence and Results Obtained

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At the time of the approval of the accounts for 2010, the shareholder had not issued any additional recommendation.

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## 4.4. Compliance with Guidelines on Remunerations

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### 4.4.1. STATUTORY BODIES

CGD complied with the dispositions of the Ministerial Ruling of 25 de March 2010 issued by the Minister of State and Finance, conveyed in circular letter 2590 of 26 March 2010, not having paid any management bonus to members of statutory bodies in 2011.

CGD complied in full with the provisions of article 12 of Law 12-A/2010 of 30 June, with the monthly gross remunerations of all members of CGD's board of directors having been reduced by 5%.

Reference should also, herein, be made to the fact that, since January 2011, CGD has also applied to all members of the board of directors, the 10% reduction on their monthly gross income 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.

### 4.4.2. EMPLOYEES

Following the coming into effect of Law 55-A/2010 of 31 December (state budget 2011) CGD effected the cuts to remunerations with the changes justified by its business status duly authorised by the Secretary of State for the Treasury and Finance.

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## 4.5. Compliance with Guidelines on Public Contract Standards

---

The Public Contracts Code, approved by Decree Law 18/2008 of 29 January, does not apply to CGD, nor the companies in a controlling or Group relationship with it.

CGD, however, has a contract of mandate with Group companies, Sogrupos, Compras e Serviços Partilhados, Agrupamento Complementar de Empresas (SCSP), for the provision of services related with the management of human resources, trading and facilities management (goods and services), from a shared services viewpoint with CGD Group, centralising common activities and processes in an endeavour to achieve economies of scale and knowledge, promote cost reductions, maximise productivity and improve the quality of service.

SCSP has transparent procedures in place for services contracts, based on adjudication criteria geared to principles of economy and effectiveness. The procedures adopted by SCSP on this issue either on behalf of the company itself or situations in which it is acting on behalf of Group companies may be consulted in item 3.4.1. of the company's governance report which deals with the procedures adopted regarding the acquisition of goods and services.

SCSP assesses the results obtained from the adopted procedures, both on behalf of the company and on behalf of Group companies, by classifying the results in accordance with a set of pre-agreed

presuppositions, in parallel with the assessment of the service provider, which includes the analysis and justification of any deviation occurring with the services provided in terms of time, cost and quality of service.

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## 4.6. Implementation of Rationalisation Measures for the Goods and Services Procurement Policy

---

CGD, although not a subscriber to the National Public Purchasing System (SNCP), has rationalised its goods and services provisioning policy through the SCSP, whose activity is subject to a set of internal and external regulations in line with SNCP procedures.

The SCSP is accordingly subject to the legal regulations on commercial companies and those deriving from the articles of association of economic interest groupings, in addition to the company's articles of association which were revised on 8 May 2009.

In providing specific services to CGD, SCSP is regulated by an agreement entered into with the said group member in addition to the rules governing such tasks or services in force within the said entity.

The most relevant aspects of the company's operation and performance of its activity, namely in terms of the level of transparency of the procedures adopted by the SCSP, for the acquisition of goods and services, in addition to the prevention of money laundering, have been set out in specific documents, which have been published internally.

The company's activity is geared to strict compliance with legal, regulatory, ethical, deontological standards and good practice. To monitor such compliance, notably in the sphere of the services provided to its Group member CGD, this entity's internal control system is used.

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## 4.7. Compliance with Guidelines on the Cost Reduction Plan Defined for 2011

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CGD submitted its Plan for the Reduction of Other Administrative Expenditure in its letters 19/11-SGE of 26.01.2011 and 79/11-SGE of 26.05.2011, addressed to the Secretary of State for the Treasury and Finance, regarding the previously agreed methodology and principles.

Considering this methodology, the effective reduction deriving from the measures taken within CGD Group comprise around EUR 77.3 million, down 20.6% on a comparable basis over 2009.



#### 4.8. Summary of Compliance with Legal Guidelines

		Compliance			
		Y	N	N.A.	
COMPLIANCE WITH LEGAL PROVISIONS				Quantification	Justification
<b>Management objectives:</b>					
Management objective			X	Not applicable	
<b>Special information requirements</b>					
Annual and multi-annual business plans		X			
Annual budgets		X			
Annual and multi-annual investment plans and respective funding sources			X	Not applicable	
Quarterly budget execution reports accompanied by reports of the audit board		X			
Copy of the minutes of the general meetings		X			
<b>Recommendations of the shareholder in the accounts approval:</b>					
Recommendation			X	Not applicable	
<b>Remuneration:</b>					
Non assignment of management bonus		X			
Statutory bodies – remuneratory reduction under the terms of article 19 of Law 55-A/2010		X		200 900.28	
Statutory bodies – 5% reduction in accordance with article 12 of Law 12-A/2010		X		105 696.50	
External audit – remuneratory reduction under the terms of article 19 of Law 55-A/2010					
Remainder employees – remuneratory reduction under the terms of article 19 of Law 55-A/2010		X		24 030 472.65	(a)
<b>Public procurement</b>					
Public procurement rules			X	Not applicable	
Public procurement rules by subsidiaries			X	Not applicable	
Accession to the National Public Purchasing System			X	Not applicable	
<b>Cost reduction scheme</b>					
Staff costs					
External supplies and services		X		137%	
					The reduction of CGD Group costs corresponds to around EUR 77.3 million, representing a 20.6% cut vis-à-vis the comparable base, under the terms of our letters 19/11-SGE of 26/01/2011 and 79/11-SGE of 26/05/2011, addressed to the Secretary of State for the Treasury and Finance

<sup>(a)</sup> In accordance with Law 55-A/2010, of 31 December (LOE 2011) CGD carried out the respective remuneratory reductions with the adjustments justified by its specific corporate nature and duly authorised by the Secretary of State for the Treasury and Finance.

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## Excerpt from the Minute of the Annual Shareholders' Meeting of Caixa Geral de Depósitos, SA

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The following text is an excerpt of no. 1/12 of the minute of CGD's general meeting of 15 May 2012, issuing a resolution on CGD, SA's annual report 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 board of directors' report and the separate and consolidated accounts for 2011, in due consideration of the emphases 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 shareholder's 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 proposal of the board of directors that, under the terms of article 66, no. 5, f) and article 376 of the Commercial Companies Code, and article 26 of Caixa Geral de Depósitos's Articles of Association, the loss for the year relative to the separate accounts of CGD for the amount of EUR 316 255 089.00, should be included in the "Other reserves and retained earnings" balance sheet heading.

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.

The meeting went on to discuss item four on the agenda in respect of which the state representative proposed and voted in favour that the resolution on the declaration on the remuneration policy for members of the board of directors should be taken as soon as it was possible to fully define the board of directors executive members' remuneration status...»





#### CONTACTS

Tel. (351) 21 795 30 00

Fax (351) 21 790 50 50

[cgd@cgd.pt](mailto:cgd@cgd.pt)

[www.cgd.pt](http://www.cgd.pt)

#### COMMUNICATION DEPARTMENT

Tel. (351) 21 790 50 03

Fax (351) 21 790 50 53

[dcm@cgd.pt](mailto:dcm@cgd.pt)

#### CAIXA GERAL DE DEPÓSITOS, SA

Head Office: Av. João XXI, 63

1000-300 LISBOA

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